

## Subtitle A – Exemption of Certain Assets

### **Section 80001. Exemption of certain of assets.**

- Excludes family farms on which families reside, small businesses with 100 or fewer full-time employees owned and controlled by the family, and commercial fishing businesses, including related expenses, vessels and permits owned and controlled by the family, from being counted as assets in the federal student aid eligibility formula.
- **Impact:** The exemption of family-owned farms, small businesses and commercial fishing operations from the federal student aid asset calculation is likely to increase the number of students qualifying for need-based aid. This could lead to higher federal aid awards, potentially reduce the demand for institutional aid at universities, and may broaden access for rural and coastal students from entrepreneurial families, supporting greater socioeconomic diversity in university enrollment.

## Subtitle B – Loan Limits

### **Section 81001. Establishment of loan limits for graduate and professional students and parent borrowers; termination of graduate and professional plus loans.**

- Eliminates Grad PLUS loans for graduate and professional students.
- Sets the maximum annual loan limits for graduate students at \$20,500, while professional students (e.g., law or medical students) may borrow up to \$50,000 annually.
- Sets lifetime borrowing limits of \$100,000 for graduate students and \$200,000 for professional students.
- Caps Parent PLUS loans at \$20,000 per dependent student per year, with a \$65,000 lifetime limit per student.
- Establishes a total lifetime borrowing cap of \$257,500 for all students, excluding Parent PLUS loans taken on their behalf.
- Sets the effective date for the changes related to annual and aggregate loans limits for graduate and professional students and parent borrowers as July 1, 2026.
- Sets lower limits for part-time students that are directly proportional to the students' enrollment during any academic year, rounded to the nearest whole percentage point (e.g., half-time students are eligible for half the maximum loan).
- Allows institutions of higher education to set lower loan limits as long as the limits are applied uniformly within programs.
- Provides an interim exception from the graduate and professional student loan termination (3)(C), graduate and professional annual aggregate limits for Federal Direct Unsubsidized Stafford loans (4), parent borrower annual and aggregate limits for Federal Direct PLUS loans (5) and lifetime maximum aggregate amount for all students (6), for students who are enrolled in an institution of higher education as of June 30, 2026, and have received one of these loans.
  - The exception is in place for the expected time to credential, which is the lesser of three academic years, or the difference between the program length (minimum amount of time that is specified in the institution's academic catalogue for a full-time student) and the period of such program of study that the individual has completed.

# Brownstein

- **Impact:** The new loan limits and elimination of Grad PLUS loans for graduate and professional students may reduce access to federal financing for students pursuing advanced degrees, particularly in high-cost programs. This could lead to increased pressure on universities to expand institutional aid or private financing options to maintain enrollment in graduate and professional programs.
- The new caps on Parent PLUS loans may affect undergraduate enrollment at institutions that serve a high proportion of middle-income families who rely on these loans to cover tuition gaps.

## Subtitle C – Loan Repayment

### **Section 82001. Loan repayment.**

- For loans made on or after July 1, 2026, borrowers will be offered three repayment plans, with all other plans being eliminated:
  - The Repayment Assistance Plan
  - The Standard Repayment Plan
  - Any plan authorized under Section 455(d)(1) of the Higher Education Act, which details Direct Loans under the William D. Ford Federal Direct Loan Program.
- Establishes a new income-driven repayment (IDR) plan, the Repayment Assistance Plan.
  - Under the plan, monthly payments must be at least \$10. Monthly payments are equal to the applicable base payment divided by 12, minus \$50 for each dependent. The adjusted gross income and corresponding base payments are as follows:
    - Less than \$10,000: \$120
    - \$10,001 - \$20,000: 1% of borrower's adjusted gross income
    - \$20,001 - \$30,000: 2% of borrower's adjusted gross income
    - \$30,001 - \$40,000: 3% of borrower's adjusted gross income
    - \$40,001 - \$50,000: 4% of borrower's adjusted gross income
    - \$50,001 - \$60,000: 5% of borrower's adjusted gross income
    - \$60,001 - \$70,000: 6% of borrower's adjusted gross income
    - \$70,001 - \$80,000: 7% of borrower's adjusted gross income
    - \$80,001 - \$90,000: 8% of borrower's adjusted gross income
    - \$90,001 - \$100,000: 9% of borrower's adjusted gross income
    - More than \$100,000: 10% of borrower's adjusted gross income
  - Adjusted gross income does not include the adjusted gross income of the borrower's spouse.
  - For borrowers who are not in deferment or forbearance and make on-time monthly payments that reduce the total outstanding principal balance by less than \$50 per month, the outstanding principal balance will be reduced either by \$50 or the monthly payment minus the amount paid towards the principal balance, whichever is less.
  - For a married borrower filing a separate return, the \$50 deduction for each dependent includes only each dependent that the borrower claims on that return.
  - A borrower must make monthly payments until the principal and interest is \$0 or until the borrower makes 360 qualifying monthly payments, which amounts to 30 years of payments. Any outstanding balance will be canceled after 30 years of payments.
  - For distressed borrowers who make on-time monthly payments, which are insufficient to pay the interest accrued that month, the interest shall not be charged to the borrower.

- If the monthly payment under the Repayment Assistance Plan exceeds the monthly amount calculated based on a 10-year repayment period using a standard repayment plan, or if the borrower no longer wishes to opt into the Repayment Assistance Plan, the maximum monthly payment for all loans, other than an excepted PLUS loan or excepted consolidated loan, shall be the standard monthly repayment amount and the repayment time may exceed 10 years.
  - A borrower's annual income and annual amount due shall be verified when determining eligibility for the Repayment Assistance Plan. The Secretary of Education may use federal tax return information to determine the repayment amount. Borrowers may opt out of disclosure at any time, and borrowers have the opportunity to update their information prior to the repayment amount determination.
- The Standard Repayment Plan will have a fixed monthly repayment amount paid over a fixed period of time. Borrowers who do not opt into a repayment plan will be automatically enrolled in the standard repayment plan. The repayment time period will be determined based on the total outstanding principal of all loans of the borrower on or after July 1, 2026. The total outstanding principal and corresponding time periods are as follows:
  - Less than \$25,000: 10 years
  - \$25,000 - \$49,999: 15 years
  - \$50,000- \$99,999: 20 years
  - More than \$100,000: 25 years
- Borrowers are required to pay each loan under the same selected repayment plan. Changes between plans may be made at any time.
- Establishes that borrowers will begin repaying the covered income contingent loans in accordance with their selected repayment plan beginning on July 1, 2028, unless the borrowers choose to begin repayments at an earlier date.
- Specifies that an income contingent repayment plan must be offered before June 30, 2028.
- Borrowers with excepted loans made on or after July 1, 2026, including borrowers who also have an excepted loan made before July 1, 2026, will be required to use the standard repayment plan. An excepted loan is defined as a Federal Direct PLUS Loan made on behalf of a dependent student or a Federal Direct Consolidation Loan. An excepted consolidated loan can also mean a loan being repaid using the Income Contingent Repayment plan or another income-driven repayment plan.
- If a borrower fails to select a repayment plan, the Secretary of Education shall enroll the borrower in the Repayment Assistance Plan established by this title or the Income-Based Repayment plan under Section 493C of the Higher Education Act. This borrower would also be required to begin repayment on July 1, 2028.
- Phases out all existing income-contingent repayment plans by June 30, 2028, and includes detailed transition provisions for current borrowers and those with mixed loan types.
- Strikes the provision in the U.S. Code, federal payments to reduce student interest costs, requiring that a borrower must have partial financial hardship to make a lower monthly payment under an income-based repayment plan.
- **Impact:** Republicans have noted that the repayment structure may improve long-term loan management and reduce default risk, which could benefit institutions subject to accountability metrics tied to borrower outcomes. However, the elimination of existing repayment plans and the complexity of the new system may require universities to expand financial aid counseling and borrower education.

# Brownstein

- Institutions with large graduate or professional programs may also face enrollment challenges if students perceive the new repayment terms as less flexible or more burdensome.

## **Section 82002. Deferment; forbearance.**

- Eliminates economic hardship and unemployment deferments for borrowers who receive federal student loans on or after July 1, 2027.
- Limits forbearance eligibility to a maximum of nine months within any 24-month period.
- **Impact:** These changes significantly reduce the flexibility borrowers have to pause payments during financial hardship. The reduced availability of deferment and forbearance options may increase the risk of delinquency among recent graduates facing financial hardship. Universities may need to strengthen financial counseling and post-graduation support to help students manage repayment under these tighter conditions.

## **Section 82003. Loan rehabilitation.**

- Allows borrowers with defaulted Federal Family Education Loans (FFEL) or Perkins Loans to rehabilitate their loans twice instead of once, beginning July 1, 2027.
- Increases the minimum monthly rehabilitation payment from \$5 to \$10 for borrowers with one or more defaulted loans.
- **Impact:** Allowing borrowers to rehabilitate defaulted FFEL and Perkins Loans twice may reduce long-term default rates, which can positively affect institutional accountability metrics.
- The increased minimum payment may slightly raise the barrier to rehabilitation for some borrowers, but overall, the expanded opportunity for loan recovery could improve borrower outcomes and institutional reputations.

## **Section 82004. Public service loan forgiveness.**

- Ensures that on-time payments made under the new Repayment Assistance Plan will count toward the 120 qualifying payments required for Public Service Loan Forgiveness.
- **Impact:** Allowing payments made under the new Repayment Assistance Plan to count toward Public Service Loan Forgiveness ensures continuity and accessibility for borrowers pursuing careers in public service, including those using the new repayment plan.

## **Section 82005. Student loan servicing.**

- Allocates \$1 billion for administrative costs related to servicing federal direct student loan programs, including support for repayment operations.
- **Impact:** The \$1 billion allocation for loan servicing infrastructure may improve the efficiency and reliability of repayment systems, reducing administrative burdens for both borrowers and institutions.

## **Subtitle D – Pell Grants**

## **Section 83001. Eligibility.**

- Requires foreign income of the student's parents or, in the case of an independent student, the student and student's spouse, to be included in the adjusted gross income calculation when determining Pell Grant eligibility for academic years beginning on or after July 1, 2026.

# Brownstein

- Sunsets a provision that allows a student to receive a Pell Grant if it is determined they were eligible but did not initially receive the grant. The sunset provision is applicable for academic years beginning before July 1, 2026.
- Makes students who have a student aid index that is equal to or exceeds twice the amount of the total maximum Federal Pell Grant for that academic year ineligible for a Pell Grant, effective July 1, 2026.
- **Impact:** Tightening Pell Grant eligibility may reduce access to federal aid for students with complex financial profiles, increasing reliance on university-funded aid.
- Universities may need to adjust financial aid strategies and provide more targeted advising to help students maintain access to federal support.

## **Section 83002. Workforce Pell Grants.**

- Expands eligibility for Pell Grants to students enrolled in an eligible workforce program for the award year beginning on July 1, 2026. An eligible workforce program is a program between 150 and 600 clock hours of instruction, or the equivalent number of credit hours, for eight to 15 weeks. The governor of the state in which the program is offered must determine that the program:
  - Provides an education aligned with the requirements of high-skill, high-wage or in-demand industry sectors or occupations;
  - Meets the hiring requirements of such potential employers or occupations;
  - Prepares students to pursue one or more certificate or degree programs at one or more institutions of higher education by ensuring the student will receive academic credit that will be accepted toward meeting a certificate or degree requirement;
  - Leads to a recognized post-secondary credential;
  - Prepares students for employment in an occupation with only one recognized postsecondary credential; and
  - Provides the student with a credential upon completion.
- Following this determination by the governor, the Secretary of Education must determine that the program:
  - Has been offered by the eligible institution for at least one year;
  - Has a completion rate of at least 70%;
  - Has a verified job placement rate of at least 70%, measured 180 days after completion; and
  - The total amount of published tuition and fees does not exceed the value-added earnings of students who received federal financial aid through this program and who completed the program three years prior to the award year.
    - Earnings are determined by calculating the difference between the median earnings of students based on the location and 150% of the poverty line for such year.
- An eligible institution is defined under section 401 of the Higher Education Act – Federal Pell Grants.
- To be eligible for a Workforce Pell Grant, the student may not be enrolled or accepted for enrollment in a program of study that leads to a graduate credential or have attained a graduate credential.

# Brownstein

- Students who are enrolled or accepted for enrollment in a program that is less than an academic year may still be eligible for a Workforce Pell Grant in an amount that is prorated based on the program's length.
- **Impact:** Expanding Pell Grant eligibility to students in short-term, high-quality workforce training programs could help universities diversify their enrollment and better serve adult learners and career changers.
- By aligning program requirements with labor market needs and requiring strong completion and job placement outcomes, the provision encourages institutions to develop or partner with programs that deliver measurable economic value.

## **Section 83003. Pell Shortfall.**

- Increases funding for the Pell Grant program from \$2.17 billion to \$12.67 billion to address projected shortfalls.
- **Impact:** This significant increase in funding for the Pell Grant would allow additional students to access these grants. However, it does not address the maximum Pell Grant award, meaning more students may receive Pell Grants, but the amount they receive will not increase.

## **Section 83004. Federal Pell Grant exclusion relating to other grant aid.**

- Makes students ineligible for a Federal Pell Grant if they receive non-federal grant aid (from states, institutions or private sources) that equals or exceeds their cost of attendance, effective July 1, 2026.
- **Impact:** This could impact students who currently have a full scholarship to attend an institution of higher education, whether athletic or academic, since they would no longer be eligible for a Pell Grant. Previously, students who received a full-ride scholarship could still be eligible for a Pell Grant if they met the criteria for financial need. Disqualifying students whose non-federal grant aid meets or exceeds their cost of attendance may increase reliance on university-funded aid.

## **Subtitle E – Accountability**

## **Section 84001. Ineligibility based on low earning outcomes.**

- Deems certain educational programs—defined as programs that award an undergraduate, graduate or professional degree, or graduate certificate—ineligible for federal student aid based on low earning outcomes.
- Sets the framework for disqualifying programs whose graduates do not meet minimum earnings criteria, wherein the median earnings (as determined by the Secretary of Education) for students who received federal funds and completed the program are less than the median earnings of a working adult who has a lesser degree.
  - For educational institutions that award baccalaureate degrees, earning outcomes will be compared to working adults between the ages of 25 to 34 who have a high school diploma or equivalent.
  - For educational institutions with graduate or professional programs, earning outcomes will be compared to working adults between the ages of 25 to 34 who have only a baccalaureate degree.

# Brownstein

- Establishes that data on median earnings of working adults will be based on data from the Bureau of the Census.
  - Stipulates that in cases of programs that grant baccalaureate degrees or less where fewer than 50% of the students enrolled reside in the state of the institution, data on median earnings of working adults will be based on the entire United States.
  - Stipulates that for graduate or professional programs, median earnings of working adults will be based on working adults in the state of the institution, in the same field of study in the state of the institution, or in the same field of study in the entire United States. In cases where fewer than 50% of students reside in the state of the institution, data on working adults will be based on the entire United States.
- Establishes that for small programmatic cohorts—defined as an educational program with fewer than 30 individuals—the Secretary of Education will aggregate additional years of programmatic data to achieve a cohort of at least 30 students.
- Establishes an appeal process for programs determined to be ineligible for federal student aid due to low earning outcomes. The provision allows institutions to challenge a determination of ineligibility by submitting an appeal to the Secretary of Education. An educational program will not lose eligibility under this subsection unless they have had the opportunity to appeal the programmatic median earnings outcomes of former students included in the programmatic cohort.
- Requires educational programs that do not meet the cohort median earning requirements for one year during the applicable covered period (a period of three years immediately preceding the data of determination of the program), but that have not yet failed to meet earning requirements for two years during the covered period, to inform enrolled students that the program is at risk of losing its eligibility for federal funds.
- Requires the Secretary of Education to establish a process for educational programs that have lost eligibility to apply to regain eligibility after a period of no less than two years.
- **Impact:** By threatening federal student aid eligibility for programs whose graduates earn below a defined threshold, institutions may need to reassess or restructure low-performing programs.
- The inclusion of an appeal process offers a safeguard, allowing universities to contest determinations and potentially retain aid eligibility for programs that serve broader educational or societal missions.

## Subtitle F – Regulatory Relief

### **Section 85001. Delay of rule relating to borrower defense to repayment.**

- Establishes that upon the date of enactment, for loans that first originate before July 1, 2035, the provisions of subpart D of part 685 of title 34, Code of Federal Regulations relating to borrower defense to repayment will not be in effect.
- Upon enactment of this section, for loans that first originate before July 1, 2035, any regulations related to the borrower defense to repayment rule that took effect on July 1, 2020, will be restored and revived as if it were in effect on such date.
- **Impact:** Delays Biden-era Department of Education regulations related to borrower defense to repayment until July 2035, at which time the department may revise or repeal such regulations.



## **Section 85002. Delay of rule relating to closed school discharges.**

- Establishes that upon the date of enactment of this section, for loans that first originate before July 1, 2035, the provisions of sections 674.33(g), 682.402(d) and 685.215 of title 34, Code of Federal Regulations relating to closed school discharges that were published by the Department of Education on Nov., 1, 2022, will not be in effect.
- Establishes that for those loans that first originate before July 1, 2035, the portions of the code related to closed school discharges made prior to the November 2022 Department of Education regulations will be in effect.
- **Impact:** Delays the Biden-era Department of Education regulations related to closed school discharges until July 2035, restoring regulations that were in effect prior to November 2022. The delay in implementation of these regulations leaves open the possibility for regulations to be revised or repealed in 2035.

## **Subtitle G – Garden of Heroes**

### **Section 86001. Garden of Heroes.**

- Directs \$40 million to the National Endowment for the Humanities for the procurement of statutes related to executive orders to build the National Garden of American Heroes.
- **Impact:** No direct impact on institutions of higher education.

## **Subtitle H – Office of Refugee Resettlement**

### **Section 87001. Potential sponsor vetting for unaccompanied alien children appropriation.**

- Directs \$300 million to the Office of Refugee Resettlement for fiscal year 2025 that must remain available until Sept. 30, 2028.
- Details that the funds may only be used to support costs associated with background checks on potential sponsors, which include various checks on identifying information such as Social Security numbers, in-person or virtual interviews with a potential sponsor and home studies of potential sponsors of unaccompanied alien children.
- Provides the definition of a potential sponsor as an individual or entity who applies for the custody of an unaccompanied alien child.
- Provides the definition of unaccompanied alien child as that provided in section 462(g) of the Homeland Security Act of 2002 (6 U.S.C. 279(g)).
- **Impact:** No direct impact on institutions of higher education.