

HIGHER EDUCATION

INFORMATION MEMO

MAY 13, 2025

New Department of Education Communication Requires Institutions to Contact Students About Loan Debt

By: Barbara A. Lee

On May 5, 2025, the Department of Education (ED) released a **“Request for Institutions to Provide Repayment Information to Former Students to Prevent Defaults”** (GEN-25-19). Noting that “only 38% of Direct Loan and Department-held Federal Family Education Loan Program borrowers are in repayment and current on their student loans,” ED estimates that “almost 25% of the entire portfolio is either in default or a late stage of delinquency.” Although the Department paused its requirement that students make payments on their defaulted federal student loan debt in March of 2020 due to the COVID-19 pandemic, ED resumed collection of defaulted student loans on Monday, May 5, 2025, and is asking institutions whose students have incurred federal student loan debt to contact those students who have student loan debt, particularly those who are in default. These communications must be made in the next few weeks: the Secretary has set a deadline of **June 30, 2025**.

Communications to Students

ED is tasking institutions with “providing clear and accurate information about repayment to borrowers through entrance and exit counseling,” and states that colleges and universities are responsible for “disclosing annual tuition and fees and the net price to students and their families on the costs of a postsecondary education.” Conceding that higher education institutions have provided “direct advice and counsel to students regarding their borrowing,” ED warns that “institutions must refocus and expand these efforts as pandemic flexibilities come to an end.”

The Secretary is directing institutions to provide the following information to all borrowers who have not been enrolled at the institution since Jan. 1, 2020, and for whom they have contact information:

- Remind the borrower that he or she is obligated to repay any federal student loans that have not been repaid and are not in deferment or forbearance;
- Suggest that the borrower review information on [StudentAid.gov](https://studentaid.gov) about repayment options; and
- Request that the borrower [log into StudentAid.gov](https://studentaid.gov) using their StudentAid.gov username and password to update their profile with current contact information and ensure that their loans are in good standing.

ED requires that institutions include all three of the bulleted information statements above in the institution’s notice to borrowers.

The Department expects this outreach be performed no later than June 30, 2025 and suggests that institutions “focus their initial outreach on students who are delinquent on one or more of their loans in order to prevent defaults.” A future communication from ED will provide assistance to institutions on how

to identify and communicate with those borrowers.

A press release posted on April 21, 2025 stated: “There will not be any mass loan forgiveness.” It also stated that “Later this summer, ED will send required notices beginning administrative wage garnishment” for those borrowers in default.

Impact of Cohort Default Rates (CDR)

ED’s announcement reminds colleges and universities that Section 435 of the Higher Education Act, which governs federal student aid programs, provides that institutions “will lose eligibility for federal student assistance, including Pell Grants and federal student loans, if their CDR exceeds 40% for a single year or 30% for three consecutive years.” Because the repayment pause on student loans ended in Oct. 2023, “CDRs published in 2026 will include borrowers who entered repayment in 2023 and defaulted in 2023, 2024 or 2025.” Furthermore, says ED, “those borrowers whose delinquency or default status was reset in Sept. 2024 could enter technical default status / be delinquent on their loans for more than 270 days beginning in June and default this summer.” Therefore, it is in the institutions’ interest to contact former students in order to minimize the college or university’s cohort default rate in order to avoid being barred from the federal student assistance program.

Publication of an Institution’s Student Loan Default Rate

The May 5th communication reminds institutions that ED has data on the repayment status of each borrower as well as that borrower’s institution(s) attended. The Department will calculate non-repayment rates for every college and university that participates in the federal student aid program and will publish this information later in May on the Federal Student Aid Data Center website.

ED has promised to announce further requirements and information for institutions participating in the federal student assistance program. Bond will provide updates as this additional information is released by ED. Please contact a Bond attorney in the [higher education practice](#) or the Bond attorney with whom you normally work, for questions, concerns and tailored consultation.

