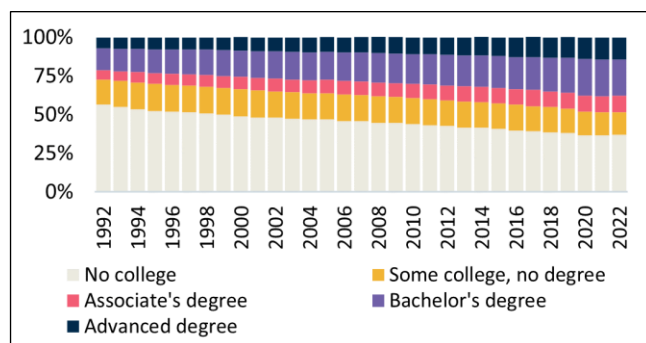


October 9, 2024

Federal Student Aid Authorized by Title IV of the Higher Education Act

Federal financial assistance for students pursuing postsecondary education is primarily provided through Title IV of the Higher Education Act (HEA). The general intent for such aid is to assist in making the benefits of higher education available to students by increasing access and completion. **Figure 1** shows the change in postsecondary enrollment and completion in recent decades. This report provides a brief overview of the HEA Title IV aid programs and how they work together for students.

Figure 1. Educational Attainment of Persons 25 Years Old and Over



Source: U.S. Census Bureau, Educational Attainment Tables, 1996-2000; and U.S. Census Bureau, Table A-4, "Detailed Years of School Completed by People 25 Years and Over: 2000 to 2022."

HEA Title IV Aid Programs

HEA Title IV establishes student eligibility requirements (e.g., citizenship requirements, satisfactory academic progress) that apply to its five aid programs. The individual programs have additional student eligibility criteria. The programs are administered by the U.S. Department of Education (ED) through institutions of higher education (IHEs). The HEA Title IV aid programs may be distinguished by student portability, student financial need, payback requirements, and budget authority.

Pell Grants

The federal Pell Grant program is intended to be the foundation of federal financial aid awarded to financially needy undergraduates. Pell Grants are portable aid; that is, the aid follows students to the eligible IHE in which they enroll. Students do not repay Pell Grants.

To be eligible, a student must demonstrate financial need through either a family adjusted gross income or a student aid index (SAI) that falls below specified thresholds. SAI synthesizes personal and financial characteristics to estimate the ability of a student and the student's family to pay for postsecondary education.

The maximum Pell Grant amount in academic year (AY) 2024-2025 is \$7,395. A student's award may be lower depending on their financial need and enrollment intensity. A student may receive no more than 12 semesters of Pell Grant awards while enrolled full-time (or the equivalent).

The Pell Grant program primarily receives annual discretionary appropriations but also has permanent mandatory budget authority. Regardless of the discretionary appropriations, eligible students receive the Pell Grant award level calculated for them, making the program a *quasi-entitlement*. Because of this disconnect between funding and spending, the program may run a discretionary shortfall or surplus in any year. Administrative expenses are funded through discretionary appropriations.

Loans

The Direct Loan program is the largest source of federal financial aid for postsecondary education. Four types of loans are available: Subsidized Loans, Unsubsidized Loans, PLUS Loans, and Consolidation Loans. Eligibility to borrow loans varies by loan type, borrower characteristics (e.g., dependency status, financial need), program level (undergraduate or graduate), and class level (e.g., 1st year, 2nd year). In general, loans are available to individuals regardless of creditworthiness and are portable aid. When borrowing a loan, an individual assumes a contractual obligation to repay the debt plus interest over a period of time that may span a decade or more.

The maximum amounts individuals may borrow are constrained by program rules such as annual and aggregate borrowing limits and packaging procedures (see below). Dependent undergraduate students may borrow up to \$31,000 in total, and independent undergraduates may borrow up to \$57,500 in total. PLUS Loans borrowed by graduate students and by parents on behalf of a dependent student are not subject to aggregate borrowing limits.

Indefinite mandatory budget authority is provided to fund Direct Loans. As such, loans are an entitlement to qualified borrowers. Funding for administrative expenses is provided through discretionary appropriations.

TEACH Grants

The Teacher Education Assistance for College and Higher Education (TEACH) Grant program provides grants to students to pursue coursework leading to a certification in teaching. As a condition of receiving a TEACH Grant, a recipient must complete within eight years of program completion four years of teaching in a high-need field and in a school that serves low-income students. If a recipient does not complete the required teaching, their TEACH

Grant is converted into a Direct Unsubsidized Loan, which must be repaid in full plus interest.

The statutory annual maximum award amount is \$4,000; however, TEACH Grant awards in AY2024-2025 are subject to a 5.7% sequester reduction, resulting in an adjusted annual maximum award amount of \$3,772.

The TEACH Grant program is funded through indefinite mandatory budget authority, making it an entitlement, while administrative expenses are funded through discretionary appropriations.

Federal Work Study

The Federal Work Study (FWS) program provides grants to IHEs to fund part-time employment for undergraduate, graduate, and professional students who demonstrate financial need. This aid is not portable.

Student awards are typically based on factors such as a student's financial need, the availability of FWS funds, and whether the student requests FWS employment and is willing to work. Students receive their awards via compensation for the hours they worked, thus the aid does not need to be repaid. There is no maximum award amount.

The FWS program receives annual discretionary appropriations. Participating IHEs or the employer, if not the IHE, must match 0% to 100% of the federal award, depending on the FWS employment type.

Federal Supplemental Educational Opportunity Grants

The Federal Supplemental Educational Opportunity Grants (FSEOG) program provides grants to IHEs to fund grant aid for undergraduate students with exceptional financial need. FSEOG awards are not portable and do not need to be repaid.

The minimum FSEOG award amount per academic year is \$100 and the maximum is generally \$4,000.

FSEOG receives annual discretionary appropriations. Participating IHEs must provide a nonfederal match equal to one-third of the federal award.

Packaging of Title IV Aid

Packaging is the process of awarding one or more forms of student aid to an individual in accordance with federal rules. IHEs package federal and nonfederal aid for individual students to offset their cost of attendance (COA). First, the Pell Grant amount is determined for undergraduates. Other forms of federal need-based aid may then be added, while ensuring total need-based aid does not exceed the student's financial need. Finally, non-need-based aid such as TEACH Grants, Unsubsidized Loans, and PLUS Loans may be awarded while ensuring total federal and nonfederal aid does not exceed COA minus other financial assistance (OFA). OFA may include non-Title IV aid such as institutional scholarships. **Table 1** shows the percentage of students receiving Title IV aid in AY2019-2020.

While IHEs must comply with these general federal rules relating to packaging, they are afforded some discretion in the process. Thus, the precise mix and amounts of aid may vary for similar students at different IHEs.

Table 1. Percentage of Students Who Received Title IV Aid, by Education Level: AY2019-2020

	Undergraduate Students	Graduate Students
Title IV Aid	55%	40%
Pell Grants	40%	na
Direct Loans	35%	40%
Other	12%	2%
No Title IV Aid	45%	60%

Source: CRS analysis of U.S. Department of Education, National Center for Education Statistics, 2019-2020 National Postsecondary Student Aid Study (the most recently available data).

Notes: "na" means not applicable. "Other" Title IV aid includes TEACH Grants, FWS, and FSEOG. Graduate students are not eligible for Pell Grants or FSEOG. The overall percentage of students who received Title IV aid does not equal the sum of the rows for Pell Grants, Direct Loans, and Other Title IV aid, as an individual student may have received aid from more than one Title IV program.

Awards and Appropriations

In AY2023-2024, over 8.5 million students and families received over \$122 billion in HEA Title IV aid (**Table 2**).

Table 2. Aid Awarded and Number of Student Aid Awards: FY2023

Aid	Aid Awarded (in millions)	Recipients (in thousands)
Pell Grants	\$31,264	6,471
Direct Loans		
Subsidized Loans	\$16,329	4,673
Unsubsidized Loans	\$45,555	6,557
Parent PLUS Loans	\$12,218	713
Grad PLUS Loans	\$14,280	647
TEACH Grants	\$71	23
FWS	\$1,248	630
FSEOG	\$1,294	1,615

Source: U.S. Department of Education, Budget Justification FY2025–Student Aid Overview.

Notes: The unduplicated number of Title IV aid recipients does not equal the sum of the rows, as an individual student may have received aid from more than one Title IV program. Aid awarded for FSEOG and FWS include institutional matching funds.

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