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SUMMARY

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The Concurrent Resolution on the Budget for FY2025 (H.Con.Res. 14) includes reconciliation instructions for the House Committee on Education and the Workforce (EDW) and the Senate Committee on Health, Education, Labor, and Pensions (HELP) to reduce spending within their jurisdictions by at least $330 billion and at least $1 billion, respectively, for FY2025-FY2034. Title III of H.R. 1, the One Big Beautiful Bill Act, comprises EDW's proposal to comply with its budget reconciliation instructions. On May 22, 2025, the House voted to pass H.R. 1. Senate HELP has not yet introduced legislation to comply with its budget reconciliation instructions.

Title III of H.R. 1 would amend a variety of provisions in Title IV of the Higher Education Act (HEA), which authorizes the primary federal student aid programs. The Congressional Budget Office (CBO) estimates that H.R. 1's Title III provisions would decrease direct spending outlays (i.e., result in budgetary savings) by $349.1 billion over the FY2025-FY2034 period. The majority of these budgetary savings ($348.7 billion) would result from amendments to the Direct Loan student loan program.

H.R. 1 would do the following:

- It would establish a new "median cost of college" measure upon which eligibility for most HEA Title IV student aid would be based, making a student's calculated need equal across institutions of higher education (IHEs) for a given program of study.
- It would eliminate the availability of Unsubsidized Direct Loans and of Grad PLUS Loans, while also adjusting loan limits on the other remaining types of Direct Loans. The bill would also authorize the availability of only two loan repayment plans for borrowers of new Direct Loans: a new standard repayment plan and a new income-driven repayment (IDR) plan known as the Repayment Assistance Plan. Borrowers currently enrolled in any IDR plan would be transitioned to an amended version of the income-based repayment plan. In addition, H.R. 1 would make some smaller scale amendments to the Direct Loan program, such as eliminating the availability of economic hardship and unemployment deferments and repealing regulations promulgated by the Biden Administration relating to borrower defense to repayment and closed school discharge.
- Pell Grant eligibility award rules would be tightened by, among other changes, requiring that students be enrolled on at least a half-time basis to qualify for a Pell Grant and requiring Pell Grant recipients to be enrolled in a larger number of hours to be considered enrolled full-time. The bill would also establish *Workforce Pell Grants* for otherwise Pell-eligible students enrolled in short-term undergraduate workforce programs and attempt to address the estimated Pell Grant shortfall.
- It would authorize Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) Grants for IHEs that offered a maximum total price guarantee for their undergraduate students. IHEs' PROMISE Grant amounts would be determined based on factors including educational program completion, completers' earnings, the maximum total price, and the dollar amount of Pell Grants awarded.
- Some noncitizens who are currently eligible for HEA Title IV student aid (e.g., refugees and asylees) would be ineligible for such aid.
- The 90/10 rule and "gainful employment" requirements would be repealed. Instead, H.R. 1 would institute a new institutional risk-sharing model applicable to IHEs participating in the Direct Loan program in which IHEs would be required to make reimbursement payments to the Secretary of Education (the Secretary) based on the performance of the loans borrowed by or on behalf of their students, the prices charged to students, and a new median value-added earnings measure. Institutional reimbursement payments would fund the newly authorized PROMISE Grants.
- The Secretary's authority to issue regulations and take other executive actions would be newly limited, including the Secretary being prohibited from promulgating regulations or taking other executive actions that would increase the cost of the federal student loan programs and would be "economically significant."

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Budget Resolution and Reconciliation

The House and Senate adopted the Concurrent Resolution on the Budget for FY2025 (H.Con.Res. 14) on April 10, 2025. A budget resolution generally represents an agreement between the House and Senate on a budgetary plan for the upcoming fiscal year and allows Congress to employ the budget reconciliation process.

H.Con.Res. 14 triggered the budget reconciliation process by including reconciliation instructions for 11 committees in the House and 10 committees in the Senate, instructing each committee to develop and report legislation within its jurisdiction that would increase or decrease the federal deficit by a specified amount. Under reconciliation procedures, once instructed, committees transmit such legislation to their respective Budget Committees. The appropriate Budget Committee then packages the responses together into an omnibus budget reconciliation bill and reports the bill "without any substantive revision."[1] The resulting reconciliation bill is eligible to be considered under special expedited procedures. These procedures are especially important in the Senate, as they exempt the reconciliation bill from the general requirement that legislation garner support of at least three-fifths of Senators to bring debate to a close.[2]

Under the reconciliation instructions in H.Con.Res. 14, the House Committee on Education and the Workforce (EDW) was to report legislation to reduce spending within its jurisdiction by at least $330 billion for FY2025-FY2034, and the Senate Committee on Health, Education, Labor, and Pensions (HELP) is to report legislation to reduce spending within its jurisdiction by at least $1 billion for FY2025-FY2034.

On April 29, 2025, the House EDW ordered reported its proposals to comply with its budget reconciliation instructions,[3] which the House Budget Committee packaged, together with other committees' proposals, as Title III of H.R. 1, the One Big Beautiful Bill Act. To meet the requirements of the FY2025 budget reconciliation instructions, Title III of H.R. 1 would amend numerous provisions in Title IV of the Higher Education Act (HEA), which authorizes the primary federal student aid programs. On May 22, 2025, the House voted 215 to 214 to pass H.R. 1.[4]

This report briefly describes and analyzes the major provisions contained in Title III of H.R. 1. Should a budget reconciliation measure to comply with H.Con.Res. 14 be considered in the Senate, this report will be updated accordingly to discuss that measure.

Higher Education Act (HEA) Title IV Student Aid Programs

Title IV of the HEA authorizes the primary federal financial assistance programs to aid students and their families in gaining access to and financing a postsecondary education. These programs

[1] Congressional Budget Act of 1974, §310(b)(2) of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), as amended.

[2] For additional information on the budget reconciliation process, see CRS Report R44058, *The Budget Reconciliation Process: Stages of Consideration*.

[3] "Full committee markup to comply with reconciliation directives included in H.Con.Res. 14 Section 2001(b)(3)," House Committee on Education and the Workforce, *Congressional Record*, daily edition, vol. 171, part 71 (April 29, 2025), p. D405.

[4] "Roll No. 145," One Big Beautiful Bill Act, *Congressional Record*, vol. 171, part 86 (May 21, 2025), p. H2357.

include the William D. Ford Federal Direct Loan (Direct Loan) program, the Pell Grant program, the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Teacher Education Assistance for College and Higher Education (TEACH) Grant program. Additionally, the HEA establishes eligibility criteria students must meet to access the aid and requirements for institutions of higher education (IHEs) to participate in the programs. The U.S. Department of Education (ED) administers these programs and provisions. In FY2024, ED oversaw the provision of approximately $120.8 billion in Title IV financial assistance to approximately 9.9 million students attending approximately 5,400 participating IHEs.[5] Additionally, it manages a student loan portfolio encompassing 45 million borrowers with outstanding federal student loans totaling about $1.6 trillion.[6]

H.R. 1, Title III

H.R. 1, Title III would make a number of changes to the HEA Title IV federal student aid programs, signaling an attempt to apply downward pressure on the cost of postsecondary education by changing how federal student aid is calculated and awarded, curtailing the availability of some student aid programs, and updating HEA, Title IV's institutional accountability framework, including instituting a new risk-sharing model. H.R. 1, Title III's provisions also reflect an attempt to streamline the Direct Loan program and to realize federal budget savings by adjusting loan terms and conditions.

Some of H.R. 1, Title III's provisions would increase direct spending, while others would decrease direct spending. In total, the Congressional Budget Office (CBO) estimates the proposal would decrease direct federal outlays (i.e., result in budgetary savings) by $349.1 billion for FY2025-FY2034, with most of the savings stemming from changes to the Direct Loan program.[7]

The remainder of this report reviews the changes that would be made by H.R. 1, Title III. Where available, this report also provides relevant information on CBO cost estimates for the provisions discussed. The CBO cost estimates cited in this report are based on legislative text reported to House EDW on April 29, 2025. Some amendments were made to the legislative text between that time and H.R. 1's passage in the House. Currently, a CBO cost estimate of H.R. 1 as passed in the House is unavailable. Thus, CBO cost estimates cited in this report should be viewed with caution.

[5] U.S. Department of Education (ED), *Federal Student Aid Fiscal Year 2024 Annual Report*, November 14, 2024, p. 16, https://studentaid.gov/sites/default/files/fy2024-fsa-annual-report.pdf.

[6] This includes loans made under the Direct Loan program, as well as under older programs for which new loans are no longer being made (e.g., the Perkins Loan program and the Federal Family Education Loan program). ED, *Federal Student Aid Fiscal Year 2024 Annual Report,* November 14, 2024, p. 16, https://studentaid.gov/sites/default/files/fy2024-fsa-annual-report.pdf.

[7] CBO, "Cost Estimate, Reconciliation Recommendations of the House Committee on Education and Workforce," May 15, 2025, p. 1, https://www.cbo.gov/system/files/2025-05/HEDWork_Reconciliation2025.pdf (hereinafter, "CBO, Cost Estimate").

Amount of Need, Cost of Attendance, Median Cost of College[8]

Section 30002 of H.R. 1 would change the way student eligibility for need-based HEA Title IV student aid is calculated.[9] It would base the need calculation on the median cost of all comparable programs of study rather than the cost of attendance (COA) of a student's specific program as determined by their IHE. Relative to current policy, the approach in the proposal could reduce access to federal aid for students attending programs with a cost above the national median.[10]

Currently under Title IV of the HEA, the process for determining a student's amount of *need* and corresponding eligibility for Title IV need-based aid[11] considers (1) *cost of attendance* (an institutionally determined amount that typically considers tuition, fees, and other associated costs as well as living expenses) and (2) a student's *student aid index* (SAI; an amount that is calculated based on information provided on the Free Application for Federal Student Aid [FAFSA] irrespective of the IHE the student attends).[12] A student's SAI in a given award year is fixed and, all else equal, a student may have more need at an IHE with a higher COA. Under both current law and H.R. 1, the need calculation also considers *other financial assistance* (OFA) not received under Title IV of the HEA.[13]

H.R. 1 would replace COA in the need calculation with a new "median cost of college" (MCC) metric.[14] This change would make need for a student equal across IHEs for a given program of study. "Median cost of college" would be defined as "the median cost of attendance ... for the program of study across all institutions of higher education offering such a program for the preceding award year."[15] The definition of MCC would also be used to establish annual borrowing limits on Direct Loan program loans, which are not need-based aid.

Under this proposal, a student's eligibility for need-based aid would no longer be impacted by the COA of a specific program but would instead be based on MCC, which considers all comparable programs of study. This means that if a student enrolled in a program with a COA above MCC, need-based federal student aid would only be available for the difference between MCC and the sum of SAI and OFA, not the larger difference between COA and the sum of SAI and OFA. For example, consider a student with an SAI of $3,000 and zero OFA who enrolled in a program of study with a COA of $20,000, and the median cost of comparable programs of study nationwide

[8] This section was authored by Benjamin Collins, Specialist in Labor Policy.

[9] The need calculation is established in Section 471 of the HEA.

[10] In cases where a student enrolls in a program with a COA below the new "median cost of college" (MCC) metric, rules for specific types of aid may limit the amount of that aid to COA. For example, Section 455(c) of the HEA specifies that Direct Loans may not exceed COA.

[11] Need-based aid includes Pell Grants, Subsidized Loans, Federal Educational Opportunity Grants, and FWS.

[12] See Section 471 of the HEA for more information on the determination of student need and Section 472 for more information on COA. For more information on the procedures and formulas associated with the FAFSA, see CRS Report R46909, *The FAFSA Simplification Act*.

[13] Some forms of need-based aid consider "other financial assistance" as defined by Section 480(i) of the HEA.

[14] "Median cost of college" would be defined in a new Section 472A of the HEA that would be created by this bill.

[15] The bill would define "programs of study" as those educational programs with the same Classification of Instructional Programs (CIP) Code at the same credential level. ED developed CIP codes to provide a taxonomic scheme that supports the accurate tracking and reporting of fields of study and program completions activity. For example, CIP Code 01.0000 represents Agriculture, General; while CIP Code 01.0103 represents Agricultural Economics.

was $10,000. This student would be eligible for $17,000 in need-based federal aid under current law compared to $7,000 under H.R. 1.

Notably, H.R. 1 would retain COA as an institution-established metric and schools would continue to establish and publish COA. Title IV student aid would be established on the basis of the median COA for a program of study rather than each IHE's specific COA. H.R. 1 does not explicitly address how potential differences between COA and MCC would impact non-federal student aid.

Separate from the changes related to COA and MCC, the proposal would modify the SAI formula to no longer consider the value of "a family farm on which the family resides" or a small business with fewer than 100 full-time equivalent employees that was owned and controlled by the family.

Updates to the Direct Loan Program[16]

The Direct Loan program is the single largest source of federal financial assistance to support students' postsecondary education pursuits.[17] In FY2024, ED disbursed about $86 billion in Direct Loans to more than 6.7 million recipients.[18] H.R. 1, Title III would make a number of changes to the program, many of which represent an attempt to streamline it and realize federal budgetary savings by adjusting loan terms and conditions. In total, proposed amendments to the Direct Loan program would result in the largest amount of savings realized under H.R. 1, Title III, totaling about $348.7 billion in CBO-projected savings for FY2025-FY2034.[19] Updates to the student loan repayment plans available for Direct Loans would account for the majority (about 85%) of those savings.

Loan Types and Limits

Section 30011 of H.R. 1 would amend the types of loans available to borrowers under the Direct Loan program, as well as the borrowing limits for those loans. In general, the changes would be applicable to periods of instruction beginning on or after July 1, 2026. However, they would mostly not be applicable to individuals enrolled in a program of study as of June 30, 2026, who received a Direct Loan (or on whose behalf a loan was borrowed in the case of PLUS Loans to parents of dependent undergraduate students) for that program, for the lesser of three academic years or the remaining amount of time in their program not yet completed (referred to in the bill as "expected time to completion"). CBO estimates that, taken together, these changes would result in budgetary savings of $51.2 billion for FY2025-FY2034.[20]

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[16] With the exception of "Loan Repayment Plans," this section was authored by Alexandra Hegji, Specialist in Social Policy.

[17] The Direct Loan program is authorized in HEA Sections 451-460. For detailed information on the program, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[18] ED, *Federal Student Aid Fiscal Year 2024 Annual Report*, November 14, 2024, p. 17, https://studentaid.gov/sites/default/files/fy2024-fsa-annual-report.pdf.

[19] This total excludes $1 billion in mandatory budget authority for loan servicing costs in FY2026 and FY2027, as loan servicing (administrative) costs are estimated on a cash basis, whereas other federal student loan program costs are estimated on a net-present-value basis according to the Federal Credit Reform Act of 1990. See CBO, Cost Estimate, pp. 3, 19-24. For additional information on loan servicing costs under H.R. 1 see "Student Loan Servicing" portion of this report.

[20] CBO, Cost Estimate, p. 5.

Loan Types

Currently, the HEA authorizes four types of Direct Loans: (1) Subsidized Loans available to undergraduate students, (2) Unsubsidized Loans available to undergraduate and graduate or professional students, (3) PLUS Loans available to graduate or professional students (Grad PLUS Loans) and to parents of dependent undergraduate students (Parent PLUS Loans), and (4) Consolidation Loans available to individuals with at least one outstanding Direct Loan or Federal Family Education Loan (FFEL) program loan.[21] A key difference among these loan types is that Subsidized Loans include an interest subsidy in which interest is not charged while a borrower is enrolled at least half-time in an eligible program and during other specified periods;[22] the other loan types generally do not include an interest subsidy.

H.R. 1 would generally eliminate the availability of Subsidized Loans and Grad PLUS Loans, though it would increase loan limits for other types of loans to offset, at least partially, the loss of access to Subsidized Loans and Grad PLUS Loans (see the "Loan Limits" section). That is, undergraduate and graduate or professional students would be eligible to borrow only Unsubsidized Loans going forward. Without access to the interest subsidies associated with Subsidized Loans, and all else being equal, borrowers would pay more interest on their undergraduate Direct Loans than they would have with the Subsidized Loans' interest subsidies. This would result in reduced costs to the federal government.[23] Under H.R. 1, parents of a dependent undergraduate student could only borrow PLUS Loans if the dependent undergraduate student first borrowed the eligible maximum annual amount of Unsubsidized Loans and that amount was less than COA for their program of study.

Loan Limits

Direct Loans are subject to annual and aggregate loan limits. Annual loan limits cap the amount a student may borrow in Direct Loans during a single academic year. Currently, annual loan limits vary by loan type, borrower characteristics (e.g., dependency status), program level (undergraduate, graduate, or professional), and class level (e.g., first- or second-year undergraduate). Generally, annual loan limits are capped at statutorily specified dollar amounts. Aggregate loan limits cap the cumulative amount of outstanding Direct Loan and FFEL program loan principal (excluding capitalized interest) a student may owe in non-PLUS Loans at any one time.[24] Thus, if some of a borrower's principal balance was paid down, discharged, or forgiven, their remaining aggregate loan limit would then increase proportionally.[25] PLUS Loans do not have aggregate loan limits.

Under H.R. 1, annual loan limits on Unsubsidized Loans to undergraduate and graduate or professional students would be shaped by the new MCC measures (see previous discussion of MCC) applicable to each borrower's program of study. Thus, whether annual loan limits would

[21] The FFEL program was the primary federal student loan program before the Direct Loan program. Although loans are no longer authorized to be made under the program, about $163 billion in FFEL program loans borrowed by or on behalf of 7 million students remain outstanding and due to be repaid. ED, Office of Federal Student Aid, Federal Student Aid Data Center, "Federal Student Aid Portfolio Summary," FY2025 Q2.

[22] These periods include a six-month grace period that borrowers receive prior to entering repayment on their loans, periods of authorized deferment, and certain other periods.

[23] CBO, Cost Estimate, p. 5.

[24] Interest capitalization occurs when unpaid accrued interest is added to the principal balance of a loan.

[25] For example, if a borrower met the Subsidized Loan and Unsubsidized Loan aggregate limit of $57,500 for dependent undergraduate students and then repaid $20,000 of those loans, they would be newly eligible to borrow an additional $20,000 in Subsidized Loans and Unsubsidized Loans, subject to all other eligibility restrictions.

increase or decrease for a particular student under H.R. 1 as compared to current law would depend on the program of study in which they are enrolled. Aggregate limits for all loan types would be capped at specific dollar amounts. For some borrower types (e.g., dependent undergraduate students), compared to current law, the aggregate limits would increase; for others, (e.g., independent undergraduate students) the aggregate limits would decrease. H.R. 1 would also institute a new *lifetime maximum aggregate limit*, limiting the total amount of Direct Loans an individual may ever borrow under the program regardless of whether some of their principal balance had been paid down, discharged, or forgiven. **Table 1** compares loan limits applicable to different groups of borrowers under current law and H.R. 1.

Table 1. Federal Direct Loan Limits Under Current Law and H.R. 1

Annual and Aggregate Loan Limits by Loan and Borrower Type

Limit	Current Law[a]	H.R. 1[a]
Annual		
Undergraduate (Subsidized Loans)	$3,500 (first-year, dependent or independent) $4,500 (second-year, dependent or independent) $5,500 (third-year and beyond, dependent or independent)	This type of loan would be eliminated
Undergraduate (Unsubsidized Loans)	$5,500 minus Subsidized Loans (first-year, dependent) $6,500 minus Subsidized Loans (second-year, dependent) $7,500 minus Subsidized Loans (third-year and beyond, dependent) $9,500 minus Subsidized Loans (first-year, independent) $10,500 minus Subsidized Loans (second-year, independent) $12,500 minus Subsidized Loans (third-year and beyond, independent)	MCC minus the student's Pell Grant award
Graduate or Professional Students (Unsubsidized Loans)	$20,500 (in general; higher limits apply to certain health professions programs)[b]	MCC
PLUS Loans (graduate or professional students)	Up to COA minus EFA	This type of loan would be eliminated
PLUS Loans (parents of dependent undergraduate students)	Up to COA minus EFA	COA of the program of study minus the maximum annual Unsubsidized Loan the student may borrow
Aggregate[c]		
Undergraduate (Subsidized Loans)	$23,000 (dependent or independent)	This type of loan would be eliminated
Undergraduate (Unsubsidized Loans)	$31,000 minus Subsidized Loans (dependent) $57,5000 minus Subsidized Loans (independent)	$50,000

Limit	Current Law[a]	H.R. 1[a]
Graduate (Unsubsidized Loans)	—	$100,000[d] or $150,000 minus amounts borrowed as a professional student[e]
Professional[f] (Unsubsidized Loans)	—	$150,000[g] or $150,000 minus amounts borrowed as a graduate student[h]
Combined undergraduate (Subsidized Loans and Unsubsidized Loans) plus graduate or professional (Unsubsidized Loans)	$138,500[i]	$200,000[j]
PLUS Loans (graduate students)	Not limited	This type of loan would be eliminated
PLUS Loans (parents of dependent undergraduate students)	Not limited	—
Lifetime Maximum Aggregate[k]		
Unsubsidized Loans, Subsidized Loans, and PLUS Loans to graduate or professional students	n.a.	$200,000[l]
PLUS Loans (parents of dependent undergraduate students)	n.a.	$50,000[m,n]

Source: HEA §§428, 428H, 451, and 455; CRS analysis of H.R. 1, Title III.

Notes: "—" indicates that a certain limit is not directly specified.
MCC: median cost of college for the program of study in which the student is enrolled
COA: cost of attendance
EFA: estimated financial assistance (amount of aid anticipated to be made available to a student from all sources for a period of enrollment)

a. Current law specifies distinct annual loan limits for preparatory coursework for an undergraduate program ($2,625 for dependent students and $8,625 for independent students, of which up to $2,625 may be Subsidized Loans), preparatory coursework for a graduate program ($5,500 for dependent students and $12,500 for independent students, of which up to $5,500 may be Subsidized Loans), and teacher certification programs ($5,500 for dependent students and $12,500 for independent students, of which up to $5,500 may be Subsidized Loans). H.R. 1 would not amend the HEA provisions that specify these limits.

a. Generally, these limits would not be applicable to individuals already enrolled in a program of study as of June 30, 2026, who received a Direct Loan (or on whose behalf a loan was borrowed in the case of PLUS Loans to parents of dependent undergraduate students) for that program, for the lesser of three academic years or the remaining amount of time in their program not yet completed (referred to as "expected time to credential"). These limits would apply to such individuals after the expiration of their expected time to credential.

b. Students enrolled in programs in the following disciplines are eligible annually to borrow $20,000 more in Direct Unsubsidized Loans than regular students for programs with 9-month academic years, and $26,667 more for programs with 12-month academic years: Doctor of Allopathic Medicine; Doctor of Osteopathic Medicine; Doctor of Dentistry; Doctor of Veterinary Medicine; Doctor of Optometry; Doctor of Podiatric Medicine; and, effective May 1, 2005, Doctor of Naturopathic Medicine and Doctor of Naturopathy. Students enrolled in programs in the following disciplines are annually eligible to borrow $12,500 more in Direct Unsubsidized Loans than regular students for programs with 9-month academic years, and $16,667 more for programs with 12-month academic years: Doctor of Pharmacy, Graduate in Public Health, Doctor of Chiropractic, Doctoral Degree in Clinical Psychology, and Masters or Doctoral Degree in Health Administration. Amounts are prorated for 10- and 11-month programs.

c. Aggregate loan limits cap the cumulative amount of outstanding loan principal (excluding capitalized interest) a student may owe on certain loan types at any one time. If a borrower paid down their principal balance or had some of it forgiven or discharged, their aggregate loan limit would then increase accordingly.

d. Applies to a graduate student who is not (and has not been) a professional student.

e. Applies to a graduate student who is (or has been) a professional student.

f. For purposes of the newly proposed loan limits, a "professional student" is defined as a student enrolled in a program of study that awards a professional degree or that provides training described in 14 C.F.R. Part 141. Federal Aviation Administration regulations set forth requirements for "issuing pilot school certificates, provisional pilot school certificates, and associated ratings" (14 C.F.R. §141.1).

g. Applies to a professional student who is not (and has not been) a graduate student.

h. Applies to a professional student who is (or has been) a graduate student.

i. Under current law, the combined aggregate loan limit for undergraduate and graduate or professional student loans is, in general, $138,500. For students enrolled in certain health professions programs, the combined aggregate loan limit is $224,000.

j. Represents the aggregate amount an individual may borrow as an undergraduate student ($50,000) plus the aggregate amount an individual may borrow as an individual who is or has been a professional student ($150,000).

k. The lifetime maximum aggregate limits the total amount of Direct Loans an individual may ever borrow under the program, regardless of whether some of their principal balance had been paid down, discharged, or forgiven.

l. Applicable to all student borrowers, regardless of whether they are enrolled in a program of study for which they borrowed a Direct Loan as of June 30, 2026.

m. This limit applies regardless of the number of dependent undergraduate students on whose behalf a parent borrows a PLUS Loan.

n. Not applicable to parent borrowers who as of June 30, 2026, borrowed on behalf of a dependent undergraduate student who is enrolled in a program of study as of that date.

Under current law, students qualify for a Direct Loan if they are enrolled on at least a half-time basis.[26] They are eligible for the full amount of Direct Loans for which they qualify even if they are enrolled on a less-than-full-time basis.[27] H.R. 1 would require that a student's loan amount for an academic year be prorated based on their enrollment intensity if they are enrolled on a less-than-full-time basis. Beginning July 1, 2026, H.R. 1 would permit an IHE to limit the dollar amount of Direct Loans an individual may borrow for a particular program of study and academic year, as long as the limit is applied consistently to all students enrolled in the program.

Loan Repayment Plans[28]

The HEA and accompanying regulations establish numerous repayment plans for Direct Loans, each with differing monthly payment structures and maximum repayment periods. The currently available repayment plans fall into three categories: fixed repayment plans, alternative repayment plans, and income-driven repayment (IDR) plans. Under fixed repayment plans, borrowers repay their loans in full in a specified time period (repayment period). These plans include the following:

- standard repayment plans, which allow borrowers to make level payments (i.e., monthly payments that remain the same over the life of the loan) for a specified repayment period, usually 10 years;

[26] HEA §484(b)(3).

[27] For additional information, see ED, *FY2024-2025 Federal Student Aid Handbook*, vol. 8, ch. 5. For the purposes of non-Pell Grant HEA Title IV programs, H.R. 1 would not amend the definition of "full-time." H.R. 1 would amend the definition of full-time for purposes of the Pell Grant program. See the "Proposed Changes Related to Enrollment Intensity" section in this report.

[28] This section was authored by Rita Zota, Analyst in Education Policy.

- extended repayment plans, which allow borrowers to make lower monthly payments over a longer duration (12 to 30 years); and
- graduated repayment plans, which allow borrowers to make smaller payments earlier in the repayment period and larger payments later.

Alternative repayment plans are available in more limited situations, on a case-by-case basis, to borrowers who demonstrate that other available repayment plans do not "accommodate the borrower's exceptional circumstances."[29]

The HEA also requires that the Secretary of Education (the Secretary) make available to borrowers IDR plans, which base a borrower's monthly payment on their income. Under all IDR plans,

- borrowers make monthly payments equal to one-twelfth of a specified percentage (5%-20%, depending on the plan) of their "discretionary income," which is defined as the portion of a borrower's adjusted gross income (AGI) that exceeds a specified multiple (100%-225%, depending on the plan) of the federal poverty guideline applicable to the borrower's family size;
- any remaining outstanding principal and interest is forgiven after repayment for a maximum repayment period (10-25 years, depending on the plan); and
- an interest subsidy, where unpaid accrued interest is not charged to the borrower, may be available in some instances of *negative amortization*.[30]

Over time, through congressional acts and administrative rulemaking, two types of IDR plans have been established: income-based repayment (IBR) plans and income-contingent repayment (ICR) plans. The IBR plans comprise the original IBR plan and the IBR plan for new borrowers on or after July 1, 2014. Many of the IBR plans' terms are established in the HEA. The ICR plans comprise the Income-Contingent Repayment plan, the Pay As You Earn (PAYE) repayment plan, and the Saving on a Valuable Education (SAVE) repayment plan.[31] The ICR plans' terms are established in regulations under HEA authority that is broader than the IBR authority.

Parent PLUS Loans are not eligible to be repaid according to any of the IDR plans; however, a borrower may consolidate their Parent PLUS Loan into a Direct Consolidation Loan and repay the resulting loan according to the Income-Contingent Repayment plan.

Borrowers of New Loans

Section 30021 of H.R. 1 would authorize the availability of only two repayment plans for borrowers with any Direct Loans made on or after July 1, 2026 ("new loans"): a new standard repayment plan and a new type of income-based repayment plan, referred to as the Repayment Assistance Plan (RAP). Borrowers who have outstanding balances on Direct Loans made prior to July 1, 2026, ("existing loans") and borrow a new loan must select from these two repayment

[29] HEA §455(d)(4).

[30] Negative amortization is a period during which a borrower's monthly payment amount is less than the interest that accrues on their loans during the month. During periods of negative amortization, interest that is left unpaid after the monthly payment is applied accumulates in a balance of unpaid interest. Generally, such balance of unpaid interest must be repaid by the borrower.

[31] In April 2025, a U.S. District Court preliminarily enjoined ED from implementing the SAVE repayment plan final rule until it can rule on the merits of a lawsuit challenging ED's authority to issue the rule. Missouri v. Trump, 4:24-cv-00520-JAR, at *2 (E.D. Mo. April 14, 2025). The district court's injunction followed a February 2025 ruling by the U.S. Court of Appeals for the Eighth Circuit that plaintiffs challenging the SAVE plan and related ED action were likely to prevail on their claims. See Missouri v. Trump, 128 F.4th 979, 996 (8th Cir. 2025).

plan options when they enter into repayment on the new loan, at which point all of their Direct Loans must be repaid according to that same repayment plan, regardless of when the loans were borrowed.

Under the new standard repayment plan, a borrower would make level monthly payments and repay their loans in full in a specified repayment period based on the outstanding principal balances owed on any Direct Loans at the time the borrower enters into repayment under the new standard repayment plan, regardless of when the loans were borrowed. The standard repayment terms would be

- 10 years for a total principal balance of less than $25,000;
- 15 years for a total principal balance of at least $25,000 and less than $50,000;
- 20 years for a total principal balance of at least $50,000 and less than $100,000; and
- 25 years for a total principal balance of $100,000 or more.

Although the RAP shares some characteristics with the other IDR plans (e.g., monthly payments would be based on a percentage of a borrower's AGI and forgiveness of outstanding loan balances would be available after making payments for a certain repayment period), it would include some features that differ to varying extents from existing IDR plans.

- Monthly payment amounts would be based on a borrower's total AGI instead of discretionary income, which reflects a portion of AGI.[32]
- The percentage of a borrower's AGI used for the monthly payment calculation would follow a sliding scale based on total AGI and range from 1% to 10% for AGIs of greater than $10,000, with the applicable percentage increasing by one percentage point for each increment of $10,000 in AGI. The result of multiplying the borrower's AGI by the applicable percentage would be the borrower's *base monthly payment*.[33] For incomes of $10,000 or less, the base monthly payment would be $10. Additionally, for each "dependent child of the borrower,"[34] the base monthly payment would be reduced by $50 to arrive at the borrower's "applicable monthly payment," except that the borrower's applicable monthly payments can be no less than $10.
- The maximum repayment period would be 360 monthly payments (30 years), after which any remaining outstanding balance in principal and unpaid interest would be cancelled.
- Any monthly accrued interest that remains unpaid after the monthly payment is applied would not be charged to the borrower for any loans in negative amortization.
- The RAP would provide a new "matching principal payment" for a borrower who repays less than $50 in total principal across all loans for the month. For such borrowers, the total principal would be reduced by an amount equal to the

[32] For borrowers who are either single or married and file a separate federal tax return from their spouse, only the borrower's AGI would be used. For borrowers who are married and file a joint federal tax return with their spouse, both the borrower's and their spouse's AGI would be used.

[33] For example, for an AGI of $45,000, the applicable percentage would be 4%, and the base monthly payment would be one-twelfth of 4% of $45,000, or $150 (4% of $45,000 is $1,800 and $1,800 divided by 12 is $150).

[34] The term "dependent child of the borrower" would be defined as an individual who is under age 17 and is the borrower's dependent child or another person who lives with and receives more than one-half of their support from the borrower.

lesser of (1) $50 or (2) the total monthly payment, minus the total amount in principal repaid by the borrower for the month.[35] Under existing IDR plans, no such matching principal payment is provided.

Under H.R. 1, in general, when a borrower enters into repayment of a Direct Loan made on or after July 1, 2026, they could elect to repay their loan according to either of the two new repayment plans. If they do not make a selection at the time they enter repayment, then the borrower would automatically be enrolled in the new standard repayment plan. For every new Direct Loan made to the borrower, they could elect to repay according to the standard repayment plan or the RAP; however, they would be required to repay all Direct Loans according to the same plan, regardless of their selection. A borrower could switch from the standard repayment plan to the RAP at any time, but they could not switch from the RAP to the standard repayment plan except for when they enter into repayment on a new Direct Loan. Borrowers of new Parent PLUS Loans would only be eligible to repay their loans, including existing non-Parent PLUS Loans, according to the new standard repayment plan.

Borrowers With Existing Loans

For borrowers who do not borrow new loans, some of the current plans would still be available. They include all of the fixed repayment and alternative repayment plans.

H.R. 1 would repeal the current ICR authority in the HEA, effectively repealing all of the ICR plans established under that authority. It would retain only one IDR plan for borrowers with existing loans, an amended version of the IBR plan ("amended IBR plan"). Changes to the IBR plan under H.R. 1 would include a monthly payment amount based on 15% of discretionary income, regardless of when Direct Loans were first borrowed,[36] and a maximum repayment period of 20 years instead of 25 years for borrowers with only undergraduate loans.[37] Any borrower currently repaying according to one of the ICR plans (including borrowers repaying a consolidated Parent PLUS Loan[38]) or IBR plans would be transitioned to the amended IBR plan following the date of enactment.[39]

A borrower could elect (but would not be required) to repay their existing Direct Loans according to the RAP but not according to the new standard repayment plan unless they borrowed a new Direct Loan on or after July 1, 2026. In this circumstance, they must elect to repay their new loan

[35] For example, if a borrower had a total monthly payment of $25, all of which repaid interest and none repaid principal, then the borrower would receive a matching principal payment of $25. Alternatively, if that same borrower repaid $1 in principal, then their matching principal payment would be $24. If a borrower made a monthly payment of $200, $10 of which repaid principal, then their matching principal payment would be $40 ($50 is less than $200, so $10 is subtracted from $50).

[36] Under current law, for new borrowers on or after July 1, 2014, the monthly payment amount is based on 10% of discretionary income.

[37] The maximum repayment period for borrowers with any graduate or professional loans would still be 25 years under the amended IBR plan.

[38] If a parent borrower is not repaying an existing consolidated PLUS Loan according to the ICR plan as of the date of enactment, then the amended IBR plan would not be available to such a borrower following enactment.

[39] Other changes to the IBR plan under H.R. 1 include the repeal of the partial financial hardship (PFH) requirement. A borrower is considered to have a PFH if their annual payments under a standard 10-year repayment plan, based on the greater of their outstanding balance at the time they entered repayment or the time they enroll in the IBR plan, is greater than their annual payments under the IBR plan. If a borrower no longer has a PFH, then their monthly payment amounts would be equal to and capped at their monthly payment amount under a standard 10-year repayment plan, based on their outstanding balance at the time they enrolled in the IBR plan. Under H.R. 1, monthly payment amounts under the amended IBR plan would no longer be capped at monthly payment amounts under the standard 10-year repayment plan.

according to the new standard repayment plan or the RAP, after which all of their Direct Loans would be repaid according to the same plan, regardless of when such loans were borrowed.

CBO estimates that proposed changes to repayment plans would result in a decrease in federal outlays of $294.6 billion over the FY2025-FY2036 period.[40] These savings would result from a number of reasons, including an estimated decrease in the share of new loan volume that would be repaid according to an IDR plan under H.R. 1, the estimated likelihood that borrowers would repay more of their loans under the RAP relative to current IDR plans, and the treatment of existing borrowers under the amendments made to the IBR plan.

Deferment and Forbearance

Under current law, Direct Loan borrowers may enter into a "deferment"—a period during which a borrower is temporarily not required to make payments on their loans and interest does not accrue on Subsidized Loans—for a variety of reasons, including during periods of economic hardship or unemployment. A borrower may receive an economic hardship deferment and an unemployment deferment each for a maximum cumulative period of three years.[41] Borrowers may also enter into a "forbearance"—a period during which they may temporarily cease making payments or make payments in reduced amounts and interest typically accrues on all loan types. ED may grant a forbearance for a variety of reasons, including a borrower's participation in a medical or dental internship or residency and, at ED's discretion, on the basis of a borrower's temporary hardship (referred to as "discretionary [or general] forbearance").[42]

Under Section 30022 of H.R. 1, Direct Loans made on or after July 1, 2025, would be ineligible for an economic hardship or unemployment deferment. All currently available forbearance types would continue to be available on such loans, but a borrower would be limited to receiving a discretionary forbearance for no more than 9 months during a 24-month period. CBO estimates these changes would increase federal outlays by $340 million for FY2025-FY2034.[43] Additionally, for the first four 12-month intervals of a borrower's medical or dental internship or residency forbearance, a loan would not accrue interest; interest would accrue during subsequent forbearance periods.

Loan Rehabilitation

Direct Loan borrowers may be subject to a number of adverse consequences when they default on their loan (e.g., acceleration, loss of some borrower benefits).[44] Under current law, a borrower may rehabilitate their loan (i.e., have their loan reinstated as active and have their borrower benefits and privileges restored) if during a period of 10 consecutive months they voluntarily make nine "reasonable and affordable" monthly payments, which may be as low as $0, on a defaulted loan within 20 days of the due date.[45] A borrower may rehabilitate any individual loan once.

[40] CBO, Cost Estimate, p. 20.

[41] HEA §455(f)(2)(B) and (D).

[42] For additional information on deferment and forbearance types, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[43] CBO, Cost Estimate, p. 9.

[44] For additional information on the consequences of default, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[45] See, for example, HEA §428F(a)(1)(B).

Section 30023 of H.R. 1 would amend Section 428F of the HEA to permit a borrower to rehabilitate any individual loan twice instead of once.[46] It would also require that a reasonable and affordable monthly payment for loan rehabilitation purposes be at least $10 for Direct Loans made on or after July 1, 2025. CBO estimates these changes would increase federal outlays by $130 million for FY2025-FY2034.[47]

Public Service Loan Forgiveness

Under the Public Service Loan Forgiveness (PSLF) program, a borrower is eligible to have the remaining outstanding principal and interest of their Direct Loans forgiven if they were employed full-time by a qualifying employer while concurrently making 120 qualifying monthly payments on their Direct Loans on or after October 1, 2007, and at the time they apply for PSLF benefits. Qualifying employers include, for example, federal, state, local, or tribal government entities and certain nonprofit organizations.[48] Time spent in a medical or dental internship or residency program at a government or nonprofit hospital may count toward PSLF, as long as all other PSLF requirements are met. Under Section 30024 of H.R. 1, for individuals who as of July 1, 2025, have not borrowed a Grad PLUS or Unsubsidized Loan for a graduate program, time spent in a medical or dental internship or residency program would not count toward PSLF.

Regulatory Repeals

H.R. 1 would repeal regulations relating to closed school discharge and borrower defense to repayment (BDR) promulgated by the Biden Administration and would revive regulations on the same topics promulgated by the first Trump Administration. In general, these changes may make it more difficult for some borrowers to discharge their federal student loans based on harmful institutional actions, but they may result in about $16.7 billion in budgetary savings for FY2025-FY2034, according to CBO.[49]

Section 30051 of H.R. 1 would repeal ED regulations pertaining to federal student loan closed school discharges currently in effect and that were issued in 2022.[50] Prior to the 2022 regulations, two different sets of standards and procedures were applied to closed school discharges, depending on when a loan was disbursed. The 2022 regulations made uniform the standards and procedures that would apply to all loans regardless of when a loan was disbursed[51] and permit the Secretary to automatically (i.e., without borrower application) issue a closed school discharge in certain circumstances. The 2022 regulations are viewed as increasing the likelihood of closed school discharge for borrowers when compared to the prior regulations.[52]

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[46] Amending Section 428F of the HEA would also have the effect of making loan rehabilitation for FFEL program loans available twice instead of once. Also, H.R. 1 would amend the Perkins Loan program to make rehabilitation of those loans available twice instead of once.

[47] CBO, Cost Estimate, p. 10.

[48] 34 C.F.R. §685.219.

[49] CBO, Cost Estimate, p. 15.

[50] ED, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2022; 34 C.F.R. §674.33(g); 34 C.F.R. §682.402(d); and 34 C.F.R. §685.214.

[51] Though the final rule was set to take effect on July 1, 2023, federal courts have stayed its effective date, preventing its implementation. Career Colleges and Schools of Tex. V. U.S. Dep't of Educ., 98 F.4th 220, 256 (5th Cir. 2024).

[52] See, for example, CBO, Cost Estimate, p. 15; ED, "Institutional Eligibility Under the Higher Education Act of 1965, (continued...)

The same section of H.R. 1 would repeal ED regulations relating to BDR currently in effect that were issued in 2022.[53] Prior to the 2022 regulations, ED applied three different sets of standards and procedures to BDR claims, depending on when a loan was disbursed. The 2022 regulations established uniform standards and procedures that are applicable to BDR applications received on or after July 1, 2023, and for applications pending with ED on July 1, 2023 (regardless of when the applicable loan was made).[54] These new standards and procedures, among other changes, expanded the circumstances under which a borrower may assert a BDR, including on the basis of a school's engagement in "aggressive and deceptive recruitment conduct."[55] H.R. 1 would repeal the 2022 regulations.

H.R. 1 would revive the regulations relating to closed school discharge and BDR that took effect on July 1, 2020, and that the 2022 regulations amended. It would also prohibit the Secretary from implementing "any rule, regulation, policy, or executive action specified in [§30051] (or a substantially similar rule, regulation, policy, or executive action) unless authority for such implementation is explicitly provided in an Act of Congress."

Student Loan Servicing

Section 458(a)(3) of the HEA authorizes discretionary appropriations for Direct Loan and FFEL program administrative costs, including loan servicing costs, for FY2007-FY2014. Although this authorization has lapsed, Congress has annually appropriated funds for such administrative costs.[56] In FY2024, about $2 billion was made available for HEA Title IV student aid administration,[57] of which approximately $975 million was for loan servicing activities.[58] Section 30025 of H.R. 1 would provide $500 million in mandatory budget authority for Direct Loan and FFEL program administrative costs for each of FY2025-FY2026. This amount would be in addition to other funds for administrative costs appropriated by Congress in a fiscal year.

Updates to the Pell Grant Program[59]

The Pell Grant program is the primary source of federal need-based grant aid to postsecondary students.[60] In FY2024, ED disbursed about $33 billion in Pell Grants to approximately 6.3 million

as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65962-65963, November 1, 2022.

[53] ED, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2023; 34 C.F.R. §685 Subpart D.

[54] Though the final rule was set to take effect on July 1, 2023, federal courts have stayed its effective date, preventing its implementation. Career Colleges and Schools of Tex. V. U.S. Dep't of Educ., 98 F.4th 220, 256 (5th Cir. 2024).

[55] 34 C.F.R. §685.401(b)(4).

[56] See, for example, Division D, Title III, of the Further Consolidated Appropriations Act, 2024 (P.L. 118-47).

[57] "Student aid administration" includes funds to administer all of the HEA Title IV student aid programs, including the Pell Grant program.

[58] The Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4) generally authorized appropriations for federal government programs and activities, including student aid administration, "under the authority and conditions provided in applicable appropriations Acts for fiscal year 2024."

[59] This section was authored by Cassandria Dortch, Specialist in Education Policy, and Benjamin Collins, Specialist in Labor Policy.

[60] The Pell Grant program is authorized at Section 401 of the HEA. For more information about Pell Grants, see CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*.

low-income undergraduate students.[61] Pell Grant eligibility is determined by information provided on the FAFSA. The maximum Pell Grant in the current award year (2024-2025) is $7,395. The award level in the upcoming award year (2025-2026) is the same. The Pell Grant is intended to function as the foundation of federal aid for financially needy undergraduate students.

H.R. 1 would make three major changes to the Pell Grant program. In comparison to the current award year, some Pell Grant-eligible students would receive a smaller or no award amount under changes to the award rules, thus reducing program costs. H.R. 1 would also expand eligibility to students enrolled in short-term educational programs. In addition, H.R. 1 would appropriate funds to offset an estimated Pell Grant funding shortfall. Pell Grant award amounts would continue to be limited by COA rather than the newly defined MCC, as Pell Grant award rules do not take into consideration a student's amount of "need" as determined for other Title IV need-based aid programs.[62]

CBO estimates that these amendments in combination with other H.R. 1 amendments (see, for example, the "Updates to Federal Student Aid Eligibility" section) would result in increased direct spending for the Pell Grant program of about $0.7 billion for the FY2025-FY2034 period.[63] The CBO estimate only considered changes to direct spending. Annual discretionary appropriations provide the largest portion of funding for the Pell Grant program. Of the $31 billion in grant aid made available in FY2023, approximately $25 billion was provided by discretionary appropriations.

Tightening Pell Grant Award Rules

Section 30031 of H.R. 1 would modify Pell Grant award rules such that some current Pell Grant-eligible students would receive a smaller or no award amount in comparison to what they would have received in the 2024-2025 award year assuming no other changes. The amount of an eligible student's Pell Grant award is determined on the basis of a set of award rules established by statutory and regulatory provisions. The award rules consider factors such as the student's dependency status, family structure, adjusted gross income, cost of attendance, SAI, enrollment intensity,[64] and the minimum and maximum Pell Grant awards.

Proposed Changes Related to Enrollment Intensity

For all of the HEA Title IV student aid programs, HEA, Section 481(a)(2) currently defines undergraduate full-time enrollment as at least 24 semester hours or 36 quarter hours over the course of a 30-week academic year, or 900 clock hours over the course of a 26-week academic year.[65] A student is eligible for the highest Pell Grant award amount if enrolled at least full-time, and a prorated amount if enrolled less than full-time. No minimum enrollment intensity is required to receive a Pell Grant award.

[61] ED, *Federal Student Aid Fiscal Year 2024 Annual Report*, November 14, 2024, p. 18, https://studentaid.gov/sites/default/files/fy2024-fsa-annual-report.pdf.

[62] Section 471 of the HEA, which defines a student's "need," establishes that the definition of need does not apply to Pell Grants.

[63] CBO, Cost Estimate, pp. 19-24.

[64] Enrollment intensity is the quotient, rounded to the tenth digit, resulting from dividing the number of credits in which a student is enrolled by the number of credits considered full-time.

[65] On a case-by-case basis, the Secretary may reduce the 30-week minimum to not less than 26 weeks for good cause, in the case of an IHE that provides a two-year or four-year program of instruction for which it awards an associate's or bachelor's degree.

For purposes of the Pell Grant program only, H.R. 1 would redefine "full-time" for undergraduate programs as at least 30 semester hours, 45 quarter hours, or the equivalent clock hours, over the course of an award year. Of the H.R. 1 Pell Grant provisions, this would have the largest effect on students and, thus, federal direct spending.[66] The provision would go into effect upon enactment of H.R. 1. The proposed requirement for full-time enrollment would more closely align with the expectations for on-time undergraduate degree completion. For example, a student must enroll in an average of 30 hours per award year to complete a 120-credit hour bachelor's degree over four years. Eight years after first enrolling in a four-year IHE in award year 2014-2015, 61% of first-time, full-time undergraduate students completed a degree/certificate compared to 22% of first-time, part-time students.[67] Additionally, under H.R. 1 students who first receive a Pell Grant on or after July 1, 2026, would be required to enroll at least half-time to receive a Pell Grant award.[68]

These changes might result in various behavioral and regulatory changes. For example, the combination of these two changes might require some students to enroll at a higher intensity than originally intended to maximize their Pell Grant award. Some students may have difficulty meeting satisfactory academic progress standards with higher course loads, and some students may enroll in more courses that are not required for their major.[69] Some IHEs might make adjustments to facilitate these proposed changes such as increasing the availability of courses. Some institutions charge by the credit hour such that enrolling in additional credits would increase the student's COA. Additionally, ED might reinterpret aspects of the award rules to determine when a student is expected to complete a full-time credit course load during an award year.

Additional Restrictions on Pell Grant Eligibility for Applicants with Foreign Income and Applicants with High SAI Levels

Section 30031 of H.R. 1 would establish additional restrictions on Pell Grant eligibility for applicants with foreign income and applicants with high SAI levels. These provisions would override certain automatic Pell eligibility provisions on the basis of AGI that were established in the FAFSA Simplification Act (FSA; Title VII, Division FF of P.L. 116-260).[70]

The FSA established a policy in which students with AGI levels below specified percentages of the federal poverty guidelines can automatically qualify for a maximum Pell Grant. The specific thresholds vary by dependency status and marital status. For example, the maximum grant threshold for a dependent student with married parents is 175% of the federal poverty guidelines. The FSA also established a second, higher set of AGI thresholds under which students categorically qualify for a minimum Pell Grant (i.e., 10% of the maximum Pell Grant award).[71] The minimum Pell Grant threshold for a dependent student with married parents is 275% of the

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[66] CBO estimated that increasing the credit requirements for full-time enrollment would decrease federal direct spending outlays by about $7 billion over 10 years. The CBO estimate was based on H.R. 1 as reported in the House, which would have defined "full-time" as 30 semester credit hours or the equivalent over an academic year (as opposed to an award year as proposed in H.R. 1 as passed by the House).

[67] ED, *Digest of Education Statistics*, 2023, Table 326.27.

[68] Under current law, students must be enrolled on at least a half-time basis to receive a Direct Loan.

[69] The HEA generally requires that IHEs develop satisfactory academic progress (SAP) standards that establish a minimum grade point average (or its equivalent) that students must meet at a specified point in their program and a maximum timeframe in which students must complete their educational programs. A student who fails to meet the SAP requirements becomes ineligible to receive Title IV funds.

[70] For more information on the FAFSA Simplification Act, including the automatic eligibility provisions, see CRS Report R46909, *The FAFSA Simplification Act*.

[71] For example, in award year 2024-2025, the maximum grant is $7,395, and the minimum grant is $740.

federal poverty guidelines. Applicants who are eligible for a minimum grant on the basis of AGI can also qualify for a higher Pell Grant if their calculated SAI establishes higher eligibility.

Under current law, foreign income is not considered in the initial determination of Pell eligibility, but institutions consider foreign income for Pell-eligible students and make adjustments through the HEA-authorized "professional judgement" process.[72] H.R. 1 would amend the Pell Grant eligibility determination to consider the sum of AGI and foreign income exempt from federal income taxation, or the foreign income for which such a permanent resident or citizen receives a federal foreign tax credit. This policy would reduce Pell Grant eligibility for previously eligible students with qualifying foreign income. CBO estimates that less than 1% of Pell Grant recipients have foreign income and that this provision would reduce direct spending by $66 million for FY2025-FY2036.[73]

Pell Grant Ineligibility Due to a High SAI

As noted previously, the HEA establishes two AGI thresholds related to Pell Grants. Applicants with an AGI below the first, lower threshold categorically qualify for a maximum Pell Grant. Applicants with an AGI above the first threshold but below a second threshold qualify for the higher of a minimum Pell Grant or a scheduled Pell Grant based on the applicant's SAI.

H.R. 1 would establish a policy under which applicants with an SAI of more than twice the total maximum Pell Grant would be ineligible. If this policy were in place in the current academic year (2024-2025), it would correspond with an SAI equal to or in excess of $14,790. Generally, the proposed policy would apply to applicants with AGI levels above the maximum grant threshold but below the minimum grant threshold (e.g., dependent students with married parents with an AGI between 175% and 275% of the federal poverty guidelines). Applicants with an AGI below the maximum grant threshold automatically qualify for an SAI of zero and, therefore, would not be affected by the new policy.[74] Applicants with an AGI above the higher minimum grant threshold have their Pell Grant eligibility determined on the basis of their calculated SAI and, therefore, an applicant with an SAI equal to twice the maximum Pell Grant would be ineligible under current law.

SAI is calculated on the basis of income and asset information reported on the FAFSA.[75] Typically, for an applicant to have both an AGI level that qualifies for a minimum Pell Grant and an SAI level that would disqualify the student under H.R. 1's proposed policy, the applicant would need to have a high level of reportable assets.[76]

CBO estimates this provision would apply to less than 1% of Pell Grant recipients and decrease direct spending outlays by $78 million for FY2025-FY2036.[77]

[72] See HEA §401(b)(1)(D).

[73] CBO, Cost Estimate, p. 10.

[74] HEA §473(b).

[75] Formulas are established in Sections 475-477 of the HEA. The full process for calculating the SAI, including thresholds associated with automatic eligibility and numerical factor levels for applicants subject to the full formula, are published in annual formula guides. The formula guide for the 2024-2025 award year is available at https://fsapartners.ed.gov/sites/default/files/2024-01/20242025FAFSAPellEligibilityandSAIGuide.pdf.

[76] Reportable assets are defined in Section 480(f) of the HEA. Home equity on a primary residence and retirement accounts are not reportable assets.

[77] CBO, Cost Estimate, p. 11.

Workforce Pell Grants

In general, under current law Pell Grant-eligible educational programs are undergraduate certificate or degree programs of at least 600 clock hours of instruction (or the equivalent) offered over a minimum of at least 15 weeks.[78] In recent years, congressional efforts have sought to expand Pell Grant eligibility to programs that are too short to meet the current requirement with the intent of accelerating the entry of some individuals to "high-skill, high-wage" or "in-demand" occupations.[79]

Section 30032 of H.R. 1 would authorize so-called "Workforce Pell Grants" for otherwise Pell Grant-eligible students enrolled in short-term undergraduate workforce programs beginning in award year 2026-2027. For the most part, Workforce Pell Grants would be administered and awarded under the same eligibility, terms, and conditions as Pell Grants with a few explicit exceptions related to the eligible educational programs, institutions offering the educational program, student educational attainment, and minimum Pell Grant awards.

Eligible workforce programs would be undergraduate educational programs providing 150-599 clock hours of instruction offered over 8-14 weeks and meeting specified quality assurance criteria related to labor market relevance and demonstrated outcomes for participants. Quality assurance determinations related to program eligibility would be made by a combination of states and ED. The proposal would establish a new role for state governors to determine and notify ED whether the workforce programs (1) are aligned with "high-skill, high-wage" or "in-demand" industry sectors and occupations; (2) meet hiring requirements of potential employers hiring in high-skill, high-wage or in-demand occupations; and (3) provide academic credit toward subsequent, related certificate/degree requirements.[80] ED would be required to ensure the workforce programs have at least a 70% verified completion rate, a 70% verified job placement rate,[81] and median "value-added earnings" that exceed median total price.[82]

Under current law for all of the Title IV aid programs, an eligible educational program must be offered by an "accredited IHE," as defined in Section 102 of the HEA (which includes proprietary, or for-profit, IHEs), that has a current program participation agreement (PPA) with ED.[83] H.R. 1 would allow Section 102 IHEs, as well as institutions other than IHEs whether they be accredited or unaccredited, to enter into PPAs with ED for purposes of the Workforce Pell Grant program.

Also under current law, a student who has achieved a bachelor's or higher degree is ineligible for a Pell Grant. Under H.R. 1, a student who has achieved a bachelor's degree would be eligible for

[78] HEA §§401(b)(8), 481(b)(1).

[79] For more information on previous congressional efforts, see CRS Report R47647, *Pell Grants for Short-Term Programs: Background and Legislation in the 118th Congress*.

[80] States establish "high-skill, high-wage" industry sectors and occupations pursuant to Section 122 of the Carl D. Perkins Career and Technical Education Act and "in-demand industry sector or occupations" as defined under Section 3 of the Workforce Innovation and Opportunity Act.

[81] Under current law, students enrolled in short-term programs that provide between 300 and 600 clock hours of instruction over a minimum of 10 weeks might be eligible to receive a Direct Loan if such programs have verified completion and placement rates of at least 70% and meet other criteria. IHEs calculate their program-level completion and placement rates.

[82] "Median value-added earnings" would be defined in Section 420W of the HEA as amended by the bill. The foundation of the value-added earnings metric that would be applied in this program is earnings in excess of 150% of the federal poverty line. The value-added earnings concept is discussed in more detail in the "Institutional Risk-Sharing" section of this report.

[83] For more information on institutional eligibility requirements, see CRS Report R43159, *Eligibility for Participation in Title IV Student Financial Aid Programs*.

a Workforce Pell grant, but a student who has achieved a graduate certificate or degree would not be eligible.

For programs shorter than an academic year in duration, current regulations require that a student's award be prorated to account for the shorter instructional period. Statutory provisions establish that a student's Pell Grant award must not be lower than the minimum award—10% of the maximum award. H.R. 1 would allow a Workforce Pell Grant prorated based on the length of the program to be smaller than the minimum Pell Grant.

CBO estimates that "by 2034 about 100,000 new recipients each year would receive Workforce Pell Grants of about $2,200 each."[84] This compares to about 6.3 million Pell Grant recipients in FY2024 with an average award of about $5,200.[85] CBO estimates these changes would result in an increase in direct spending of $298 million for FY2025-FY2034.[86]

Pell Shortfall

The Pell Grant program is often referred to as a *quasi-entitlement*. Eligible students receive the award level calculated for them in accordance with statutory eligibility and award rules. Funding is primarily provided through annual discretionary appropriations that may be higher or lower than actual discretionary program costs, creating a surplus or shortfall that may accumulate over more than one year.

In January 2025, CBO estimated that discretionary Pell Grant program costs in FY2025 would exceed the discretionary budget authority by $2.7 billion, resulting in a shortfall.[87] Further, CBO estimated that the shortfall would accumulate to $28.3 billion by the end of FY2028, assuming the annual discretionary appropriations were the same as those in FY2024 ($22.5 billion) and no programmatic changes were made. A shortfall is a debt, which eventually must be paid. Congress may choose to address the shortfall by reducing students' awards, reducing eligibility, and/or providing additional appropriations.

To encourage the timely addressing of a shortfall, H.Con.Res. 95 (109th Congress) established a permanent scoring rule that if the appropriation of new discretionary budget authority enacted for the program is insufficient to cover the full estimated costs in the year—including any surplus or shortfall from prior years—the budget authority counted against the bill for the program by CBO will be equal to the estimated program cost.

Section 30033 of H.R. 1 would attempt to address the estimated shortfall in two ways. It would provide additional mandatory funding of $3.2 billion in FY2026, $4.8 billion in FY2027, and $2.5 billion in FY2028 to augment the funding provided in annual appropriations for the discretionary Pell Grant program costs. Further, H.R. 1 would make the previously described programmatic changes. Any remaining shortfall might require additional funds or programmatic changes. Any resulting surplus might carry over for use in a future award year.

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[84] CBO, Cost Estimate, p. 11.

[85] ED, *Federal Student Aid Fiscal Year 2024 Annual Report*, November 14, 2024, p. 18, https://studentaid.gov/sites/default/files/fy2024-fsa-annual-report.pdf.

[86] CBO, Cost Estimate, p. 11.

[87] CBO, *Baseline Projections: Pell Grant Program*, January 2025, https://www.cbo.gov/system/files/2025-01/51304-2025-01-pellgrant.pdf.

Updates to the Campus-Based Aid Programs[88]

The campus-based aid programs are federal student aid programs in which funds are awarded to IHEs according to formulas that take into account past institutional awards and the aggregate financial need of students attending the IHEs. The mix and amount of aid students receive under these programs are determined by each IHE's financial aid administrator according to institution-specific award criteria, rather than according to nondiscretionary award criteria such as for Pell Grants. IHEs participating in the campus-based aid programs are required to provide matching funds equal to approximately one-third of the federal funds they receive under each program. The term *campus-based aid programs* generally refers to three student aid programs authorized under the HEA, Title IV: the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Federal Perkins Loan program.[89]

H.R. 1 would retain the currently authorized campus-based aid programs and newly establish the Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) Grants. This program, established under the heading "Campus-Based Aid Programs" in Section 30042 of H.R. 1, would differ from current campus-based aid programs in that (1) it would provide IHEs with more flexible funding for a range of activities as opposed to awarding direct student aid; (2) the formula to award funds to IHEs would not take into account past institutional awards and aggregate unmet financial need and instead, would focus on student-outcomes (e.g., value-added earnings); and (3) IHEs would be committing to a maximum total price guarantee rather than the provision of matching funds.

To receive a PROMISE Grant, IHEs would be required to publish and offer a maximum total price guarantee for each student income category and for each SAI category established by the Secretary.[90] The price guarantee would be in effect for each Title IV-aided student for the median length of time to earn a credential in any undergraduate program of study at the IHE during the most recent award year.

To determine an IHE's PROMISE Grant award amount for each year of the grant period, the Secretary would multiply three factors on an annual basis:

- the lesser of (1) the three-year average of median value-added earnings[91] for students who complete any program of study divided by the three-year average of the maximum total price for students who received any Title IV aid, minus 1; or (2) the number 2;
- the three-year average of the total dollar amount of Pell Grants awarded; and
- the three-year average of the percentage of low-income students[92] who received any Title IV aid and completed a program of study within 100% of the program

[88] This section was authored by Rita Zota, Analyst in Education Policy.

[89] The FSEOG program is authorized in HEA Sections 413A-413E; the FWS program is authorized in HEA Sections 441-448, and the Perkins Loan program is authorized in HEA Sections 461-469. The authority for institutions to make new Perkins Loans expired on September 30, 2017.

[90] The maximum total price would reflect "the maximum total price that may be charged to the student for completion of a program of study at the institution for the minimum guarantee period applicable to a student [based on program length and median time to credential], before [the] application of any Federal Pell Grants or other Federal financial aid under this title."

[91] See the "Institutional Risk-Sharing" section in this report for a discussion of the term "value-added earnings," as defined in the bill.

[92] Low-income would mean that "the student's family income does not exceed the maximum income in the lowest income category (as determined by the Secretary).

> length, or who transferred from a two-year or less-than-two-year institution to a four-year institution and completed a bachelor's degree within four years of enrolling at such two-year or less-than-two-year institution.

An IHE's annual PROMISE Grant award could not exceed the three-year average of the number of enrolled students receiving Title IV aid multiplied by $5,000.[93]

For example, if an IHE had a three-year average of applicable median value-added earnings of $40,000 and a maximum total price for students who received Title IV aid of $25,000, the first factor in the initial grant calculation would be 0.6 (i.e., $40,000 divided by $25,000, minus 1).[94] If the IHE's three-year average dollar amount of Pell Grants awarded—the second factor—was $10 million, and its three-year average of the percentage of low-income students who met the applicable PROMISE Grant completion metrics—the third factor—was 75%, then the IHE's initial PROMISE Grant award would be $4.5 million (i.e., 0.6 times $10 million times 75%). If the IHE's three-year average of number of enrolled students receiving Title IV aid was 6,000, then its PROMISE Grant ceiling would be $30 million (i.e., 6,000 times $5,000). In this scenario, the calculated grant amount (i.e., $4.5 million) is less than the applicable ceiling, so it would be the final grant amount.

PROMISE Grants would be funded primarily by new reimbursement payments related to federal student loans that IHEs would remit annually to the Secretary per Section 30041 of H.R. 1 (see the "Institutional Risk-Sharing" section of this report). In the event that such funds would be insufficient to fully cover PROMISE Grants to all eligible IHEs, institutional refunds of Title IV federal student aid returned to the Secretary under Section 484B of the HEA would also be available for that purpose.

Unlike funds under the existing campus-based programs, which are used only to award direct student aid, H.R. 1 would authorize IHEs to use PROMISE Grants to carry out activities to increase postsecondary affordability, access, and student success; evaluate the effectiveness of these activities; and disseminate best practices.

CBO estimates that these changes would result in about a $3.1 billion increase in federal outlays for FY2025-FY2034.[95]

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[93] It is unclear how IHEs with a result of zero or less than zero would be treated. For example, if an eligible IHE had a three-year average of applicable median value-added earnings of $25,000 and a maximum total price for students who received Title IV aid of $25,000, the first factor in the initial grant calculation would be 0 (i.e., $25,000 divided by $25,000, minus 1). This would mean that the award amount would be $0 for an otherwise eligible IHE.

[94] In this and subsequent examples, the given median value-added earnings amount is based on median early career earnings levels for bachelor's degree recipients in relation to 150% of the federal poverty level applicable to a household size of one. No consideration is given to how earnings may vary across institutions, programs, or individuals. All other amounts used in this and subsequent examples (e.g., prices, Pell Grant awards, other federal aid received by IHEs) are strictly hypothetical and intended only to help clarify the calculations used in this proposal. They are not constructed to suggest how PROMISE Grants or reimbursement percentages would be distributed across institutions.

[95] CBO, Cost Estimate, p. 22.

Updates to Federal Student Aid Eligibility[96]

Section 30001 of H.R. 1 would make changes to eligibility criteria that students must meet to receive federal student aid under HEA Title IV.[97] HEA Section 484(a)(5) states that a student must:

> be a citizen or national of the United States, a permanent resident of the United States, or able to provide evidence from the Immigration and Naturalization Service[98] that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

Other statutes interact with this clause to determine which noncitizens are eligible for federal student aid, most notably the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; P.L. 104-193), which limits noncitizen[99] eligibility for various federal benefits.[100] Under current law, ED has interpreted[101] the noncitizens shown in the left column of **Table 2** to be eligible.

H.R. 1 would amend the above HEA provision by specifying all the categories of noncitizens who would be eligible for federal student aid, with the effect of making some currently eligible noncitizens newly ineligible for federal student aid.[102] These eligibility changes would be effective July 1, 2025, and would apply regardless of whether a noncitizen is currently receiving federal student aid. The right column of **Table 2** shows the federal student aid eligibility for certain noncitizens under H.R. 1. For some newly ineligible groups, pathways exist to become lawful permanent residents (LPR). For example, refugees and asylees are generally eligible to adjust to LPR status after one year.[103] After attaining LPR status, these noncitizens could then become eligible to receive federal student aid.

Table 2. Noncitizens Eligible for Federal Student Aid Under Current Law and H.R. 1

Noncitizens Eligible Under Current Law	Eligibility Under H.R. 1
Lawful permanent residents (LPR)	Eligible
Refugees	No longer eligible

[96] This section was authored by Adam Edgerton, Analyst in Education Policy, and Abigail Kolker, Analyst in Immigration Policy.

[97] HEA Section 484 establishes general student eligibility criteria for Title IV grant, loan, and work assistance (collectively referred to as federal student aid). For more information, see CRS Report R43351, *The Higher Education Act (HEA): A Primer*. These general eligibility criteria are in addition to student eligibility criteria that apply to specific HEA Title IV programs.

[98] In accordance with the Homeland Security Act of 2002 (P.L. 107-296), most immigration functions of the U.S. Department of Justice's then-Immigration and Naturalization Service (INS) were transferred to the new Department of Homeland Security as of March 1, 2003.

[99] Throughout this report, the terms noncitizens, foreign nationals, and aliens are used interchangeably. Federal immigration law uses the term *alien*, defined by the Immigration and Nationality Act (INA), to mean persons who are not U.S. citizens or U.S. nationals (e.g., persons born in certain U.S. territories, such as American Samoa). 8 U.S.C. §1101(a)(3).

[100] 8 U.S.C. §1611. For more information, see CRS Report R46510, *PRWORA's Restrictions on Noncitizen Eligibility for Federal Public Benefits: Legal Issues*.

[101] ED, Office of Federal Student Aid 2024-2025 Handbook, Chapter 2: U.S. Citizenship & Eligible Noncitizens, https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2024-2025/vol1/ch2-us-citizenship-eligible-noncitizens.

[102] H.R. 1, Title III, Subtitle A, §30001(b).

[103] 8 U.S.C. §1159.

Noncitizens Eligible Under Current Law	Eligibility Under H.R. 1
Asylees	No longer eligible
Persons paroled into the U.S. for at least one year if they can provide documentation that they have the intention to become an LPR or U.S. citizen	No longer eligible
Cuban-Haitian Entrants if they can provide documentation that they have the intention to become an LPR or U.S. citizen	Generally no longer eligible[a]
Certain victims of human trafficking	No longer eligible
Certain battered or abused spouses and children	No longer eligible
American Indians Born in Canada (Jay Treaty)	Eligible
Compact of Free Association (COFA) migrants[b]	Eligible
Certain Ukrainian parolees[c]	No longer eligible
Certain Afghan parolees[d]	No longer eligible

Source: ED, Office of Federal Student Aid 2024-2025 Handbook, Chapter 2: U.S. Citizenship & Eligible Noncitizens, https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2024-2025/vol1/ch2-us-citizenship-eligible-noncitizens and Section 30001 of H.R. 1.

Notes: For more information on the status afforded to citizens of the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, see CRS In Focus IF12194, *The Compacts of Free Association*.

a. A subset of Cuban parolees approved for family-based immigration would still be eligible. For a full list of these requirements, see H.R. 1, Section 30001(a)(5)(C).

b. COFA migrants are citizens of the Marshall Islands, Micronesia, or Palau permitted to live in the United States indefinitely under the terms of those nations' COFA with the United States. These students are currently eligible for Pell Grants, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant but not Direct Loans. Under H.R. 1 they would become newly eligible for all federal student aid, including Direct Loans.

c. In response to Russia's invasion of Ukraine in February 2022, Congress passed the Additional Ukraine Supplemental Appropriations Act, 2022 (P.L. 117-128, Title IV, §401), which provided certain Ukrainian parolees with benefits to the same extent as refugees (with the exception of the State Department's Reception and Placement Program for newly arriving refugees) until the end of their parole term. Ukrainians are potentially eligible if they were paroled into the United States between February 24, 2022, and September 30, 2024, (the end date was amended by P.L. 118-50 [Division B, §301]). Additionally, those individuals' spouses or unmarried children (under age 21) who are paroled into the United States after September 30, 2023 are also eligible for benefits to the same extent as refugees. See Immigration and Nationality Act (INA) §101 note; 8 U.S.C. §1101 note.

d. After the elected Afghan government's collapse and Taliban takeover in August 2021, Congress passed the Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43, Division C, §2502), which provided certain Afghan parolees with benefits to the same extent as refugees until March 31, 2023, or the end of their parole term, whichever is later. Afghans are eligible for these benefits if they were paroled into the United States between July 31, 2021, and September 30, 2023. (The end date was originally September 30, 2022, but it was amended by P.L. 117-328.) Additionally, those paroled after September 30, 2022, with a qualifying family connection (e.g., child, spouse, or parent of specified individuals) are eligible for benefits to the same extent as refugees. See INA §101 note; 8 U.S.C. §1101 note.

CBO estimates this proposal would reduce the number of students receiving federal student aid by fewer than 1,000 each year, resulting in an estimated reduction in direct federal outlays of $15 million over the FY2025-FY2034 period.[104]

[104] CBO, Cost Estimate, p. 4.

Updates to Institutional Accountability

H.R. 1 would make several changes to the accountability measures and requirements placed on IHEs participating in the HEA Title IV programs. First, Section 30041 would establish a new institutional risk-sharing framework in which all IHEs that participate in the Direct Loan program would be responsible for making reimbursement payments to the federal government based on the nonrepayment of its federal student loan borrowers. Second, Section 30051 would repeal two existing accountability provisions: the 90/10 rule and what are known as "gainful employment" requirements. These proposals would signal a shift away from accountability provisions that have historically been associated with proprietary (for-profit) IHEs to those that would apply more broadly to most IHEs, regardless of institutional control.

Institutional Risk-Sharing[105]

Under current law, IHEs that participate in the Direct Loan program must enter into an agreement with the Secretary in which they agree to abide by program rules.[106] Section 30041 of H.R. 1 would update program participation agreements to require participating IHEs to pay annual reimbursements to the Secretary based on the performance of loans borrowed by or on behalf of their students, the prices charged to students, and the median value-added earnings of former students, beginning in the 2028-2029 award year.

Under the bill, value-added earnings would be defined as the amount by which an individual's earnings exceed a certain multiple of the federal poverty line.[107] In general, for individuals who completed a program of study that awards an undergraduate credential, the applicable multiple of the federal poverty line would be 150% (equal to $23,475 for a single individual in 2025).[108] For individuals who completed a program of study that awards a graduate credential, the applicable multiple would be 300% (equal to $46,950 in 2025).[109] The amount of time after program completion at which earnings would be measured would vary by the level of the program, ranging from one to five years after completion.[110] Value-added earnings would be geographically adjusted by the regional price parity index published by the Bureau of Economic analysis based on the state or metropolitan area in which the IHE is located.[111]

[105] This section was authored by Kyle Shohfi, Analyst in Education Policy.

[106] HEA §454.

[107] The specific poverty guideline value would be as determined under Section 673(2) of the Community Services Block Grant Act for a single individual in a given year.

[108] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Poverty Guidelines," https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines, accessed May 23, 2025.

[109] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Poverty Guidelines," https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines, accessed May 23, 2025.

[110] Earnings would be measured one year after an individual completes a program that awards an undergraduate certificate, postbaccalaureate certificate, or graduate certificate; two years after an individual completes a program that awards an associate's or master's degree; and four years after an individual completes a program that awards a bachelor's degree, doctoral degree, or professional degree. The Secretary would be authorized to extend the measurement period for a program of study that requires completion of an additional educational program in order to obtain licensure for the awarded credential, so long as earnings are measured no more than one year after the student completed the additional educational program.

[111] See U.S. Bureau of Economic Analysis, "Regional Price Parities by State and Metro Area," https://www.bea.gov/data/prices-inflation/regional-price-parities-state-and-metro-area. Value-added earnings would not be geographically adjusted for students who "attended principally through distance education."

For each student cohort,[112] an IHE's reimbursement payment due would be calculated by multiplying its *non-repayment balance* by its *reimbursement percentage*:

$$Reimbursement\ Payment = Nonrepayment\ Balance\ \times Reimbursement\ Percentage$$

The *non-repayment balance* for a given year would be calculated as the sum of

- the total amount of payments due but not paid by borrowers on the Direct Loan program loans in the student cohort, plus
- the total amount of interest waived, paid, or otherwise not charged to borrowers by the Secretary under the newly established Direct Loan Repayment Assistance Plan, plus
- the total amount of principal and interest forgiven, cancelled, waived, discharged, repaid, or otherwise reduced by the Secretary, other than a discharge due to death or total and permanent disability or forgiveness under the PSLF program.[113]

The final reimbursement payment amount would be determined by multiplying the non-repayment balance of a given cohort by its *reimbursement percentage*. In general, the reimbursement percentage of a student cohort of program completers would be calculated as one minus the quotient of the median value-added earnings of program completers divided by the median total price charged to students in such cohort:[114]

$$1 - \frac{Median\ Value\ Added\ Earnings\ of\ Program\ Completers}{Median\ Total\ Price\ Charged\ to\ Students\ in\ the\ Cohort}$$

The higher the ratio of median value-added earnings to median total price charged to students in the cohort, the lower the reimbursement percentage would be. For example, if a certain cohort's median value-added earnings of program completers was $40,000 and the median total price charged to students in the cohort was $50,000, the applicable reimbursement percentage would be 20% (i.e., one minus [$40,000 divided by $50,000]). The reimbursement payment due for such cohort would be equal to the cohort's non-repayment balance multiplied by 20%. If median value-added earnings equaled or exceeded median total price charged to students in the cohort,

[112] Student cohorts would be created for each program of study at each IHE, comprising students who received federal financial assistance under Title IV of the HEA. Separate cohorts would be established for students who completed their program of study during the award year, for undergraduates who were enrolled during the previous award year but did not complete their program of study and are not currently enrolled, and for graduate students who were enrolled during the previous award year but did not complete their program of study and are not currently enrolled. Loans that are in a medical or dental internship or residency forbearance, graduate fellowship deferment, rehabilitation training program deferment, in-school deferment, cancer treatment deferment, military service deferment, or post-active duty student deferment would not be included. Loans in default would not be included. Loans that financed enrollment in multiple programs of study would be proportionately attributed to each cohort.

[113] The bill text exempts amounts "discharged or forgiven under section 437(a), 428J or section 455(m)" of the HEA. HEA Section 437(a) provides for the discharge of loans due to death or total and permanent disability. HEA Section 428J provides loan forgiveness for teachers under the Federal Family Education Loan (FFEL) program. The non-repayment loan balance would include only loans made under the Direct Loan program. Similar loan forgiveness for teachers under the Direct Loan program is authorized under HEA Section 460 and is not exempted from the non-repayment balance. HEA Section 455(m) provides for forgiveness under the Public Service Loan Forgiveness program.

[114] "Total price" would be defined as the total amount a student was required to pay, before federal financial assistance under Title IV of the HEA was applied, to complete the program of study. It would be calculated as the difference between the total amount of tuition and fees that were charged to the student before the application of any Title IV federal financial assistance minus the total amount of non-federal grants and scholarships awarded to the student for such program of study.

the reimbursement percentage would be zero.[115] If the median value-added earnings were negative, the reimbursement percentage would be set to 100%.[116]

For student cohorts of non-completers, the reimbursement percentage would be calculated differently. For an undergraduate non-completing student cohort, the reimbursement percentage would be equal to the percentage of such students who received HEA Title IV federal financial assistance who did not complete an undergraduate program of study at the IHE within 150% of the program length or, for two-year IHEs, did not complete a bachelor's degree program at a four-year IHE within six years of first enrolling at the two-year IHE. For a graduate non-completing student cohort, the reimbursement percentage would be equal to the percentage of such students who received Title IV federal financial assistance who did not complete the program of study within 150% of the program length.

Each year, the Secretary would notify IHEs of their reimbursement bill within 30 days of calculating the amount due, and IHEs would be required to remit payment within 90 days of notification. The bill would impose penalties for IHE delinquent payments that escalate the longer payments remain past-due:

- For payments not made within 90 days of notification, interest would be charged on the amount of the reimbursement payment at a rate equal to the average interest rate applicable to the loans in the student cohort.
- For payments not made within 12 months of notification, an IHE's students enrolled in a program of study associated with a delinquent reimbursement payment would be ineligible for Direct Loan program loans until the payment is made.
- For payments not made within 18 months of notification, all students of an IHE with a delinquent reimbursement payment would be ineligible for Direct Loan program loans or Federal Pell Grants until the payment is made.
- For payments not made within 24 months of notification, the IHE would become ineligible for all Title IV programs for a period of not less than 10 years.

Under H.R. 1, an IHE could reduce its reimbursement bill for each student cohort by 50% if it provided an assurance to the Secretary that it would cease making Direct Loan program loans to students enrolled in the associated programs of study for a period of not less than 10 years.

The funds remitted to the Secretary for the reimbursement payments would be reserved for the awarding of PROMISE grants authorized under Section 30042 of the bill. (See "Updates to the Campus-Based Aid Programs" section of this report.)

CBO estimates payments made by IHEs under this framework would decrease direct federal outlays by about $5.3 billion over the FY2025-FY2034 period. Additionally, CBO estimates that enacting this provision would reduce projected Direct Loan program loan volume by roughly 20%, resulting in estimated budgetary savings of $3.6 billion over the same period. CBO also estimates that, as a result of the risk-sharing framework, some programs or IHEs would close, and some of the students who were enrolled in those programs would not re-enroll in other programs.

[115] For example, if a certain cohort's median value-added earnings of program completers was $40,000 and the median total price charged to students in the cohort was $25,000, the applicable reimbursement percentage would be zero. (One minus [$40,000 divided by $25,000] is a negative number, but the floor for the reimbursement percentage is zero.)

[116] For example, if a certain undergraduate cohort's median earnings were below 150% of the federal poverty line, the cohort's median value-added earnings would be negative. The bill specifies that, in such a scenario, the reimbursement percentage would be set at 100%. As a result, the reimbursement payment due for such cohort would be equal to 100% of the cohort's non-repayment balance.

Because of that, CBO estimates that outlays on Pell Grant mandatory add-on awards would decrease by $397 million over the FY2025-FY2034 period.[117]

Repeal of Existing Accountability Provisions[118]

In addition to creating an institutional risk-sharing framework as a condition for IHEs to participate in the Direct Loan program, H.R. 1 would eliminate two HEA Title IV requirements that IHEs or their programs must meet to participate in the Title IV programs. CBO estimates these changes would result in a $7.6 billion increase in federal outlays for FY2025-2036 due to increased student aid volume at schools that would otherwise be subject to the regulatory requirements.[119]

Under current law, proprietary IHEs must annually derive at least 10% of their tuition and fees revenues from nonfederal funds—known as the *90/10 rule*.[120] If an IHE fails the measure for two consecutive years, it loses its eligibility to participate in the HEA Title IV programs for two institutional fiscal years.[121] In award year 2022-2023 (the most recent year for which data are publicly available) five proprietary IHEs (0.3% of Title IV participating proprietary IHEs) failed the measure for a single year; no IHEs lost their Title IV eligibility in this year for failure to meet the 90/10 rule requirements for two consecutive years.[122] Section 30051 of H.R. 1 would repeal the 90/10 rule, thereby reducing Title IV participation requirements for proprietary IHEs.

The HEA requires that most nondegree programs offered by public and private nonprofit IHEs and almost all programs offered by proprietary IHEs and postsecondary vocational institutions, regardless of whether they lead to a degree, to prepare students for "gainful employment in a recognized occupation."[123] The HEA does not specify criteria for an IHE to demonstrate that its program prepares student for gainful employment in a recognized occupation, but regulations do. Under current regulations,[124] ED considers a program to prepare students for gainful employment if the program meets specified debt-to-earnings or earnings premium measures. If a program fails these measures for multiple years, it could lose its eligibility to participate in the HEA Title IV

[117] CBO, Cost Estimate, p. 22. The full amount of the revenue generated by the reimbursement payments would be available as budget authority for the PROMISE grant program. CBO estimates that, of this amount, approximately $3.0 billion would be outlaid. Any outlays of such funds under the PROMISE grant program would accordingly offset the budgetary savings realized by the reimbursement payments.

[118] This section was authored by Alexandra Hegji, Specialist in Social Policy.

[119] CBO, Cost Estimate, pp. 14-15.

[120] HEA §87(a)(24) and (d); 34 C.F.R. §668.28.

[121] For additional information on the 90/10 rule, see CRS Report R46773, *The 90/10 Rule Under HEA Title IV: Background and Issues*.

[122] Letter from Antoinette Flores, Deputy Assistant Secretary for Policy, Planning, and Innovation, to Virginia Foxx, Chairwoman House Committee on Education and the Workforce, May 20, 2024, https://studentaid.gov/sites/default/files/2022-2023-90-10-transmittal.pdf. The American Rescue Plan Act of 2021 (ARPA; P.L. 117-2) amended the HEA to provide that an IHE must derive at least 10% of its tuition and fees revenues from non-federal funds beginning in institutional fiscal years that started on or after January 1, 2023. Prior to the enactment of ARPA, the HEA specified that an IHE must derive at least 10% of its tuition and fees revenues from non-HEA Title IV funds. The data presented here represent institutional performance under the old version of the 90/10 rule, for institutional fiscal years that began before July 1, 2022.

[123] HEA §§101(b)(1), 102(b)(1)(A)(i), 102(c)(1)(A), and 481(b)(1)(A)(i).

[124] Since 2010, ED has issued a series of regulations relating gainful employment programs. In some instances, the regulations defined metrics by which programs would be determined to prepare students for gainful employment. In other instances, ED repealed such metrics, resulting in no metrics to determine whether a program prepares students for gainful employment.

programs.[125] H.R. 1 would delete from the HEA all instances of the phrase "gainful employment" that are relevant to HEA Title IV. Thus, the HEA would no longer include a gainful employment requirement for HEA Title IV participation, effectively repealing the current gainful employment regulations.[126]

Finally, H.R. 1 would prohibit the Secretary from implementing "any rule, regulation, policy, or executive action specified in [§30051] (or a substantially similar rule, regulation, policy, or executive action) unless authority for such implementation is explicitly provided in an Act of Congress."

Limits on the Secretary of Education's Authority[127]

Section 30061 of H.R. 1 would newly limit the Secretary's authority to issue regulations and take other executive actions. As previously described, H.R. 1 would prohibit the Secretary from implementing rules, regulations, policies, or executive actions relating to the discharge of federal student loans due to school closure and borrower defense to repayment, the 90/10 rule, and gainful employment unless explicitly provided for in an act of Congress.

In addition, H.R. 1 would establish new procedures to limit the Secretary's authority to promulgate regulations or take other "executive action" that would increase the cost of the federal student loan programs and that would have "economically significant effects." Currently, HEA Section 492 prescribes procedures the Secretary generally must follow when developing regulations for HEA Title IV, including developing draft regulations and engaging in negotiated rulemaking to develop a proposed rule. The Secretary must then put the proposed rule through the Administrative Procedure Act's notice-and-comment procedures,[128] followed by publication of a final rule in the *Federal Register*.[129] Under the requirements of Executive Order 12866, ED must complete a regulatory impact analysis alongside the rule if it determines that the rule is likely to be "significant," as defined under Section 3(f)(1) of the order. Significant rules include those that may "have an annual effect on the economy of $100 million or more."[130]

Under H.R. 1, beginning on the date of enactment, if the Secretary determines a draft regulation to be economically significant and would result in an increase in a subsidy cost, then they would be prohibited from taking further action regarding such regulation. The Secretary would also be prohibited from issuing a proposed rule, a final rule, or an executive action if it were economically significant and would result in an increase in a subsidy cost. Because the federal student loan and TEACH Grant programs are the only HEA Title IV programs with subsidy costs,

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125 For additional information on gainful employment requirements, see CRS Report R43159, *Eligibility for Participation in Title IV Student Financial Aid Programs*.

126 In its most recent gainful employment regulations, ED cited the references to "gainful employment" that would be deleted by H.R. 1 as part of its authority to promulgate the regulations. ED, "Financial Value Transparency and Gainful Employment (GE), Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit (ATB)," 88 *Federal Register* 32307, May 19, 2023.

127 This section was authored by Alexandra Hegji, Specialist in Social Policy.

128 See 5 U.S.C. §553.

129 For information on the federal rulemaking process in general and the negotiated rulemaking process, see CRS Report RL32240, *The Federal Rulemaking Process: An Overview* and CRS Report R46756, *Negotiated Rulemaking: In Brief*, respectively.

130 Significant rules also include those that may "adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities." Executive Order 12866, "Regulatory Planning and Review," 58 *Federal Register* 51735, October 4, 1993.

this new requirement would only apply to them and not to any of the other Title IV programs.[131] For purposes of this provision, economically significant draft, proposed, and final rules or executive actions would include those that have "annual effect on the economy of $100,000,000 or more."[132]

CBO estimates these new limitations on ED's authority would result in a decrease in federal outlays of $31.8 billion for FY2025-FY2034.[133]

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[131] Subsidy costs apply to federal credit programs. The subsidy cost of direct loans and loan guarantees is the net present value of loan disbursements minus repayments of principal and interest, adjusted for estimated defaults, recoveries, prepayments, and fees. Other Title IV programs, such as the Pell Grant program and the TRIO programs, do not have subsidy costs. However, negotiated rulemaking requirements would still apply to all Title IV programs.

[132] They would also include those that "adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities."

[133] CBO, Cost Estimate, p. 15.