

Amendments to the Higher Education Act Made by P.L. 119-21, the FY2025 Budget Reconciliation Law

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Title IV of the Higher Education Act (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 include the William D. Ford Federal Direct Loan (Direct Loan) program and the Pell Grant program.

On July 4, 2025, P.L. 119-21, the FY2025 budget reconciliation law, was enacted. The law addresses a broad array of federal laws and programs, and Title VIII specifically amends several aspects of HEA Title IV. The Congressional Budget Office (CBO) estimates that P.L. 119-21's amendments to the HEA will result in net mandatory savings of about \$320 billion over the FY2025-FY2034 period. The majority of these savings are primarily derived from changes to the Direct Loan program, with amendments to the student loan repayment plans accounting for about 85% of the net savings.

P.L. 119-21 makes the following changes to the HEA Title IV programs:

- It updates the mix and availability of Direct Loans by (1) eliminating Direct PLUS Loans to graduate and professional students, (2) amending borrowing limits for Direct Unsubsidized Loans to graduate and professional students and for Direct PLUS Loans to parents of dependent undergraduate students, and (3) instituting new *lifetime maximum aggregate limits* for all student loan borrowers and on the amount that may be borrowed on behalf of a dependent undergraduate student by their parents. In general, these changes are applicable to individuals who, as of June 30, 2026, are not enrolled in a program of study for which they received (or on whose behalf their parents borrowed) a Direct Loan.
- For borrowers of new Direct Loans on or after July 1, 2026, it authorizes the availability of only two repayment plans: a new standard repayment plan with fixed monthly payments, and a new income-driven repayment (IDR) plan, known as the *Repayment Assistance Plan* (RAP). For qualifying borrowers with *existing loans*, all currently available repayment plans are to remain available through June 30, 2028. After that date, the only IDR plans available to such borrowers will be the two current income-based repayment plans and the RAP, with no changes to availability of fixed repayment plans or alternative repayment plans.
- It amends other terms and conditions of Direct Loans, including eliminating economic hardship and unemployment deferments for loans made on or after July 1, 2027; permitting federal student loan borrowers to rehabilitate their defaulted loans twice, effective July 1, 2027; and delaying the effective date of regulations promulgated in 2022 relating to closed school discharge and borrower defense to repayment for all loans originated before July 1, 2035.
- Effective July 1, 2026, it makes targeted changes to the *need analysis* system used to determine a student's eligibility for need-based HEA Title IV programs, such as the Pell Grant.
- It newly authorizes so-called *Workforce Pell Grants* for otherwise Pell-eligible students enrolled in short-term undergraduate workforce programs (to be effective July 1, 2026) and provides additional funds in FY2026 for the Pell Grant program to help address an estimated funding shortfall.
- It adds a statutory earnings test applicable to programs of study that participate in the Direct Loan program to the current array of HEA Title IV accountability measures. The new earnings test is to compare the earnings of program completers against those of individuals without a credential of the same level. Beginning July 1, 2026, institutions of higher education must provide assurances to the U.S. Department of Education that applicable programs of study will meet the new earnings test.

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Introduction

Title IV of the Higher Education Act (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 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. The HEA also 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.¹ Additionally, it manages a student loan portfolio encompassing 45 million borrowers with outstanding federal student loans totaling about \$1.6 trillion.²

On July 4, 2025, President Trump signed into law P.L. 119-21 (H.R. 1 in the 119th Congress, also referred to as the FY2025 budget reconciliation law and the One Big Beautiful Bill Act³). The law addresses a broad array of federal laws and programs, and Title VIII specifically amends several aspects of HEA Title IV.

P.L. 119-21 Title VIII signals an attempt to achieve multiple policy goals through a range of changes.⁴

- With respect to student loans, the act addresses the amount of federal financial assistance available to students, with a focus on graduate and professional education in particular, by changing the mix and availability of student loans. These policy changes may provide cause for IHEs to reexamine their program offerings and the prices they charge as students may have a reduced ability to rely on federal student loans to meet their educational expenses.⁵ P.L. 119-21 reduces the number of student loan repayment plans to two new repayment plans for future student loan borrowers, with the aim of streamlining the number of options available to borrowers while also “benefit[ing] borrowers and taxpayers” by including repayment plan features that provide “targeted relief to borrowers in

¹ 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>.

² 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 [FFEL] 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>.

³ H.R. 1, as initially passed in the House, was titled the One Big Beautiful Bill Act. That title was not included in the enacted law, P.L. 119-21.

⁴ Title VIII also appropriates funds for the National Endowment for the Humanities (NEH) and for the U.S. Department of Health and Human Services’ (HHS’s) Office of Refugee Resettlement. Those provisions are beyond the scope of this report.

⁵ See, for example, U.S. Congress, House Budget Committee, *One Big Beautiful Bill Act*, report to accompany H.R. 1, 119th Cong., 1st sess., May 20, 2025, H.Rept. 119-106, p. 208; and U.S. Congress, Senate Committee on Health, Education, Labor and Pensions, “President Trump, Republicans Deliver Historic Wins in One Big Beautiful Bill, Reforming America’s Broken Higher Education System,” press release, August 1, 2025, <https://www.help.senate.gov/rep/newsroom/press/president-trump-republicans-deliver-historic-wins-in-one-big-beautiful-bill-reforming-americas-broken-higher-education-system>.

need.”⁶ Additionally, the act delays for 10 years implementation of regulations relating to closed discharge and borrower defense to repayment that were promulgated in 2022 by the Biden Administration.⁷

- P.L. 119-21 makes targeted changes to Pell Grant eligibility and need analysis rules for discrete student groups, such as applicants with foreign income. It also authorizes so-called *Workforce Pell Grants* for otherwise Pell-eligible students enrolled in short-term undergraduate workforce programs—a policy that has been of congressional interest for several years⁸—to expand alignment between postsecondary education and the workforce.⁹ The law also provides additional mandatory funding of \$10.5 billion for FY2026. With this, lawmakers seek to address an estimated funding shortfall in the Pell Grant program by providing additional funds for it.¹⁰
- P.L. 119-21 institutes a new accountability measure for certain programs of study participating in the Direct Loan program. The new measure conditions a program of study’s continued eligibility to disburse Direct Loans to students on its completers’ earnings and is the first statutorily specified metric to address programs of study.¹¹ The goal of establishing this new measure is to ensure that programs of study do not “leave students worse off than if they had never gone.”¹²

Overall, the Congressional Budget Office (CBO) estimates that P.L. 119-21’s amendments to the HEA will result in net budgetary savings of about \$320 billion over the FY2025-FY2034 period.¹³ These savings are primarily derived from amendments to the Direct Loan program, with changes

⁶ U.S. Congress, House Budget Committee, *One Big Beautiful Bill Act*, report to accompany H.R. 1, 119th Cong., 1st sess., May 20, 2025, H.Rept. 119-106, pp. 209-210.

⁷ An earlier version of the bill text that would become P.L. 119-21 would have fully repealed the 2022 borrower defense to repayment and closed school discharge regulations; however, the Senate Parliamentarian advised that these provisions would violate the Byrd Rule. Juan Perez Jr., “New Senate megabill drops Byrd-offending education provisions,” *Politico*, June 28, 2025, <https://www.politico.com/live-updates/2025/06/28/congress/new-senate-megabill-drops-byrd-offending-education-provisions-00430649>.

⁸ See, for example, the Bipartisan Workforce Pell Act (H.R. 6585; 118th Congress), and JOBS Act of 2019 (S. 839; 116th Congress).

⁹ U.S. Congress, House Budget Committee, *One Big Beautiful Bill Act*, report to accompany H.R. 1, 119th Cong., 1st sess., May 20, 2025, H.Rept. 119-106, p. 211.

¹⁰ U.S. Congress, Senate Committee on Health, Education, Labor and Pensions, “HELP Committee Provisions of the Senate’s One Big Beautiful Bill Act, Section by Section,” June 30, 2025, <https://www.cassidy.senate.gov/wp-content/uploads/2025/06/HELP-Section-by-Section-Updated-6-30-25.pdf>.

¹¹ The HEA requires that most nondegree programs offered by public and private nonprofit IHEs and almost all programs offered by proprietary and postsecondary vocational institutions, regardless of whether they lead to a degree, prepare students for “gainful employment in a recognized occupation” (HEA §§101(b)(1), 102(b)(1)(A)(i), and 102(c)(1)(A)). The HEA does not specify criteria to demonstrate that a program prepares students for gainful employment in a recognized occupation. Since 2010, ED has issued multiple regulatory iterations to define such criteria; however, due to policy changes and litigation, the regulations have never been fully implemented. For additional information, see CRS Report R43159, *Eligibility for Participation in Title IV Student Financial Aid Programs*.

¹² U.S. Congress, Senate Committee on Health, Education, Labor, and Pensions, “HELP Committee Provisions of the Senate’s One Big Beautiful Bill Act, Section by Section,” June 27, 2025, https://www.help.senate.gov/imo/media/doc/help_committee_reconciliation_2025_section-by-section.pdf.

¹³ CBO, “Estimate Budgetary Effects of P.L. 119-21, to Provide for Reconciliation Pursuant to Title II of H.Con.Res. 14, Relative to the Budget Enforcement Baseline for Consideration in the Senate: Title VIII” July 21, 2025, <https://www.cbo.gov/system/files/2025-07/61569-pl119-21-2025Recon-BEB.xlsx> (hereinafter, “CBO “Budget Estimate”).

to the student loan repayment plans accounting for about \$271 billion (85%) of net savings. Some savings derived under P.L. 119-21 Title VIII are offset somewhat with increased outlays elsewhere in the title. These increases are derived primarily from amendments to the Pell Grant program, with additional funds to address the estimated Pell Grant shortfall accounting for the largest amount of increased outlays (\$10.5 billion) under P.L. 119-21's amendments to HEA Title IV.¹⁴ **Table 1** shows CBO's cost estimates of P.L. 119-21's amendments to the HEA. Statutory provisions and cost estimates are displayed in the order in which they appear in this report.

Following **Table 1**, this report provides a brief legislative history of P.L. 119-21 and then describes and analyzes the provision in Title VIII that relates to the HEA Title IV programs.

Table 1. Congressional Budget Office Cost Estimates of P.L. 119-21 Provisions Amending the Higher Education Act
(dollars in millions)

P.L. 119-21 Amendments and Applicable Sections	CBO Cost Estimate for FY2025-FY2035
Updates to student loan types and limits (§81001)	-\$44,000
Updates to student loan repayment plans (§82001)	-\$271,000
Updates to student loan deferment and forbearance (§82002)	\$280
Updates to student loan rehabilitation (§82003)	\$115
Delayed implementation of borrower defense to repayment and closed school discharge regulations (§85001)	-\$17,000
Mandatory funding for student loan servicing (§82005)	\$1,000
Updates to Pell Grant eligibility based on foreign income and a high Student Aid Index (§83001)	-\$144
Updates to Pell Grant eligibility due to other grant aid (§83004)	-\$16
Exemption of certain assets in the Student Aid Index Calculation (§80001)	\$17
Authorization of Workforce Pell Grants (§83002)	\$275
Mandatory funding for the Pell Grant program (§83003)	\$11,000
Establishment of statutory earnings test for programs participating in the HEA Title IV programs (§84001)	-\$777
Total	-\$320,250

Source: CBO, "Estimate Budgetary Effects of P.L. 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to the Budget Enforcement Baseline for Consideration in the Senate: Title VIII" July 21, 2025, <https://www.cbo.gov/system/files/2025-07/61569-pl119-21-2025Recon-BEB.xlsx>.

Notes: Negative estimates represent savings.

Legislative History

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 the Senate on a budgetary plan for the upcoming fiscal year and allows Congress to employ the budget reconciliation process.

¹⁴ CBO "Budget Estimate."

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.”¹⁵ 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.¹⁶

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) was 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,¹⁷ which the House Budget Committee packaged, together with other committees’ proposals, as Title III of H.R. 1. On May 22, the House voted 215 to 214 to pass H.R. 1.¹⁸ On June 28, the Senate Committee on the Budget released text for an amendment in the nature (ANS) of a substitute to H.R. 1 that included proposals from all relevant committees, including Senate HELP,¹⁹ and on July 1, the Senate voted 51 to 50 (with Vice President J.D. Vance voting yea to break a tie) to pass the ANS.²⁰ Title VIII of H.R. 1, as passed by the Senate, comprised HELP’s proposal to comply with its budget reconciliation instructions. On July 3, the House voted 218 to 214 to pass H.R. 1, as passed in the Senate.²¹ On July 4, President Trump signed the bill into law as P.L. 119-21.

The remainder of this report describes and analyzes the changes P.L. 119-21 made to the HEA and is organized thematically to address amendments to the Direct Loan program, the Pell Grant program and need analysis, and program-of-study accountability in the Direct Loan program.

¹⁵ Congressional Budget Act of 1974, §310(b)(2) of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), as amended.

¹⁶ For additional information on the budget reconciliation process, see CRS Report R44058, *The Budget Reconciliation Process: Stages of Consideration*, and CRS Report R48444, *The Reconciliation Process: Frequently Asked Questions*.

¹⁷ “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.

¹⁸ “Roll No. 145,” One Big Beautiful Bill Act, *Congressional Record*, vol. 171, No. 86 (May 21, 2025), p. H2357.

¹⁹ U.S. Senate Committee on the Budget, “Chairman Graham Releases Full Senate Text Of President’s One Big Beautiful Bill,” press release, June 28, 2025, <https://www.budget.senate.gov/chairman/newsroom/press/chairman-graham-releases-full-senate-text-of-presidents-one-big-beautiful-bill>.

²⁰ The individual committees contributing text to the ANS did not first markup their contributions, as was the case in the House. U.S. Senate, Roll Call Vote 119th Congress-1st Session, Vote No. 370, July 1, 2025, https://www.senate.gov/legislative/LIS/roll_call_votes/vote119/vote_119_1_00370.htm#top.

²¹ “Roll No. 190,” One Big Beautiful Bill Act, *Congressional Record*, vol. 171, No. 114 (July 2, 2025), p. H3187.

Updates to the Direct Loan Program²²

The Direct Loan program is the single largest source of federal financial assistance to support students' postsecondary education pursuits.²³ In FY2024, ED disbursed about \$86 billion in Direct Loans to more than 6.7 million recipients.²⁴ P.L. 119-21 makes a number of changes to the program, many of which represent attempts to streamline it and realize federal budgetary savings by adjusting loan terms and conditions. Overall, CBO estimates that P.L. 119-21's amendments to Direct Loan terms and conditions (as well as additional funding made available for loan servicing) will result in mandatory savings of about \$329 billion for FY2025-FY2034, accounting for the vast majority of savings derived from P.L. 119-21 Title VIII.²⁵ The savings in the Direct Loan program primarily result from amendments to student loan repayment plans, accounting for about \$271 billion (82% of all savings derived from amendments to Direct Loan program terms and conditions and 85% of all net savings in Title VIII).

Loan Types and Limits

Section 81001 of P.L. 119-21 amends the types of loans available to borrowers under the Direct Loan program, as well as the borrowing limits for those loans. The amendments to loan types and limits apply to individuals who, as of June 30, 2026, either (1) are not enrolled in a program of study or (2) are enrolled in a program of study for which they did not (or their parents did not) borrow a Direct Loan. That is, if an individual, as of June 30, 2026, is enrolled in a program of study and has received a loan (or a loan was made on their behalf) for that program, the new limits and loan type availability do not apply for a period. Current loan limits and availability apply to such individuals for their "expected time to credential," which is defined as the lesser of three academic years or the remaining time to completion in their program of study.

CBO estimates the amendments to student loan types and limits made by P.L. 119-21 will result in about \$44 billion in mandatory savings for FY2025-FY2036.²⁶

Loan Types

The HEA authorizes four types of Direct Loans: (1) Subsidized Loans available to undergraduate students, (2) Unsubsidized Loans available to undergraduate and graduate and professional students, (3) PLUS Loans available to graduate and 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, which allow them to combine debt from existing qualifying federal student loans into a single, new Direct Loan.²⁷

²² With the exception of "Loan Repayment Plans," this section was authored by Alexandra Hegji, CRS Specialist in Social Policy.

²³ The Direct Loan program is authorized in HEA Sections 451-460. For detailed information on the Direct Loan program, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

²⁴ 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>.

²⁵ CBO, "Budget Estimate."

²⁶ CBO, "Budget Estimate."

²⁷ The FFEL program was the primary federal student loan program before the Direct Loan program. The authority to make new FFEL program loans terminated July 1, 2010. Although FFEL program loans are no longer authorized to be (continued...)

In general, effective for periods of instruction beginning on or after July 1, 2026, P.L. 119-21 eliminates the availability of Grad PLUS Loans and retains all other Direct Loan types. Exceptions apply to qualifying individuals (as described in the “Loan Types and Limits” section).

Loan Limits

Direct Loans are subject to annual and aggregate loan limits. Annual limits cap the amount a student may borrow in Direct Loans during a single academic year and vary by loan type, borrower characteristics (e.g., dependency status), program level (i.e., undergraduate, graduate or professional), and class level (e.g., 1st or 2nd year undergraduate). Aggregate 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.²⁸ Thus, if some of a borrower’s principal balance was paid down, discharged, or forgiven, their remaining aggregate loan limit would then increase accordingly.²⁹ Currently, Unsubsidized Loans and PLUS Loans do not have differing limits for graduate students versus professional students, and PLUS Loans do not have aggregate loan limits.

P.L. 119-21 amends borrowing limits for affected graduate and professional students and for borrowers of Parent PLUS Loans effective July 1, 2026; it does not amend annual and aggregate borrowing limits for loans to undergraduate students. In amending limits for graduate and professional students, P.L. 119-21 sets different limits for each type of student.³⁰ Generally, annual limits on Unsubsidized Loans will remain the same for graduate students and will increase for professional students, as compared to limits that are currently in effect.³¹ Whether aggregate limits on Unsubsidized Loans for graduate or professional students effectively increase or decrease will depend on an individual borrower’s circumstances, as currently effective aggregate

made under the HEA, about \$162 billion in program loans borrowed by or on behalf of 6.9 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 Q3.

²⁸ Interest capitalization occurs when unpaid accrued interest is added to the principal balance of a loan.

²⁹ For example, if a borrower met the Subsidized and Unsubsidized 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 and Unsubsidized Loans, subject to all other eligibility restrictions.

³⁰ P.L. 119-21 defines a “professional student” as a student enrolled in a program of study that awards “a degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor’s degree. Professional licensure is also generally required. Examples of a professional degree include but are not limited to Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), and Theology (M.Div., or M.H.L.).” See 34 C.F.R. §668.2.

³¹ HEA Section 428(b)(1)(A) authorizes the Secretary to set higher annual limits on Unsubsidized Loans if she determines “that a higher amount is warranted ... with respect to students engaged in specialized training requiring exceptionally high costs of education.” Under this authority, 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 an additional \$26,667 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 an additional \$16,667 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. (ED, Office of Postsecondary Education, Dear Colleague Letters GEN-05-09, GEN-08-04, and GEN-08-08.) P.L. 119-21 did not directly amend this section; however, based on the amendments made by P.L. 119-21, it appears the Secretary’s authority to set higher loan limits generally may not apply to Direct Loans for periods of instruction beginning on or after July 1, 2026. (See P.L. 119-21, §81001).

loan limits take into account amounts borrowed for undergraduate education, and P.L. 119-21's new aggregate limits do not (see **Table 2**). For example, under the pre-P.L. 119-21 aggregate loan limits, an individual who borrowed \$57,500 as an independent undergraduate student and enrolled in a program of study for which the applicable aggregate limit was \$138,500 could borrow up to \$81,000 (\$138,500-\$57,500) in Unsubsidized Loans for their graduate education. However, if the same individual had instead borrowed \$31,000 as an undergraduate student, under the pre-P.L. 119-21 limits they could borrow up to \$107,500 (\$138,500-\$31,000) for their graduate education. Under P.L. 119-21, the individual in both scenarios could borrow up to \$100,000 for their graduate education, equating to a \$19,000 increase in aggregate limits compared to the former scenario and a \$7,500 decrease compared to the latter.

Additionally, P.L. 119-21 institutes new *lifetime maximum aggregate limits* for all student borrowers, and for the amount that may be borrowed on behalf of any single dependent undergraduate student in the case of Parent PLUS Loans. Lifetime maximum aggregate limits cap the total amount of loans an individual may ever borrow, regardless of whether their principal balance is paid down, discharged, or forgiven.³²

Table 2 compares applicable loan limits under current rules and as amended by P.L. 119-21.

Table 2. Direct Loan Limits Under Current Rules and as Amended by P.L. 119-21

Limit Type	Current Limits ^a	As Amended by P.L. 119-21 ^b
Annual		
Undergraduate (Subsidized)	\$3,500 (first-year, dependent or independent) \$4,500 (second-year, dependent or independent) \$5,500 (third-year and beyond, dependent or independent)	Unchanged
Undergraduate (Unsubsidized)	\$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)	Unchanged
Graduate (Unsubsidized)	\$20,500 (in general; higher limits apply to certain health professions programs) ^c	\$20,500 ^d

³² With respect to Parent PLUS Loans, although the limits are included in the HEA under the heading “aggregate limits,” they are in effect lifetime maximum aggregate limits as the statutory text states that the limits apply “without regard to any amounts repaid, forgiven, canceled, or otherwise discharged on any such loan.”

Limit Type	Current Limits ^a	As Amended by P.L. 119-21 ^b
Professional (Unsubsidized)	\$20,500 (in general; higher limits apply to certain health professions programs) ^c	\$50,000 ^d
PLUS Loans (graduate or professional students)	Up to COA minus EFA	Loan type is eliminated
PLUS Loans (parents of dependent undergraduate students)	Up to COA minus EFA	\$20,000 ^e
Aggregate^f		
Undergraduate (Subsidized)	\$23,000 (dependent or independent)	Unchanged
Undergraduate (Unsubsidized)	\$31,000 minus Subsidized Loans (dependent) \$57,5000 minus Subsidized Loans (independent)	Unchanged
Graduate (Unsubsidized)	Limit unspecified	\$100,000 ^g or \$200,000 minus amounts borrowed as a professional student ^h
Professional (Unsubsidized)	Limit unspecified	\$200,000 ⁱ or \$200,000 minus amounts borrowed as a graduate student ⁱ
Combined undergraduate (Subsidized and Unsubsidized) plus graduate or professional (Unsubsidized)	\$138,500 (in general) \$224,000 (students enrolled in certain health professions programs)	\$257,500 ^k
PLUS Loans (graduate students)	Not limited	Loan type is eliminated
PLUS Loans (parents of dependent undergraduate students)	Not limited	Limit unspecified
Lifetime Maximum Aggregate^l		
Unsubsidized, Subsidized, and PLUS Loans to graduate or professional students	n.a.	\$257,500 ^m
PLUS Loans (parents of dependent undergraduate students)	n.a.	\$65,000 per dependent undergraduate student ^e

Source: 20 U.S.C. §§428, 428B, 428H, 451, and 455; CRS analysis of P.L. 119-21.

Notes: COA: cost of attendance. EFA: estimated financial assistance (i.e., the amount of aid anticipated to be available to a student from all sources for a period of enrollment).

- a. The HEA 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). P.L. 119-21 does not amend these limits.
- b. Amended limits do not apply to individuals who, as of June 30, 2026, are enrolled in a program of study and received a Direct Loan (or on whose behalf a loan was borrowed in the case of Parent PLUS Loans) for that program, for the lesser of three academic years or the remaining time to completion in their program of study.
- c. HEA Section 428(b)(1)(A) authorizes the Secretary to set higher annual limits on Unsubsidized Loans if she determines “that a higher amount is warranted ... with respect to students engaged in specialized training

- requiring exceptionally high costs of education.” Under this authority, 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 an additional \$26,667 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 an additional \$16,667 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. P.L. 119-21 did not directly amend this section; however, based on the amendments made by P.L. 119-21, it appears the Secretary’s authority to set higher loan limits generally may not apply to Direct Loans for periods of instruction beginning on or after July 1, 2026. (See P.L. 119-21, §81001)
- d. Limit applies to all qualifying student borrowers, regardless of type of program of study.
 - e. This reflects the total amount of Parent PLUS Loans that may be borrowed by one or more individuals on behalf of a single dependent undergraduate student (i.e., two parents of the same dependent undergraduate student cannot each borrow up to the limit on behalf of the student). Although these limits are included in the HEA under the heading “aggregate limits,” they are in effect lifetime maximum aggregate limits as the statutory text states that the limits apply “without regard to any amounts repaid, forgiven, canceled, or otherwise discharged on any such loan.”
 - f. 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 or had some principal balance forgiven or discharged, their aggregate loan limit would then increase accordingly.
 - g. Applies to a graduate student who is not (and has not been) a professional student.
 - h. Applies to a graduate student who is (or has been) a professional student.
 - i. Applies to a professional student who is not (or has not been) a graduate student.
 - j. Applies to a professional student who is (or has been) a graduate student.
 - k. This represents the aggregate amount an individual may borrow as an independent undergraduate student (\$57,500) plus the aggregate amount an individual may borrow as an individual who is or has been a professional student (\$200,000). Depending on the borrower, the aggregate limit may be lower at a given point in their educational trajectory. For example, an individual who borrowed up to the aggregate limit as an independent undergraduate student (\$57,500) and as a graduate student (\$100,000) would have a combined undergraduate and graduate aggregate loan limit of \$157,500. This individual could potentially borrow up to an additional \$100,000 (the lifetime maximum aggregate of \$257,500 minus the total amount already borrowed [\$157,500]) for a professional program of study but could not borrow additional amounts as an undergraduate student or graduate student.
 - l. The lifetime maximum aggregate limit caps 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.
 - m. Excludes amounts an individual borrows in Parent PLUS Loans on behalf of a dependent student.

Additional Amendments to Loan Amounts

Students qualify for a Direct Loan if they are enrolled on at least a half-time basis.³³ Prior to P.L. 119-21, they were eligible for the full amount of Direct Loans for which they qualify even if they are enrolled on a less-than-full-time basis.³⁴

³³ HEA §484(b)(3).

³⁴ For additional information, see ED, *FY2025-2026 Federal Student Aid Handbook*, vol. 8, ch. 5, <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/pdf/2025-2026> (hereinafter, “*FY2025-2026 FSA Handbook*”).

P.L. 119-21 requires 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. ED has stated this new provision will be implemented beginning with the 2026-2027 academic year.³⁵

Additionally, beginning July 1, 2026, P.L. 119-21 authorizes IHEs to limit the dollar amount of Direct Loans an individual may borrow for a particular program of study and academic year, if the limit is applied consistently to all students enrolled in the program.

Loan Repayment Plans³⁶

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;
- 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.”³⁷

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. The following conditions apply under the five current IDR plans:

- Borrowers make monthly payments equal to one-twelfth of a specified percentage (5% to 20%, depending on the plan) of their discretionary income. “Discretionary income” is defined as the portion of a borrower’s adjusted gross income (AGI) that exceeds a specified multiple (100% to 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).

³⁵ Specifically, P.L. 119-21 Section 81001 states that a student’s loan shall be reduced “in direct proportion to the degree to which that student is not so enrolled on a full-time basis, rounded to the nearest whole percentage point, as provided in a schedule of reductions published by the Secretary.” ED is currently developing the schedule of reductions. ED has stated the schedule will be used to determine loan limits for students who are enrolled less-than-full-time for academic years 2026-2027 and beyond. ED, Office of Federal Student Aid, “Federal Student Loan Program Provisions Effective Upon Enactment Under the One Big Beautiful Bill Act,” GEN-25-04, July 18, 2025, <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2025-07-18/federal-student-loan-program-provisions-effective-upon-enactment-under-one-big-beautiful-bill-act>.

³⁶ This section was authored by Rita Zota, CRS Analyst in Education Policy.

³⁷ HEA §455(d)(4).

- An interest subsidy, in which unpaid monthly accrued interest is not charged to the borrower, may be available in some instances of *negative amortization*.³⁸

Some of the IDR plans also require that a borrower demonstrate a partial financial hardship (PFH) to enter into the plan. A borrower has a PFH if their annual payments under a standard 10-year repayment plan, based on their outstanding balance,³⁹ are greater than their annual payments under the applicable IDR plan. If a borrower no longer has a PFH, they may remain in the plan, but their monthly payment amounts are equal to and capped at the monthly payment amount under a standard 10-year repayment plan, based on their outstanding balance at the time they enrolled in the applicable IDR plan.

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 (New IBR). 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.⁴⁰ The ICR plans' terms are established in regulations under HEA authority that is broader than the IBR authority.

Parent PLUS Loans and, in general, Consolidation Loans whose proceeds were used to repay a Parent PLUS Loan—referred to as *Excepted Consolidation Loans*—are not eligible to be repaid according to any of the IDR plans. However, there are exceptions. 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. Additionally, due to an administrative issue with the processing of Consolidation Loans, borrowers were previously able to consolidate their Parent PLUS Loan into a Consolidation Loan and then consolidate that loan again to access other IDR plans for which they would not otherwise be eligible. This has been referred to as the *Double Consolidation Loophole*, which ED ended for loans disbursed on or after July 1, 2025.⁴¹

P.L. 119-21 amends the HEA to change the availability of loan repayment plans for Direct Loan borrowers, including by authorizing two new loan repayment plans for certain borrowers and eliminating some currently available repayment plans for other borrowers. Loan repayment plan availability varies based on whether an individual borrows a Direct Loan only before or at any time on or after July 1, 2026.

The remainder of this section describes the changes made by P.L. 119-21 as they apply to different categories of borrowers and concludes with a discussion of the implications of such changes. The text box below defines key terms that are referenced throughout this section.

³⁸ 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 a balance of unpaid interest must be repaid by the borrower before paying down loan principal.

³⁹ "Outstanding balance," for the purpose of determining PFH, is defined as the greater of (1) the borrower's outstanding loan balance at the time the borrower initially entered repayment or (2) the borrower's outstanding balance at the time they enroll in the applicable IDR plan.

⁴⁰ 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. Apr. 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).

⁴¹ 34 C.F.R. §685.209(c)(5)(iii).

Key Student Loan Repayment Terms in the Context of P.L. 119-21

Categories of Borrowers

The following terms refer to the two categories of borrowers implicitly established in P.L. 119-21, though they are not explicitly defined as such. Repayment plan availability and eligibility under P.L. 119-21 differ based on these borrower categories:

- *Borrower of New Loans* refers to an individual who borrows a new Direct Loan on or after July 1, 2026. This category includes borrowers with outstanding loans made prior to July 1, 2026, who also borrow a new loan on or after July 1, 2026.
- *Borrower of Existing Loans* refers to an individual with outstanding Direct Loans made prior to July 1, 2026, who do not borrow new Direct Loans on or after July 1, 2026.

Parent PLUS Loans

P.L. 119-21 establishes new, and amends existing, definitions related to Parent PLUS Loans:

- *Excepted Loan.* P.L. 119-21 establishes a new term, “Excepted Loan,” in HEA Section 455(d)(7)(E)(ii), which is defined as a loan with an outstanding balance that is (1) a Direct Loan Program Parent PLUS Loan or (2) a Federal Direct Consolidation Loan, if the proceeds of such loan were used to discharge the liability on an FFEL or Direct Loan program Parent PLUS Loan, or an Excepted Consolidation Loan (see below).
- *Excepted Consolidation Loan.* P.L. 119-21 amends the definition of “Excepted Consolidation Loan” in HEA Section 493C to mean (1) an FFEL or Direct Loan program Consolidation Loan if the proceeds of such loan were used to discharge the liability on an FFEL or Direct Loan program Parent PLUS Loan or (2) an FFEL or Direct Loan Program Consolidation Loan if the proceeds of such loan were used to discharge the liability on an FFEL or Direct Loan Program Consolidation Loan described in (1).

Borrowers of New Loans

P.L. 119-21 authorizes the availability of only two repayment plans for Borrowers of New Loans: a new standard repayment plan and a new type of IBR plan, referred to as the Repayment Assistance Plan (RAP). In general, such borrowers must repay all of their Direct Loans according to the same repayment plan, regardless of when the loans were borrowed.

Under the new standard repayment plan, a borrower is to make level monthly payments and repay their loans in full in a specified repayment period. That repayment period is 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 are

- 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 are based on a percentage of a borrower’s AGI and forgiveness of outstanding loan balances is available after making payments for a maximum repayment period), it includes some features that differ from them to varying extents. The following conditions apply under the RAP:

- Monthly payment amounts are to be based on a borrower’s total AGI instead of discretionary income, which reflects a portion of AGI.⁴²

⁴² For borrowers who are either single or are married and file a separate federal tax return from their spouse, only the (continued...)

- The percentage of a borrower's AGI used for the monthly payment calculation is to follow an AGI-based sliding scale that ranges 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 is the borrower's *base payment*.⁴³ To determine the *applicable monthly payment*, the base payment is divided by 12 and then reduced by \$50 for each *dependent*⁴⁴ of the borrower, except that the borrower's applicable monthly payment can be no less than \$10.
- The maximum repayment period is to be 360 monthly payments (or 30 years), after which any remaining outstanding balance in principal and interest is to be cancelled.
- Any monthly accrued interest that remains unpaid after the monthly payment is applied is not to be charged to the borrower for any loans in negative amortization.
- The RAP is to provide a *matching principal payment* for a borrower who repays less than \$50 in principal for the month. For such borrowers, the outstanding principal balance is to be reduced by an amount equal to the lesser of (1) \$50 or (2) the total monthly payment, minus the total principal repaid by the borrower for the month. Under existing IDR plans, no such matching principal payment is provided.

Table 3 presents a comparison of selected plan features among the existing IDR plans and the RAP.

Table 3. Selected Plan Features of Existing IDR Plans and the RAP

IDR Plan Feature	Current IDR Plans	RAP
Eligible loans	Subsidized, Unsubsidized, Grad PLUS, and Consolidation Loans (Consolidated Parent PLUS Loans may be eligible for some plans)	Subsidized, Unsubsidized, Grad PLUS, and Consolidation Loans (excluding Excepted Consolidation Loans ^a)
Income basis for monthly payment	Discretionary income (portion of AGI that exceeds 150% to 225% of the FPL) ^b	AGI
Percentage of income used for monthly payment calculation	5% to 20% of discretionary income ^c	1% to 10% of AGI for AGIs above \$10,000; ^d for AGIs of \$10,000 or less, monthly payment is \$10
Minimum monthly payment	\$0	\$10
Dependent-based reductions in monthly payments	None (though due to use of FPL, the larger a borrower's family size, the lower their discretionary income)	\$50 per dependent
Maximum repayment period	10 to 25 years ^e	30 years

borrower's AGI is to 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 are to be used.

⁴³ For AGIs of greater than \$100,000, the applicable percentage is capped at 10%. For AGIs of \$10,000 or less, the base payment is \$120.

⁴⁴ The term "dependent" is defined as an individual who is a dependent under Section 152 of the Internal Revenue Code of 1986.

IDR Plan Feature	Current IDR Plans	RAP
Interest subsidy	Varies ^f	All loans in negative amortization
Matching principal payment	None	For borrowers who repay less than \$50 in principal in a month, a principal reduction equal to the lesser of \$50 or total monthly payment, minus principal repaid in the month

Source: 34 C.F.R. §685.209 and P.L. 119-21.

Notes: Enumerated features may not apply to all existing IDR plans or may apply in varying degrees. FPL = federal poverty level. AGI = adjusted gross income.

- a. Excepted Consolidation Loans are (1) an FFEL or Direct Loan Program Consolidation Loan if the proceeds of such loan were used to discharge the liability on an FFEL or Direct Loan Program Parent PLUS Loan or (2) an FFEL or Direct Loan Program Consolidation Loan if the proceeds of such loan were used to discharge the liability on an FFEL or Direct Loan Program Consolidation Loan described in (1).
- b. Under the IBR plan and the PAYE repayment plan, 150% of the FPL is used. Under the SAVE repayment plan, 225% is used; and under the ICR plan, 100% is used.
- c. Under the New IBR plan and the PAYE repayment plan, the percentage of discretionary income used is 10%. Under the Original IBR plan, 15% is used; and under the ICR plan, 20% is used. Under the SAVE repayment plan, the percentage of discretionary income used can range from 5% to 10%.
- d. The applicable percentage increases by one percentage point for each increment of \$10,000 in AGI. For AGIs above \$100,000, the applicable percentage is capped at 10%.
- e. Under the New IBR plan and the PAYE repayment plan, the maximum repayment period is 20 years. Under the Original IBR plan and the ICR plan, the maximum repayment period is 25 years. Under the SAVE repayment plan, maximum repayment periods can range from 10 to 25 years.
- f. Under the IBR plans and the PAYE repayment plan, an interest subsidy is only available for Subsidized Loans for the first three years of repayment. Under the SAVE repayment plan, an interest subsidy is available for all loan types during any period of negative amortization. Under the ICR plan, no interest subsidy is available.

The textbox below provides illustrative examples of how selected RAP plan features would function.

Example RAP Monthly Calculations

Monthly Payment Amounts. For a single borrower with no dependents and an AGI of \$45,000:

- The applicable percentage used for the *base payment* is 4%
- The *base payment* is 4% of \$45,000, or $0.04 \times \$45,000 = \$1,800$
- Because the borrower has no dependents, the *applicable monthly payment* is $\$1,800 \div 12 = \150

Matching Principal Payment. For borrowers who repay less than \$50 in principal for the month, the matching principal payment is to be equal to the lesser of \$50 or the total monthly payment, minus the principal paid for the month.⁴⁵

- For a borrower with a total monthly payment of \$150:
 - If they repay \$10 in principal, their matching principal payment is \$40 ($\$150 > \50 and $\$50 - \$10 = \$40$).
 - If they repay \$60 in principal, they are not eligible for a matching principal payment because they repaid at least \$50 in principal that month.
- For a borrower with a total monthly payment of \$25:
 - If they repay \$0 in principal, their matching principal payment is \$25 ($\$25 < \50 and $\$25 - \$0 = \$25$).
 - If they repay \$1 in principal, their matching principal payment is \$24 ($\$25 < \50 and $\$25 - \$1 = \$24$).

Table 4 presents monthly payment amounts under the RAP as compared to monthly payment amounts under PAYE and the IBR plans for both single and married borrowers at selected AGIs.

Table 4. Comparison of Monthly Payments Under the RAP and Under the PAYE, New IBR, and Original IBR Plans for Selected AGIs
(by borrower marriage status and number of dependents)

AGI	Original IBR	New IBR or PAYE	RAP
Single Person, No Dependents			
\$20,000	\$0	\$0	\$17
\$50,000	\$332	\$221	\$167
\$80,000	\$707	\$471	\$467
\$110,000	\$1,082	\$721	\$917
Single Person, One Dependent			
\$20,000	\$0	\$0	\$10
\$50,000	\$228	\$152	\$117
\$80,000	\$603	\$402	\$417
\$110,000	\$978	\$652	\$867
Married Couple, No Dependents			
\$50,000	\$228	\$152	\$167
\$100,000	\$853	\$569	\$750
\$150,000	\$1,478	\$986	\$1,250
\$200,000	\$2,103	\$1,402	\$1,667

⁴⁵ In general, monthly payments are first applied to the interest that accrued on the loan during the month, then to any balance of unpaid interest that accumulated during periods of negative amortization, and then to the principal balance. The amount of interest that accrues on a monthly basis is a factor of the outstanding principal balance and the applicable interest rate.

AGI	Original IBR	New IBR or PAYE	RAP
Married Couple, One Dependent			
\$50,000	\$125	\$84	\$117
\$100,000	\$750	\$500	\$700
\$150,000	\$1,375	\$917	\$1,200
\$200,000	\$2,000	\$1,334	\$1,617

Source: CRS analysis.

Notes: AGI = adjusted gross income, IBR = Income-Based Repayment, PAYE = Pay As You Earn, PFH = partial financial hardship, RAP = Repayment Assistance Plan

Under both the PAYE and New IBR plans, monthly payments are equal to one-twelfth of 10% of discretionary income, and under the Original IBR plan, 15% of discretionary income. Discretionary income is the amount of a borrower's AGI that exceeds 150% of the federal poverty level (FPL) applicable to the borrower's family size. The 2025 FPL for a family of one is \$15,650; for a family of two, \$21,150; and for a family of three, \$26,650. The analysis assumes that the borrower has a PFH at each AGI. A married couple is assumed to file a joint tax return. The monthly payment amount for married couples reflects the monthly payment amount for the individual borrower if their spouse does not have any outstanding balances on eligible loans. Under the IBR plans and PAYE, if the spouse also has outstanding loans, then the monthly payment amount indicated would be divided among the borrower's and spouse's eligible loans based on each individual's relative share of the couple's combined outstanding balance. It is uncertain whether ED would follow the same approach under the RAP.

In general, when a Borrower of a New Loan made on or after July 1, 2026, enters into repayment, they may 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 is to be automatically enrolled in the new standard repayment plan. A borrower may change their selection from the RAP to the new standard repayment plan or vice versa at any time.

P.L. 119-21 introduces a new term, "Excepted Loan," and amends the definition of "Excepted Consolidation Loan" (see text box titled "Key Student Loan Repayment Terms in the Context of P.L. 119-21"). This has the effect of creating a unifying reference to Parent PLUS Loans that have been consolidated or double-consolidated into a Direct Consolidation Loan at any point. Borrowers of New Excepted Loans (i.e., Excepted Loans made on or after July 1, 2026) must repay all of their Excepted Loans, including Excepted Loans made before July 1, 2026, according to the new standard repayment plan. However, such a borrower is permitted to repay their Excepted Loans separately from their non-Excepted Loans. In other words, Borrowers of New Excepted Loans who also have non-Excepted Loans must repay all of their Excepted Loans according to the new standard plan, and they have the option to repay all of their non-Excepted Loans according to the RAP or the new standard plan, provided that all of their non-Excepted Loans are repaid under the same plan.

Borrowers of Existing Loans

For Borrowers of Existing Loans, all of the current plans are to remain available through June 30, 2028, though with some changes to eligibility for the IBR plans. After that date, the only IDR plans available to such borrowers will be the two IBR plans and the RAP. The fixed repayment plans and the alternative repayment plans remain available to such borrowers without any changes.

While the two IBR plans remain available to Borrowers of Existing Loans, as of the date of enactment of P.L. 119-21, such borrowers are no longer required to have a PFH to enroll in those plans. However, monthly payment amounts under both plans are still capped at the standard 10-year monthly payment amount if (1) the borrower's monthly payment amount as calculated based

on income under an IBR plan exceeds the standard 10-year monthly payment amount or (2) the borrower requests to remain enrolled in an IBR plan but to no longer have their payments calculated based on income.

Effective July 1, 2026, the RAP will become an available IDR plan to Borrowers of Existing Loans for repayment of eligible loans, provided that all eligible loans are repaid according to the RAP. While Borrowers of Existing Loans are ineligible to repay their Excepted Loans according to the RAP, such borrowers will be permitted to separately repay any non-Excepted Loans according to the RAP and Excepted Loans according to other available plans.

Effective July 1, 2028, P.L. 119-21 repeals the ICR authority. Prior to that date, a Borrower of Existing Loans may repay such loans according to an ICR plan (“covered income contingent loans”⁴⁶), but beginning on July 1, 2028, will be required to select from among the RAP, the IBR plans, or one of the fixed repayment plans to repay their covered income contingent loans. If a borrower does not make a selection, then the Secretary is to enroll covered income contingent loans into the RAP. For covered income contingent loans ineligible to be repaid according to the RAP (e.g., a Consolidated Parent PLUS Loan enrolled in the ICR plan), the Secretary is to enroll such loans into the applicable IBR plan.

In general, following the repeal of the ICR plans on July 1, 2028, IDR plans will no longer be available to Borrowers of Existing Excepted Consolidation Loans. However, if a borrower consolidated their Parent PLUS Loan prior to July 1, 2026, and is enrolled in an IDR plan available to them prior to July 1, 2028, then such Excepted Consolidation Loan is eligible for an IBR plan.

Implications

For most borrowers, the RAP may not necessarily result in substantial changes to monthly payment amounts or differences in borrower repayment outcomes compared to existing IDR plans. Some borrowers, particularly those with low debt-to-income ratios, may pay off their loans in fewer months, and as a result pay less out of pocket over the course of repayment under the RAP relative to some of the other IDR plans. This is due, in part, to the availability of a more generous interest subsidy and a matching principal payment. In contrast, borrowers with high debt-to-income ratios, such as professional degree borrowers, who would be more likely to reach the maximum repayment period under all IDR plans may end up paying more out of pocket over the lifetime of their loans under the RAP than other plans. This is largely due to the longer maximum repayment period under the RAP. Additionally, borrowers who have a very low income over the course of repayment may also pay more out of pocket under the RAP during repayment relative to the other plans because the income protection embedded in the existing IDR plans could enable a borrower to make \$0 monthly payments for some period of time.⁴⁷

For borrowers with existing loans who take out new loans on or after July 1, 2026, the new standard plan and the RAP will be the only plans available for repaying all of their Direct Loans, regardless of when they were borrowed. In such a case, the borrower will lose any plan benefits previously applicable to their existing loans and become subject to new repayment plan terms and conditions. For example, if a borrower had existing loans enrolled in the New IBR plan with a 20-year maximum repayment period and took out a new loan on or after July 1, 2026, then the RAP will be the only IDR plan available for repaying all of their loans, with a 30-year maximum

⁴⁶ This means loans that are in repayment status in accordance with, or an administrative forbearance associated with, an ICR plan authorized under HEA, Section 455(e).

⁴⁷ The findings described in this paragraph are based on a CRS analysis.

repayment period. The monthly payments made by this borrower while enrolled in the New IBR plan will count toward the maximum repayment period on their existing loans if they enroll in the RAP; however, their maximum repayment period will be longer. Similarly, borrowers who were enrolled in an ICR plan will lose plan benefits previously available to them on July 1, 2028. For example, for individuals with existing loans who were new borrowers prior to July 1, 2014, and are enrolled in the PAYE plan with a 20-year maximum repayment period, after June 30, 2028, the only IDR plans available to them will be the Original IBR plan and the RAP, which have longer maximum repayment periods (25 years and 30 years, respectively).⁴⁸

CBO estimates that proposed changes to repayment plans would result in a decrease in federal outlays of about \$271 billion over the FY2025-FY2034 period.⁴⁹

Deferment and Forbearance

Direct Loan borrowers may enter into a *deferment*—a period during which a borrower temporarily is not required to make payments on their loans, and during which 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.⁵⁰ Borrowers may also enter into a *forbearance*—a period during which a borrower temporarily may cease making payments or make payments in reduced amounts, and during which interest typically accrues on all loan types. ED may grant a forbearance for a variety of reasons, including, at ED’s discretion, on the basis of a borrower’s temporary hardship (referred to as *discretionary [or general] forbearance*).⁵¹ A discretionary forbearance may be granted for up to 12 months at a time and may be extended in increments of 12 months.⁵² Although there is no statutory or regulatory limit for the duration of a discretionary forbearance, ED has implemented a three-year maximum duration.⁵³

For Direct Loans made on or after July 1, 2027, P.L. 119-21 eliminates economic hardship deferment and unemployment deferment and limits the receipt of discretionary forbearance on such loans to no more than 9 months during a 24-month period.

CBO estimates these amendments will result in increased mandatory outlays of \$280 million for FY2025-FY2034.⁵⁴

⁴⁸ While the New IBR plan, with a 20-year maximum repayment period, will still be available for repayment of existing loans following the repeal of ICR plans, it is only available to individuals who were new borrowers on or after July 1, 2014.

⁴⁹ CBO, “Budget Estimate.”

⁵⁰ HEA §§455(f)(2)(B) and (D).

⁵¹ For additional information on types of deferment and forbearance, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

⁵² 34 C.F.R. §685.205(c).

⁵³ See ED, Office of Federal Student Aid, “Student Loan Forbearance,” <https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance>, accessed August 19, 2025.

⁵⁴ CBO, “Budget Estimate.”

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).⁵⁵ A borrower may have their loan reinstated as active and have their borrower benefits and privileges restored (known as *loan rehabilitation*) if during a period of 10 consecutive months they voluntarily make nine “reasonable and affordable” monthly payments, which may be as low as \$5, on a defaulted loan within 20 days of the due date.⁵⁶ A borrower may rehabilitate any individual loan once.

Effective July 1, 2027, P.L. 119-21 Section 82003 amends HEA Section 428F to permit a borrower to rehabilitate any individual loan twice instead of once.⁵⁷ The amendments apply to any loan, regardless of the date on which it was disbursed. P.L. 119-21 also requires that a reasonable and affordable monthly payment for loan rehabilitation purposes be at least \$10 for Direct Loans made on or after July 1, 2027.

CBO estimates this change will result in increased mandatory outlays of \$115 million for FY2025-FY2034.⁵⁸

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 (1) were employed full-time by a qualifying employer (2) while concurrently having made 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.⁵⁹ Qualifying payments include payments of at least the full scheduled amount due or payments in multiple installments for the full scheduled amount due under a qualifying repayment plan, such as the IDR plans.⁶⁰

Section 82004 of P.L. 119-21 amends the HEA to include on-time payments made under the newly authorized RAP as qualifying PSLF payments.⁶¹ The act does not otherwise amend the PSLF program.

Regulatory Delays

The HEA authorizes the discharge of HEA Title IV loans if a borrower (or a student on whose behalf a Parent PLUS Loan was borrowed) is unable to complete the program of study for which

⁵⁵ 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*.

⁵⁶ See, for example, HEA §428F(a)(1)(B).

⁵⁷ Amending HEA Section 428F also has the effect of making loan rehabilitation for FFEL program loans available twice instead of once. In addition, P.L. 119-21 amends the Perkins Loan program to make rehabilitation of those loans available twice instead of once.

⁵⁸ CBO, “Budget Estimate.”

⁵⁹ 34 C.F.R. §685.219.

⁶⁰ HEA §455(m), 34 C.F.R. §685.219.

⁶¹ Prior to July 1, 2023, regulations required that PSLF qualifying payments be made within 15 days of the scheduled due date (i.e., PSLF qualifying payments were those that were made “on time”). See 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* 65999, November 1, 2022. It is unclear how “on time” is defined for purposes of the amendments made by P.L. 119-21.

the loan was borrowed because the IHE they attended closed (*closed school discharge*).⁶² Additionally, a borrower's liability to repay a Direct Loan may be discharged, in whole or in part, if they successfully assert as a defense to repayment "acts or omissions of an institution of higher education" (*borrower defense to repayment [BDR]*).⁶³ Regulations provide additional details on the circumstances and procedures under which a borrower may receive loan discharge in these instances.⁶⁴

In 2022, ED issued updated regulations pertaining to closed school discharges that were to be effective July 1, 2023 (hereinafter, "2023 closed school discharge regulations").⁶⁵ Prior to the 2023 closed school discharge regulations, two different sets of standards and procedures were applied to closed school discharges, depending on when a loan was disbursed. The 2023 closed school discharge regulations made uniform the standards and procedures that would apply to all loans regardless of when a loan was disbursed and permit the Secretary to automatically (i.e., without borrower application) issue a closed school discharge in certain circumstances. The 2023 closed school discharge regulations are viewed as increasing the likelihood of closed school discharge for borrowers when compared to the prior regulations.⁶⁶ Although the 2023 closed school discharge regulations were set to take effect July 1, 2023, federal courts have stayed their effective date, preventing ED from implementing them.⁶⁷ As such, ED is (and has been) processing closed school discharge applications according to the standards and procedures in effect prior to the 2023 closed school discharge regulations.⁶⁸

Also in 2022, ED issued updated regulations pertaining to BDR, which were to be effective July 1, 2023 (hereinafter, "2023 BDR regulations").⁶⁹ Prior to the 2023 BDR regulations, ED applied three different sets of standards and procedures to BDR claims, depending on when a loan was disbursed. The 2023 BDR 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). Among other changes, these new standards and procedures 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."⁷⁰ Although the 2023 BDR regulations were set to take effect July 1, 2023, federal courts have stayed their effective date, preventing ED from implementing them.⁷¹

⁶² HEA §§437(c)(1), 455(a)(1), and 464(g).

⁶³ HEA §455(h).

⁶⁴ See, for example, 34 C.F.R. §685.214 and Part 685, Subpart D.

⁶⁵ U.S. Department of Education, "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.

⁶⁶ See, for example, 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 and 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* 65962-65963, November 1, 2022.

⁶⁷ *Career Colleges and Schools of Tex. V. U.S. Dep't of Educ.*, 98 F.4th 220, 256 (5th Cir. 2024).

⁶⁸ ED, Office of Federal Student Aid, "Closed School Discharge," <https://studentaid.gov/manage-loans/forgiveness-cancellation/closed-school> (accessed July 15, 2025).

⁶⁹ 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.

⁷⁰ 34 C.F.R. §685.401(b)(4).

⁷¹ *Career Colleges and Schools of Tex. V. U.S. Dep't of Educ.*, 98 F.4th 220, 256 (5th Cir. 2024).

As such, ED is (and has been) processing all BDR applications according to the BDR standards and procedures in effect prior to the 2023 BDR regulations.⁷²

Effective on the date of enactment (July 4, 2025), Section 85001 of P.L. 119-21 delays the implementation of both the 2023 closed school discharge and 2023 BDR regulations. Specifically, it states that for those loans originated before July 1, 2035, the applicable 2023 regulations (referred to in P.L. 119-21 as “final regulations published by the Department of Education on November 1, 2022”) “shall not be in effect” and that the applicable regulations in place just prior to the 2023 regulations shall be in effect.

As previously discussed, due to the federal court stay of the both regulations’ effective dates, ED is processing all closed school discharge and BDR applications according to the standards and procedures of the applicable regulations in effect just prior to the 2023 regulations. Thus, it appears that closed school discharge and BDR applications pending before enactment of P.L. 119-21 will continue to be processed according to the pre-2023 regulations. Additionally, all loans first originated prior to July 1, 2035, will be processed according to the pre-2023 regulations.⁷³

CBO estimates these changes will result in mandatory savings of approximately \$17 billion million for FY2025-FY2034.⁷⁴

Student Loan Servicing

HEA Section 458(a)(3) authorizes discretionary appropriations for Direct Loan and FFEL program administrative costs, including loan servicing costs, for FY2007-FY2014. Although this authorization has lapsed, Congress annually has appropriated funds for such administrative costs.⁷⁵ In FY2025, about \$2 billion was made available for HEA Title IV student aid administration,⁷⁶ of which approximately \$1 billion was for loan servicing activities.⁷⁷

Section 82005 of P.L. 119-21 provides \$1 billion in mandatory appropriations for Direct Loan and FFEL program administrative costs, to remain available until expended. This amount is in addition to other funds for administrative costs appropriated by Congress in a fiscal year.

Updates to the Need Analysis System⁷⁸

Several HEA Title IV federal student aid programs (including Pell Grants) are need-based.⁷⁹ The HEA establishes a system of *need analysis* to determine individual students’ eligibility for need-

⁷² ED, Office of Federal Student Aid, “Apply for Borrower Defense Loan Discharge,” <https://studentaid.gov/borrower-defense/> (accessed July 15, 2025).

⁷³ For additional information, see ED, Office of Federal Student Aid, “Federal Student Loan Program Provisions Effective Upon Enactment Under the One Big Beautiful Bill Act,” GEN-25-04, July 18, 2025, <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2025-07-18/federal-student-loan-program-provisions-effective-upon-enactment-under-one-big-beautiful-bill-act>.

⁷⁴ CBO, “Budget Estimate.”

⁷⁵ See, for example, Division D, Title III, of the Further Consolidated Appropriations Act, 2024 (P.L. 118-47).

⁷⁶ Student aid administration includes funds to administer all of the HEA Title IV student aid programs, including the Pell Grant program.

⁷⁷ ED, “Student Aid Administration: Fiscal Year 2026 Budget Request,” p. 7, <https://www.ed.gov/media/document/fy-2026-congressional-justification-student-aid-administration-110176.pdf>.

⁷⁸ This section was authored by Benjamin Collins, CRS Specialist in Labor Policy, and Cassandra Dortch, CRS Specialist in Education Policy.

⁷⁹ Need-based aid includes Pell Grants, Subsidized Loans, Federal Supplemental Educational Opportunity Grants, and Federal Work Study.

based aid.⁸⁰ A key aspect of the need analysis system is the *student aid index* (SAI), which reflects an evaluation of the approximate financial resources that a student and applicable family members can contribute to postsecondary education in the academic year. The SAI is calculated on the basis of information provided on the Free Application for Federal Student Aid (FAFSA). In addition, a student's SAI may be adjusted based on their Pell Grant eligibility.⁸¹

P.L. 119-21 makes targeted changes to the need analysis system. Many of the changes limit Pell Grant eligibility for students who have an AGI that qualifies for a Pell Grant but have other indicators of financial resources.

The need analysis changes in P.L. 119-21 become effective July 1, 2026, coinciding with the beginning of the 2026-2027 award year.

Modifications to Treatment of Foreign Income in Pell Grant Eligibility

Section 401 of the HEA establishes a process by which Pell Grant eligibility may be determined on the basis of a student's AGI. Foreign income that is exempt from taxation (and not captured in the AGI) is not therefore considered in the Pell Grant determination in Section 401. Foreign income that is exempt from taxation is reported on the FAFSA and may be included in the SAI calculation.⁸² Section 479A of the HEA establishes a process by which financial aid administrators (FAAs) at individual schools use the professional judgement process authorized in the HEA to adjust Pell Grant eligibility under Section 401 on the basis of foreign income that is not captured in AGI. ED has issued guidance that FAAs must utilize this process when a student qualifies for a maximum Pell Grant under Section 401.⁸³

Section 83001(a) of P.L. 119-21 amends Section 401 of the HEA to expand the definition of "adjusted gross income" used in Pell Grant eligibility determinations to include foreign income that is not included in the regular AGI that is utilized for tax purposes. Thus, foreign income will be considered in the initial Pell Grant eligibility determination. The professional judgement authority in Section 479A related to foreign income in Pell Grant determinations is repealed.

CBO estimated the combined budgetary effect of the new ineligibility provisions based on foreign income and a high SAI (discussed in the next section). For the FY2025-FY2034 period, CBO estimates these provisions will result in mandatory savings of \$144 million (see the "Pell Grant Funding and CBO Estimates" text box).⁸⁴

⁸⁰ The need analysis system is primarily established in Sections 471-480 of the HEA (Title IV, Part F), but it has a number of interactions with Pell Grant eligibility under Section 401.

⁸¹ For example, a student that qualifies for a maximum Pell Grant on the basis of their adjusted gross income level per the criteria established in HEA Section 401 is automatically eligible for an SAI of zero. In cases where a student does not qualify for a maximum Pell Grant on the basis of their adjusted gross income, they may still qualify on the basis of an SAI calculated using the full formula.

⁸² Untaxed income may be included in a student's SAI calculation. HEA Section 480(b) defines "untaxed income" to include "foreign income of [citizens or permanent residents] exempt from federal taxation or the foreign income for which such a permanent resident or citizen receives a foreign tax credit."

⁸³ HEA §479(b)(1). For additional details, see ED, *FY2025-2026 FSA Handbook*, "Application and Verification Guide," ch. 5.

⁸⁴ CBO, "Budget Estimate."

Pell Grant Funding and CBO Estimates

Pell Grants are a combination of mandatory and discretionary 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.⁸⁵ CBO's estimates of P.L. 119-21 only considered changes to mandatory spending. Thus, the CBO estimates may not reflect the full savings or costs associated with amendments to the Pell Grant program made by P.L. 119-21.

Pell Grant Ineligibility Due to a High SAI

Section 401 of 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 Pell Grant based on the applicant's SAI. For example, dependent students with an AGI between 175% and 275% of the federal poverty guidelines are eligible for the higher of a minimum Pell Grant (equal to 10% of the maximum Pell Grant) or a scheduled Pell Grant based on SAI (equal to the maximum Pell Grant less SAI).

Section 83001(b) of P.L. 119-21 modifies the Pell Grant determination policy so that applicants with an SAI of twice the total maximum Pell Grant or higher are ineligible for a Pell Grant, even if their AGI is within the grant eligibility range.⁸⁶ If this policy were in place in the current academic year (2025-2026), it would correspond with an SAI equal to or in excess of \$14,790 (twice the maximum Pell Grant of \$7,395).

Generally, the revised policy will affect 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.⁸⁷ Applicants with an AGI above the higher minimum grant threshold (e.g., above 275% of poverty for a dependent student with married parents) have their Pell Grant eligibility determined on the basis of their calculated SAI and, therefore, an applicant with an SAI equal to or more than twice the maximum Pell Grant would be ineligible for a Pell Grant under current policy.

The SAI is calculated on the basis of income and asset information reported on the FAFSA.⁸⁸ Typically, for an applicant to have both an AGI level that qualifies for a minimum Pell Grant and an SAI level that would disqualify them under this policy, they would need to have a high level of reportable assets.⁸⁹

As noted in the prior section, CBO estimated the combined budgetary effect of the new ineligibility provisions based on foreign income and a high SAI. For the FY2025-FY2034 period,

⁸⁵ ED, FY2025 Justifications of Appropriation Estimates to the Congress, Student Financial Assistance, p. 19.

⁸⁶ The amendment does not apply to students whose Pell Grant eligibility is not based on SAI or AGI (i.e., students whose eligibility is based on a parent's death while serving on active duty as a member of the Armed Forces or performing as a public safety officer).

⁸⁷ HEA §473(b).

⁸⁸ 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>.

⁸⁹ "Reportable assets" are defined in Section 480(f) of the HEA. Home equity on a primary residence and retirement accounts are not reportable assets.

CBO estimates these provisions will result in mandatory savings of \$144 million (see the “Pell Grant Funding and CBO Estimates” text box).⁹⁰

Pell Grant Ineligibility Due to Other Grant Aid

Currently, schools package HEA Title IV federal student aid (including Pell Grants) with forms of non-Title IV aid following a combination of statute, regulations, and guidance.⁹¹ Guidance from ED states that a “correctly determined Pell Grant is never adjusted to take into account other forms of aid.”⁹² If a student’s aid package includes a Pell Grant and other types of Title IV aid and non-Title IV aid exceed the student’s cost of attendance (COA), the student still qualifies for the full Pell Grant amount, but the institution must adjust the other Title IV aid and may adjust non-Title IV aid to ensure that the COA is not exceeded to the extent practicable.⁹³

Section 83004 of P.L. 119-21 amends Section 401 of the HEA to specify that a student will not be eligible for a Pell Grant “during any period for which the student receives grant aid from non-Federal sources, including States, institutions of higher education, or private sources, in an amount that equals or exceeds the student’s cost of attendance for such period.”

CBO estimates this provision will result in mandatory savings of \$16 million during the FY2025-FY2034 period (see the “Pell Grant Funding and CBO Estimates” text box).⁹⁴

Exemption of Certain Assets in the SAI Calculation

In some circumstances, the SAI formula considers assets, which can include cash on hand and other qualified financial holdings. Under current law, countable assets in the SAI formula include “business and farm assets.”⁹⁵

Section 80001 of P.L. 119-21 narrows the definition of assets that are considered in the SAI formula to exclude certain business assets. Specifically, the law excludes from consideration a family farm on which the family resides, a small business with not more than 100 full-time employees that is owned and controlled by the family, or a commercial fishing business and related expenses.

CBO estimates these changes to the definition of assets will increase mandatory spending by approximately \$17 million for the FY2025-FY2034 period (see the “Pell Grant Funding and CBO Estimates” text box).⁹⁶

Updates to the Pell Grant Program⁹⁷

The Pell Grant program, as authorized by HEA Section 401, is the primary source of federal need-based grant aid to postsecondary students. In FY2024, ED disbursed about \$33 billion in

⁹⁰ CBO, “Budget Estimate.”

⁹¹ See, for example, HEA Title IV; 34 C.F.R. Parts 673, 685, 686, and 690; and ED, *FY2025-2026 FSA Handbook*, Vol. 3, Chapter 3.

⁹² ED, *FY2025-2026 FSA Handbook*, Vol. 3, p. 42.

⁹³ ED, *FY2025-2026 FSA Handbook*, Vol. 3, p. 42.

⁹⁴ CBO, “Budget Estimate.”

⁹⁵ HEA §480(b).

⁹⁶ CBO, “Budget Estimate.”

⁹⁷ This section was authored by Benjamin Collins, CRS Specialist in Labor Policy, and Cassandra Dortch, CRS Specialist in Education Policy.

Pell Grants to approximately 6.3 million low-income undergraduate students.⁹⁸ Pell Grants are funded by a combination of mandatory and discretionary funding.

Pell Grants are generally available to financially eligible students without a bachelor's degree. The Pell Grant is intended to function as the foundation of federal aid for financially needy undergraduate students. A student is limited to 12 full-time semesters (or the part-time equivalent) of Pell Grants.

P.L. 119-21 authorizes so-called *Workforce Pell Grants* for otherwise Pell-eligible students enrolled in short-term undergraduate workforce programs and provides additional funds for the Pell Grant program to help address an estimated funding shortfall.

Workforce Pell Grants

The HEA establishes general criteria for educational programs to be eligible for Title IV aid (including Pell Grants). Among other criteria, an eligible program must offer at least 600 clock hours of instruction over a minimum of 15 weeks.⁹⁹

Section 83002 of P.L. 119-21 establishes Workforce Pell Grants as an expansion of the existing Pell Grant program. Workforce Pell Grants can be used for programs that offer between 150 and 599 hours of instruction over 8-14 weeks and meet other criteria related to labor market relevance and student outcomes. The Workforce Pell Grant provisions in P.L. 119-21 are to become effective July 1, 2026, coinciding with the beginning of the 2026-2027 award year.

CBO estimates these provisions will result in increased mandatory spending of \$275 million during the FY2025-FY2034 period (see the “Pell Grant Funding and CBO Estimates” text box).¹⁰⁰

Relationship Between Workforce Pell Grants and the Existing Pell Grant Program

P.L. 119-21 establishes Workforce Pell Grants by amending HEA Section 401. Thus, Workforce Pell Grants are to operate as an expansion of the existing Pell Grant program. Workforce Pell Grants are funded out of the same mandatory and discretionary funding streams that support existing Pell Grants.

For the most part, Workforce Pell Grants are to be administered and awarded under the same eligibility, terms, and conditions as Pell Grants (e.g., students must be U.S. citizens or eligible noncitizens and demonstrate financial eligibility by completing a FAFSA), with a few explicit exceptions related to the eligible educational programs (described below) and student educational attainment. Unlike other Pell Grants, Workforce Pell Grants are to be available to students with a bachelor's degree. Students enrolled in a graduate program or with a graduate degree are not eligible for Workforce Pell Grants.

The amount of a Workforce Pell Grant is to be calculated using the same procedure that is used to establish award levels for Pell Grants in general. Students qualify for a *scheduled award* (for a student with a zero SAI, the scheduled award is the maximum Pell Grant award for the given

⁹⁸ 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>.

⁹⁹ See HEA §481(b). Under limited circumstances, a program between 300 and 600 clock hours can qualify for certain forms of Title IV aid.

¹⁰⁰ CBO, “Budget Estimate.”

award year) based on need. For most programs measured in credit hours, the scheduled award is prorated for programs shorter than one academic year and enrollment intensity. For programs measured in clock hours, the scheduled award is prorated to the extent that the educational program is less than an academic year in length. For example, although a student with an SAI of zero qualifies for a scheduled award equal to the maximum Pell Grant (i.e., \$7,395 in academic year 2025-2026), the student would qualify for a Workforce Pell Grant equal to 31% of their scheduled award (i.e., \$2,275 in academic year 2025-2026) if the duration of the educational program were 31% of what the IHE defines for an academic year (i.e., 276 clock hours over eight weeks).

Workforce Pell Grant-Eligible Programs

P.L. 119-21 establishes a dedicated definition of a program eligible for Workforce Pell Grants (“eligible workforce program”).¹⁰¹ A Workforce Pell-eligible student must enroll in an eligible workforce program to receive a Workforce Pell Grant.

Eligible workforce programs are undergraduate educational programs providing at least 150 and less than 600 clock hours of instruction offered over a period that is a minimum of 8 weeks but fewer than 15 weeks. Eligible workforce programs must be offered by IHEs that participate in the HEA Title IV student aid programs. Title IV-eligible IHEs include public, private nonprofit, and proprietary (for-profit) institutions. An eligible workforce program cannot be offered by correspondence course.¹⁰²

Eligible workforce programs will be required to meet specified quality assurance criteria related to labor market relevance and demonstrated outcomes for participants. Quality assurance determinations related to program eligibility are to be made by a combination of the state and ED. The governor of each state will be required to determine that each workforce program

- is aligned with the requirements for industry sectors or occupations that are “high-skill, high-wage” (as identified by the Carl D. Perkins Career and Technical Education Act) or “in-demand” (as defined by the Workforce Innovation and Opportunity Act [WIOA]);
- meets the hiring requirements of employers in high-skill, high-wage or in-demand industry sectors or occupations;
- leads to a recognized postsecondary credential (as defined by WIOA); and
- prepares the student to pursue one or more certificate or degree programs and provides academic credit towards such degree or certificate.

Following these determinations by the governor, ED will be required to determine that

- the program has been offered by the eligible institution for not less than one year;
- for each award year, the program has a verified completion rate of at least 70% within 150% of the normal time for completion;¹⁰³

¹⁰¹ This definition is established by amending Section 481 of the HEA. The criteria discussed in this section are in Section 481 of the HEA, which establishes eligible programs, not Section 401 of the HEA, which establishes the Pell Grant program.

¹⁰² A correspondence course is a course for which an institution provides instructional materials via mail or electronic transmission to students who are separated from their instructors but does not include courses that are delivered with “regular and substantive interaction” between the students and the instructor. 34 C.F.R. §600.2.

¹⁰³ P.L. 119-21 does not define “normal time.” For purposes of some HEA reporting requirements, “normal time” is (continued...)

- for each award year, the program has a verified job placement rate of at least 70%, measured 180 days after completion; and
- for each award year, the total amount of the published tuition and fees of the program is an amount that does not exceed the “value-added earnings” of students who received HEA Title IV aid and completed the program three years prior to the award year.

The Workforce Pell Grant provisions of P.L. 119-21 define “value-added earnings” as the median earnings in excess of 150% of the poverty line based on a single person for those graduates from the workforce program who received HEA Title IV aid. The law specifies that earnings for the value-added earnings metric are to be “adjusted by the state and metropolitan area regional price parities of the Bureau of Economic Analysis based on the location or such program.”

Pell Grant Mandatory Funding

The maximum Pell Grant award—the most aid a student may receive in an academic year—is the sum of a discretionary award and mandatory add-on award. The discretionary award is supported by discretionary appropriations and definite (i.e., a statutorily specified amount) mandatory appropriations. The mandatory add-on award is funded by indefinite (i.e., such sums as are necessary) mandatory appropriations. The discretionary appropriations are provided in annual appropriations acts. The two mandatory appropriations streams are permanently established in the HEA.

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.¹⁰⁴ Further, CBO estimated that the shortfall would accumulate to \$9.9 billion by the end of FY2026 and \$17.8 billion by the end of FY2027, 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.

The Pell Grant program is often referred to as a *quasi-entitlement* because statutorily eligible students receive their statutorily calculated award notwithstanding available appropriations. When annual discretionary appropriations do not match the cost of the discretionary awards less the definite mandatory appropriation, the program may carry a shortfall or surplus into the subsequent year. The shortfall or surplus may accumulate over multiple years.

Congress adopted a permanent budget scoring rule for appropriations acts.¹⁰⁵ The rule provides that if the appropriation of new discretionary budget authority enacted for a program is insufficient to cover the full estimated cost of the discretionary awards in the upcoming year—including the definite mandatory appropriation and any cumulative funding surplus or shortfall from prior years—the budget authority for the program counted against the bill will be equal to the estimated full cost. This has the effect of reducing the budget authority available to meet other priorities in the appropriations bill.

defined as “the amount of time necessary for a student to complete all requirements for a degree or certificate according to the institution’s catalog. This is typically four years for a bachelor’s degree in a standard term-based institution, two years for an associate degree in a standard term-based institution, and the various scheduled times for certificate programs.” 34 C.F.R. §668.41(a).

¹⁰⁴ CBO, *Baseline Projections: Pell Grant Program*, January 2025, <https://www.cbo.gov/system/files/2025-01/51304-2025-01-pellgrant.pdf>.

¹⁰⁵ H.Con.Res. 95 §406.

Section 83003 of P.L. 119-21 amends Section 401(b)(7) of the HEA to increase the mandatory funds in FY2026 available to augment the FY2026 discretionary appropriation and fund the discretionary Pell Grant program costs from about \$2.2 billion to about \$12.7 billion, an increase of \$10.5 billion. Tightening some of the Pell Grant award rules, as described earlier, may also help to address the shortfall by reducing program costs. However, the program could potentially encounter a funding shortfall in FY2027.¹⁰⁶

CBO estimates this provision will result in increased mandatory spending of \$11 million during the FY2025-FY2034 period (see the “Pell Grant Funding and CBO Estimates” text box).¹⁰⁷

Updates to Institutional Accountability¹⁰⁸

The HEA establishes accountability measures for IHEs and programs of study that participate in the HEA Title IV aid programs. Section 84001 of P.L. 119-21 adds a statutory earnings test to this set of accountability measures applicable to programs of study that participate in the Direct Loan program. The new earnings test is to compare the earnings of program completers against those of individuals without a credential of the same level. The notion of the policy is that individuals who complete a program should achieve earnings that are at least equal to what they would have earned without completing it.¹⁰⁹ Beginning July 1, 2026, IHEs must provide assurances to ED that applicable programs of study will meet the new earnings test.

CBO estimates the new institutional accountability measure will result in mandatory savings of \$777 million over the FY2025-FY2034 period.¹¹⁰

Preexisting Institutional Accountability Policies

Several accountability policies apply to IHEs that participate in the HEA Title IV programs. For example, an IHE may lose its eligibility to participate in the Pell Grant and/or Direct Loan programs if its *cohort default rate*—the percentage of its federal student loan borrowers who enter repayment on their loans in a given fiscal year and default on those loans within three years of entering repayment—equals or exceeds specified thresholds.¹¹¹

Additionally, some accountability policies focus primarily on certain types of institutions or programs. For instance, proprietary IHEs must annually derive at least 10% of their tuition and fees revenues from nonfederal funds—known as the *90/10 rule*.¹¹² 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.¹¹³ In award year 2023-2024 (the most recent year for which data are

¹⁰⁶ In accordance with the CBO, *Baseline Projections: Pell Grant Program*, January 2025, <https://www.cbo.gov/system/files/2025-01/51304-2025-01-pellgrant.pdf>, the cumulative Pell Grant program shortfall at the end of FY2027 is estimated to be approximately \$18 billion.

¹⁰⁷ CBO, “Budget Estimate.”

¹⁰⁸ This section was authored by Kyle Shohfi, CRS Analyst in Education Policy.

¹⁰⁹ See, for example, U.S. Senate Committee on Health, Education, Labor, and Pensions, “HELP Committee Provisions of the Senate’s One Big Beautiful Bill Act, Section by Section,” June 27, 2025, https://www.help.senate.gov/imo/media/doc/help_committee_reconciliation_2025_section-by-section.pdf.

¹¹⁰ CBO, “Budget Estimate.”

¹¹¹ For additional information on cohort default rates, see CRS Report R47874, *Cohort Default Rates and HEA Title IV Eligibility: Background and Analysis*.

¹¹² HEA §487(a)(24) and (d); 34 C.F.R. §668.28.

¹¹³ For additional information on the 90/10 rule, see CRS Report R46773, *The 90/10 Rule Under HEA Title IV: Background and Issues*.

publicly available) 16 proprietary IHEs (about 0.7% 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.¹¹⁴

Further, 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, prepare students for “gainful employment in a recognized occupation.”¹¹⁵ 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, ED considers a program to be preparing students for gainful employment if it meets specified debt-to-earnings or earnings premium measures.¹¹⁶ If a program fails these measures for multiple years, it could lose its eligibility to participate in the HEA Title IV programs.¹¹⁷

Statutory Earnings Test Established Under P.L. 119-21

Building on the preexisting institutional accountability policies, Section 84001 of P.L. 119-21 establishes a statutory earnings test that is conceptually similar to the earnings premium measure of the “gainful employment” rule. Beginning July 1, 2026, IHEs will be prohibited from using Direct Loan program funds for student enrollment in applicable programs of study that fail the new earnings test. Under the enacted policy, a program of study could lose its eligibility to participate in the Direct Loan program if, for two of the three most recent years, the median earnings of its programmatic cohort were less than the median earnings of a comparison group.¹¹⁸ The new policy also imposes a notification requirement for IHEs with a program of study at risk of losing eligibility to participate in the Direct Loan program under this policy. If the median earnings of a programmatic cohort do not meet the applicable earnings threshold for one year—but not yet two years in a three-year period, which would trigger ineligibility—the IHE would be required to promptly inform each student enrolled in that program of the low cohort median earnings and that the program is at risk of losing its eligibility for funds under the Direct Loan program.

The specific earnings threshold applicable to a program will depend on several factors, including the level of the program, the state in which the institution is located, the proportion of students

¹¹⁴ Letter from Jeffrey Andrade, Deputy Assistant Secretary for Policy, Planning, and Innovation, to Tim Walberg, Chairman of the House Committee on Education and the Workforce, June 23, 2025, <https://studentaid.gov/sites/default/files/2023-2024-90-10-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 nonfederal 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. Some of the data presented here represent institutional performance beginning prior to January 1, 2023 (i.e., some IHEs’ performance was measured using the old version of the 90/10 rule), and other data presented represent institutional performance beginning on or after January 1, 2023 (i.e., some IHEs’ performance was measured using the new version of the 90/10 rule).

¹¹⁵ HEA §§101(b)(1), 102(b)(1)(A)(i), 102(c)(1)(A), and 481(b)(1)(A)(i).

¹¹⁶ 34 C.F.R. Part 668, Subpart S.

¹¹⁷ For additional information on gainful employment requirements, see CRS Report R43159, *Eligibility for Participation in Title IV Student Financial Aid Programs*.

¹¹⁸ P.L. 119-21 specifies that earnings data for the comparison groups will be sourced from the U.S. Census Bureau. The enacted language indicates that the median earnings of cohorts of program completers would be “as determined by the Secretary,” without further specificity.

enrolled in the institution who reside in that state, and, in the case of graduate or professional programs, the field of study.

The new earnings requirements will apply to programs of study that award an undergraduate degree, graduate or professional degree, or graduate certificate.¹¹⁹ Each year, covered programs are to be evaluated based on median earnings of the cohort of Title IV-assisted program completers who completed the program during the academic year that is four years prior. For example, a cohort of individuals who completed a program of study in the 2026-2027 academic year would have its earnings measured in the 2030-2031 academic year. Members of the cohort who are enrolled in any IHE or not currently working at the time of the determination are to be excluded from the median earnings calculations.

As shown in **Table 5**, for programs that award a baccalaureate or lesser degree, the comparison group will be working adults aged 25 to 34 who are not enrolled in an IHE, have only a high school diploma or its recognized equivalent, and, generally, reside in the state in which the IHE is located. If fewer than 50% of the students enrolled in the IHE reside in the state, the comparison group would encompass such working adults in the entire United States. The earnings threshold will be the median earnings of the applicable comparison group.

For graduate or professional programs, the comparison group will be working adults aged 25 to 34 who are not enrolled in an IHE and have only a baccalaureate degree (see **Table 5**). In general, the earnings threshold will be set at the least of three values: (1) the median earnings of working adults with only baccalaureate degrees in the state in which the IHE is located, (2) the median earnings of working adults with only baccalaureate degrees in the same field of study in the state in which the IHE is located, or (3) the median earnings of working adults with only baccalaureate degrees in the same field of study in the entire United States. If fewer than 50% of the students enrolled in an IHE reside in the state, the earnings threshold is to be set at the lesser of two values: (1) the median earnings of working adults with only baccalaureate degrees in the entire United States, or (2) the median earnings of working adults with only baccalaureate degrees in the same field of study in the entire United States.

Table 5. Applicable Earnings Thresholds for P.L. 119-21's Programmatic Earnings Test
(by program level and proportion of IHE's students who reside in same state as the IHE)

Credential Type	Proportion of IHE's Enrolled Students Who Reside in the State in which IHE Is Located	Earnings Threshold
Baccalaureate or Lesser Degree	≥50%	Median earnings of working adults aged 25-34 who are not enrolled in an IHE, have only a high school diploma or equivalent, and reside in the state in which IHE is located.
	<50%	Median earnings of working adults aged 25-34 who are not enrolled in an IHE, have only a high school diploma or equivalent, and reside in the United States.

¹¹⁹ The policy does not apply to undergraduate certificate programs; however, they are generally subject to the conceptually similar gainful employment rule.

Credential Type	Proportion of IHE's Enrolled Students Who Reside in the State in which IHE Is Located	Earnings Threshold
Graduate or Professional Degree or Graduate Certificate	≥50%	Least of 1. median earnings of working adults with only baccalaureate degrees in the state in which IHE is located, 2. median earnings of working adults with only baccalaureate degrees in the same field of study in the state in which IHE is located, or 3. median earnings of working adults with only baccalaureate degrees in the same field of study in the entire United States.
	<50%	Lesser of 1. median earnings of working adults with only baccalaureate degrees in the entire United States, or 2. median earnings of working adults with only baccalaureate degrees in the same field of study in the entire United States.

Source: CRS analysis of P.L. 119-21.

P.L. 119-21 also contains provisions concerning the treatment of small programmatic cohorts. For any year for which a programmatic cohort comprises fewer than 30 individuals, the Secretary is to aggregate additional years of programmatic data to construct a cohort of at least 30 individuals. If that is insufficient to achieve a cohort of at least 30 individuals, the Secretary would then aggregate additional cohort years of programmatic data for programs of equivalent length in order to construct a cohort of at least 30 individuals.¹²⁰

The enacted law specifies that programs will not lose eligibility under this policy unless the IHE has had the opportunity to appeal the determination through a process established by the Secretary. During the appeal, the Secretary may permit the program to continue to participate in the Direct Loan program. Under P.L. 119-21, the Secretary is to establish a process through which a program that has lost eligibility to participate in the Direct Loan program under this policy may regain eligibility after a period of not less than two years from losing eligibility.

¹²⁰ It is unclear from the statutory language how this process would be operationalized. For instance, the language does not specify how many additional years of programmatic data are to be aggregated prior to expanding the cohort to include data for programs of equivalent length.

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