CAPFAA State and Federal Relations Committee – News Update

1/30/26

Committee Chair:

- Ryan Jones, Campus Supervisor, CT State Community College (Gateway Campus)

AHEAD Committee Kicks Off Second Neg Reg Session Focused on New Accountability Framework

The Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee began its second session of negotiated rulemaking on Monday, focusing on the new accountability framework enacted under the One Big Beautiful Bill Act (OBBBA). The AHEAD Committee first met in December to discuss the creation of a new Workforce Pell Grant program.

In opening remarks on Monday, both the Department of Education's (ED) Jeffrey Andrade, assistant secretary for policy, planning, and innovation for the Office of Postsecondary Education, and Dave Musser, ED's federal negotiator, spoke on the goal of this second session – "harmonization" between the existing Gainful Employment (GE) framework with the new accountability framework enacted by the OBBBA.

To achieve "harmonization," ED emphasized that its framework should apply to all institutional sectors and program types, noting that negotiators should keep this in mind when creating proposals.

"Alignment and harmonization is a very important facet of the department's design of these regulations," Musser said. "Although we will certainly entertain ideas or proposals that would treat certain types of programs or sectors differently from one another, with respect to these metrics, it will be more challenging for the department to accept those proposals given this intent. Our strong intent is to maintain alignment across all Title IV eligible programs with respect to how the metric applies to them."

Before diving into how the new accountability framework would be designed, ED centered on new reporting requirements related to program eligibility. Musser explained that all institutions will now be required to report all new programs (GE and non-GE) to ED via Partner Connect within 10 days of offering them, a shift from the current rules that only require this reporting for new GE programs.

While Musser noted that institutions that are currently allowed to self-certify eligibility will still be able to do so, negotiators Aaron Lacey, representing private nonprofit institutions of higher education, and Jeff Arthur, representing proprietary institutions of higher education, expressed concern over ED's administrative capacity to handle this influx of data, especially with the department's recent staffing reductions. Arthur specifically highlighted the existing long wait times for program approvals — often exceeding a year for proprietary institutions — and questioned how the agency would manage the increased workload. Musser responded that ED is working to improve Partner Connect and clarified that while reporting is mandatory for all, this does not change which programs and institutions are required to get approval from ED before being Title IV eligible.

The committee then turned to the new framework, which the Department described as an effort to reduce burden for both ED and institutions by amending the existing GE/FVT regulations to align with the accountability framework required by the OBBBA. Essentially, the current GE and Financial Value Transparency (FVT) structure is replaced with two new frameworks: a transparency framework called the Student Tuition and Transparency System (STATS) and an accountability framework referred to as earnings accountability. However, some of the existing components created under GE/FVT regulations would remain.

The transparency framework, STATS, addresses the earnings premium calculation and associated reporting, whereas the proposed earnings accountability regulations address program eligibility consequences and student warnings.

While the proposed text includes many changes compared to existing regulations, including how cohorts are determined and which programs are exempt, some of the most notable changes include:

1. The GE/FVT debt-to-earnings test would be eliminated.
2. Programs are at risk of losing only Direct Loan eligibility under the new framework. Failing metrics would not impact Title IV eligibility overall.
3. Both STATS and the new earnings accountability provision [described later in this article] apply to all GE and non-GE programs.

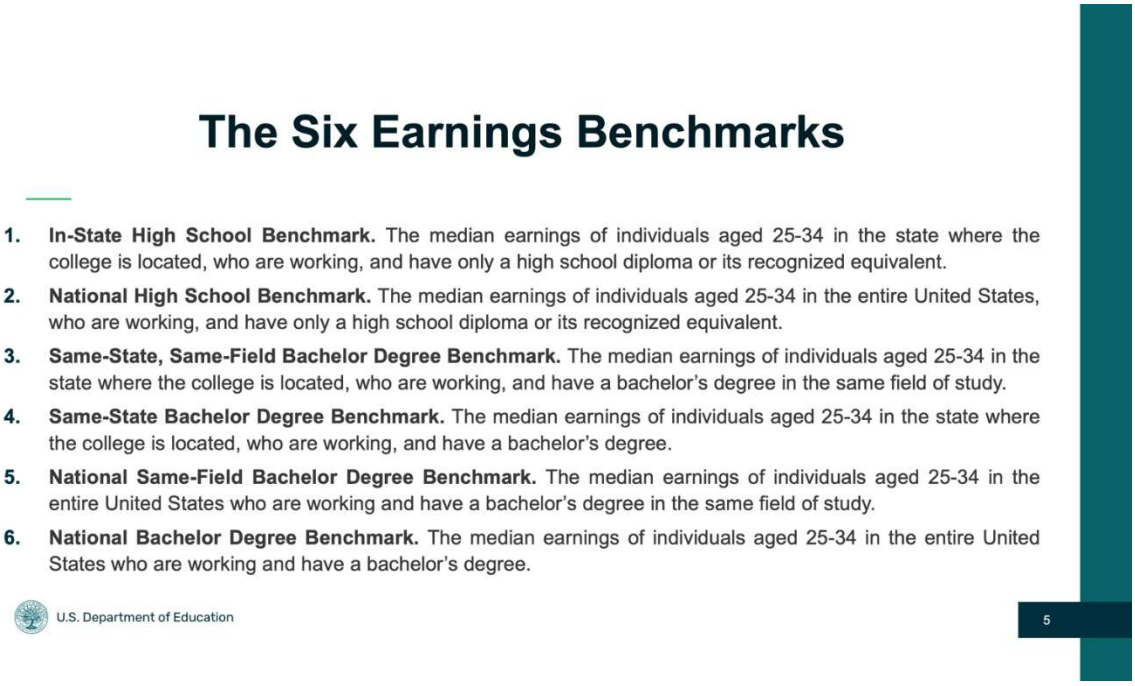
The chart below shows the modifications to the existing GE framework**,** in which ED has proposed eliminating the Debt-to-Earnings test.

(3) Modifications to Gainful Employment

	Current GE	Proposed GE Rule
Applies to:	GE-Programs	GE-Programs
Tests:	Earnings Test and Debt-to-Earnings Test	Earnings Test Only
Earnings Measurements:	3-year Median Earnings of Working and Non-Working Individuals	4-Year Median Earnings of Working Individuals
Earnings Benchmarks:	Earnings of individuals with a High School Diploma in the same state	Aligned with OBBB Section 84001 (The Six Earnings Benchmarks)
Process for Aggregating Small Programs:	Pooled 2- or 4-year cohorts	Aligned with OBBB Section 84001 (Up to 8 years for programs with less than 30 Title IV Completers)
Exemptions:	Foreign colleges; qualified graduate programs; substantially similar programs with fewer than 30 Title IV completers.	Aligned with OBBB Section 84001 (Programs with fewer than 30 Title IV completers after OBBB-aligned aggregation method).
Sanctions:	Loss of all Title IV aid	Loss of Federal student loans

Earning measurements would be based on the four-year median earnings of working individuals, as opposed to the three-year median earnings of both working and non-working individuals, which are

currently used as the basis for these measurements. The earning benchmark would use one of the six earnings benchmarks created by ED.

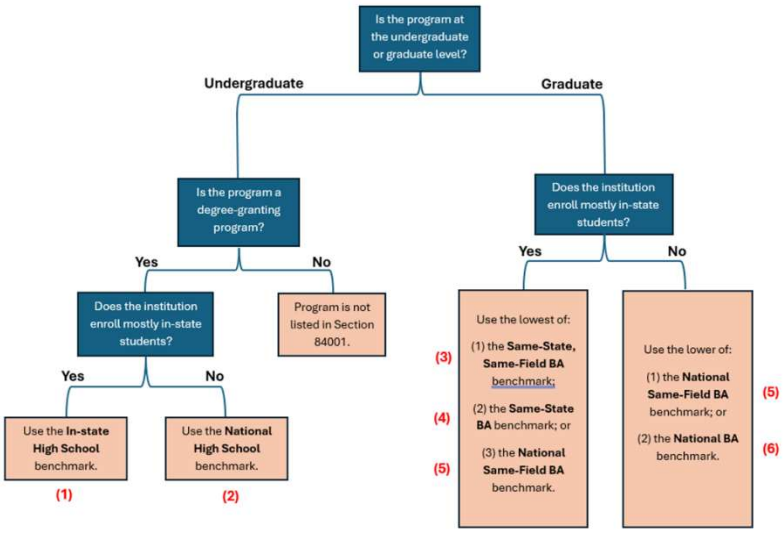


Failing the designated earning premium metric for two out of any three consecutive award years would result in the loss of the program's Federal Direct Loan eligibility.

While the same metrics are used to evaluate all programs, there are two pathways for which ED created the flowcharts below to help institutions understand which of the six benchmark data pools their program would be measured against, depending on program type. Two pathways were needed because non-degree undergraduate programs were not included in the new accountability framework in OBBBA; however, these programs would still be subject to STATS and the earnings accountability based on the changes made to the regulatory text.

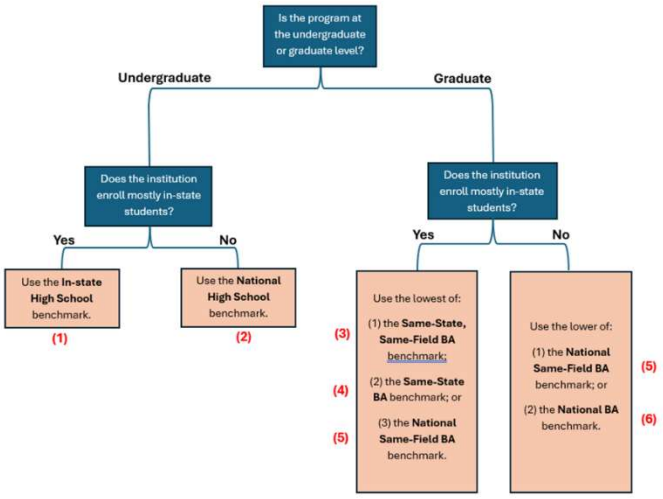
ED created the flowcharts below to help institutions understand which of the six benchmark data pools their program would be measured against, depending on program type.

OBBB Earnings Benchmarks for Domestic Colleges



Summary

OBBB Earnings Test & Modified GE Benchmarks, Domestic Programs Only



The earnings premium is a financial metric used to determine whether a program's graduates earn more than a set benchmark, known as the earnings threshold. If the median annual earnings of recent graduates exceed this threshold, the premium is positive; if they are equal, the premium is zero; and if they are lower, the premium is considered negative.

For undergraduate programs, the earnings threshold is based on the median earnings of working adults aged 25 to 34 who hold only a high school diploma (or equivalent) and are not currently enrolled in further education. This benchmark is generally calculated using data from the state in which the institution is located. However, if more than 50% of the students enrolled in the program come from

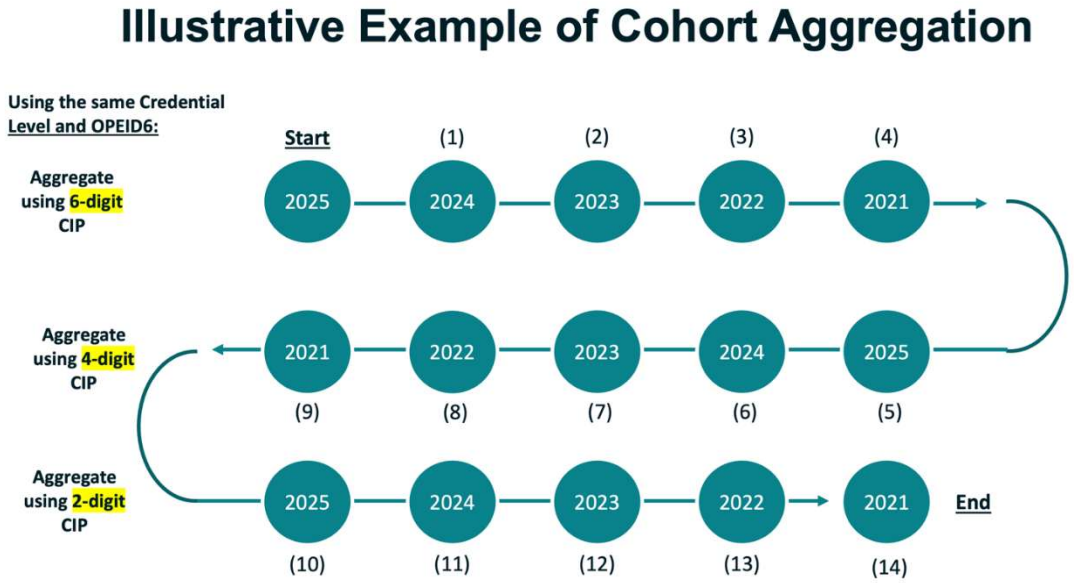
outside that state, or if the institution is a foreign school, the threshold is instead based on the national median earnings for high school graduates in the United States.

The earnings threshold for graduate programs is based on the median earnings of working adults aged 25 to 34 who hold only a bachelor's degree. To establish this benchmark, the department uses a "lowest-of" logic to ensure the comparison group is as stringent as possible. For most institutions, the threshold is the lowest value among the median state earnings for bachelor's degree holders, the state earnings for that specific field of study, or the national earnings for that field of study. If the graduate program primarily serves out-of-state students, the threshold is the lower of the national median for all bachelor's degree holders or the national median for that specific field of study.

Throughout the day, three presentations were led by Cody Christensen from ED's Office of the Chief Economist.

The first presentation reviewed how ED plans to identify cohorts of individuals whose earnings will be included in the earnings premium metric and what the process is for aggregating cohorts when ED needs to do so due to a small number of program completers. Christensen stated that aggregation will be required in many cases, as data show that only 9% of programs have more than 30 Title IV completers in a single award year.

The process would first identify additional completers one award year at a time in the same program (6-digit CIP Code) for four additional award years prior to the original cohort period, until 30 completers were identified. If 30 cannot be identified after including completers from the same 6-digit CIP Code program for four additional award years, the Department would repeat the process for all programs with the same 4-digit CIP Code and credential level, and then, if necessary, again for programs with the same 2-digit CIP Code and credential level. If at least 30 Title IV completers are still not able to be aggregated after following these steps, the program is exempt from the earnings premium test. Christensen explained that there may be situations where the data is deemed unreliable by the Secretary. For example, even though they reached 30 completers, the Secretary doesn't believe that number is sufficient to perform the calculation for a specific program. In these cases, the cohort size may be increased until the Secretary determines the data are statistically reliable. ED predicts that 94% of all Title IV completers are in programs that achieve a statistically reliable cohort size after implementing the full aggregation method.



The second presentation covered definitions of "earnings" and "working." ED said it is still contemplating how it will ultimately choose to define them for the earnings calculation, as the different ways to determine them could impact the earnings accountability framework. For example, the definition of "earnings" has two options – it could be defined as "personal income from wages and salary" or "personal income from wages, salary, and income through self-employment." Additionally, "working" could be defined as "individuals who are in the labor force," which includes both employed and unemployed people, or it could be limited to employed people.

The third presentation focused on the estimated impact of the earnings test using currently available data. According to current estimates, approximately 6% of programs are expected to fail the earnings test. While this represents a small portion of programs, it affects about 5% of all Title IV recipient students, the majority of whom, roughly 55%, attend for-profit institutions. The impact is particularly significant for undergraduate certificate programs, where nearly one in three students (31%) are enrolled in a program that fails to meet the earnings threshold.

Certain fields of study, including Culinary Services, Cosmetology, Drama/Fine Arts, Religious Studies, and Alternative & Complementary Medicine, exhibit the highest fail rates. Additionally, the geographic impact is uneven, as states such as Florida, Louisiana, Tennessee, California, and Idaho have a much higher share of failing programs relative to other states. Related, The HEA Group, conducted its own study of the data ED made available to determine which college programs may remain eligible to participate in the federal student loan program.

Christensen clarified final data won't be available until early 2027 and stressed that this presentation is solely an estimate.

Throughout Monday's session, negotiators raised concerns that ED's proposed earnings test may be overly restrictive and could inadvertently disadvantage some potentially high-quality programs, particularly those that prepare students for lower-paying but in-demand fields. Lacey pointed to data

provided by ED on programs that would fail ED's new earnings metrics, noting that 92% of cosmetology programs would fail.

"I do not believe that 92% of the programs in the United States for cosmetology lack merit," Lacey said. "They just don't pass this test in the way that it's formulated. And I think Congress has said the consequence here is a lack of opportunity to borrow."

Welcome to 2026: Some Student Loan Forgiveness Is Now Taxable

A change in tax policy for 2026 has created some confusion over how certain forms of student loan forgiveness could now be taxed.

The American Rescue Plan Act (ARP) specified that any student loan debt (federal, institutional, or private) that was modified or discharged from December 31, 2020, through January 1, 2026, is excluded from an individual's income when they file their tax returns.

This provision was incorporated into ARP during a reconciliation process, and to meet budgetary requirements, it was only able to remain in place for a five-year period. It was also implemented while the Biden administration was considering broader efforts to implement student loan debt cancellation that could have resulted in taxable income without this provision. The U.S. Supreme Court ultimately halted that effort to implement broad-scale student loan debt cancellation.

Now that the provision has expired and students are navigating significant changes to the student loan landscape with the One Big Beautiful Bill Act (OBBBA) revising repayment options, efforts to wind down the Saving on a Valuable Education (SAVE) student loan repayment plan, and ongoing legal challenges to the ED processing of loan cancellation forms, borrowers have been left with questions over how their finances could be impacted.

In November, a group of Senate Democrats sent a letter to the Department of the Treasury and the IRS, urging the administration to declare IDR discharge as non-taxable income, warning that some borrowers could face a tax bill as high as $10,000. The senators also outlined the legal authority the administration could use to make the declaration.

Some borrowers will be spared this surprise tax bill due to an ongoing lawsuit in which ED reached a preliminary agreement with the American Federation of Teachers (AFT) that would offer more borrowers a pathway to forgiveness and ensure that eligible applicants are not subject to a tax bill due to processing delays. Per that agreement, the department stated that it will not file a 1099-C for borrowers who have already applied for and qualified for forgiveness but have not had their application processed due to the ED's backlog, allowing them to waive the new tax penalty when filing taxes after January 1, 2026.

While borrowers in income-driven repayment (IDR) programs, who were not part of the legal agreement between ED and AFT and meet their time-based forgiveness after January 1, 2026, could be impacted by the change in tax policy, it's important to note that the expiration of this provision does not affect all forms of student loan forgiveness.

These tax changes do not impact forgiveness under the Public Service Loan Forgiveness (PSLF) program, which is not considered taxable income. ED has specified that "According to the Internal Revenue Service (IRS), student loan amounts forgiven under PSLF or TEPSLF aren't considered income for tax purposes. For more information, check with the IRS or a tax advisor."

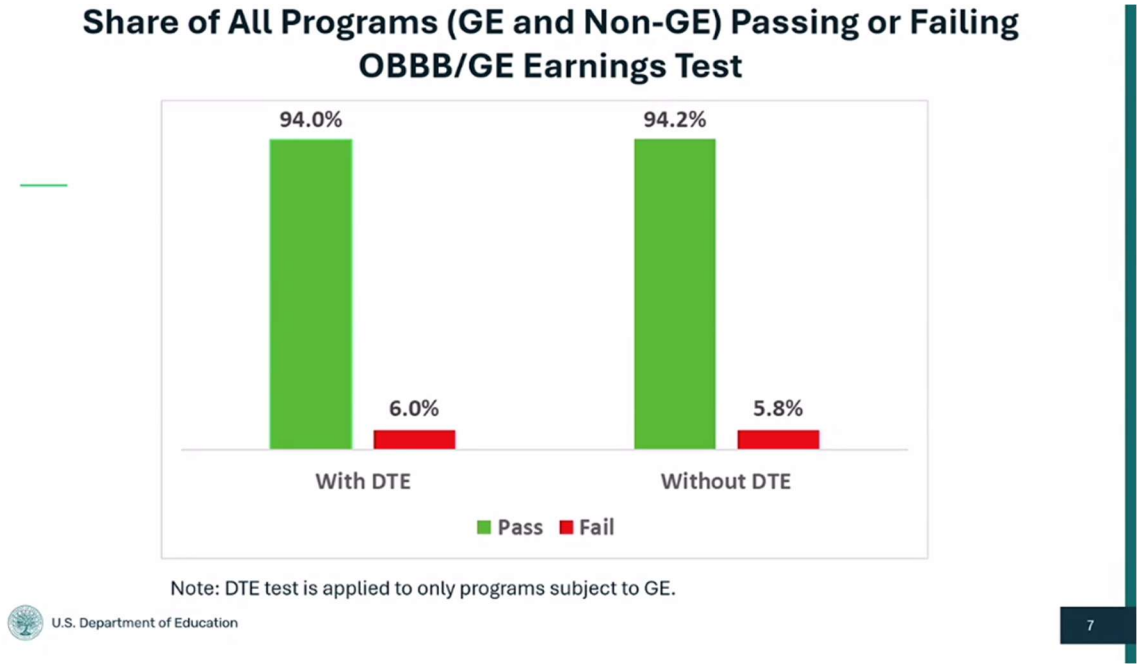
AHEAD Committee Debates Impact of Eliminating Debt-to-Earnings Metric, Earnings Premium Benchmarks as Rulemaking Continues

The Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee gathered on Tuesday to continue discussion on the ED's proposal to overhaul the Gainful Employment and Financial Value Transparency regulations to incorporate the new institutional accountability framework created by the One Big Beautiful Bill Act (OBBBA). Tuesday's discussion focused on ED's proposal to eliminate the debt-to-earnings test, along with the implementation of a new earnings premium metric that aligns with the provision of the OBBBA that conditions Direct Loan eligibility on a program's completer's median earnings exceeding a minimum threshold.

Jason Delisle, ED's Chief Economist and Senior Adviser for the Office of the Under Secretary, started the day's agenda by outlining the department's rationale for proposing the elimination of the debt-to-earnings (DTE) metric.

Delisle argued that while the DTE test appears intuitively vital for protecting students, its practical impact is marginal when compared to the earnings premium measure introduced under the new Student Tuition and Transparency System (STATS) framework, which was detailed in coverage of Monday's negotiations. Using visual data, including a bar graph showing the minimal discrepancy between the two models, "The debt-to-earnings test is not adding a lot of incremental value in terms of the number of programs it's sweeping in," Delisle said. "The earnings test in terms of failing programs is doing the heavy lifting."

Specifically, removing the DTE metric results in only a negligible 0.2% difference in identifying failing programs. According to the data, it is rare for programs to fail the DTE metric without also failing the earnings test; to do so, a program would have to simultaneously fall within the lowest 10% of earnings and the highest 10% of debt burdens. In that vein, the department maintains that the earnings premium alone is a sufficient and more efficient tool for addressing underperforming programs.



Delisle also argued that the DTE metric has become structurally redundant due to the One Big Beautiful Bill Act (OBBBA). By eliminating the Graduate PLUS program and imposing strict new annual and lifetime borrowing caps for graduate and professional programs, OBBBA ensures that students can no longer access the levels of federal debt that typically lead to DTE failure, effectively solving the problem of "excessive borrowing" through statutory limits rather than complex regulatory formulas.

Tamar Hoffman, a negotiator representing legal assistance organizations that represent students and borrowers, consumer advocates, and civil rights groups that represent students, challenged this logic by highlighting a significant blind spot in the department's data. Hoffman argued that Delisle's figures fail to account for the role of private loans, which are included in DTE calculations but are entirely unaffected by the OBBBA's federal borrowing limits.

She pointed out that while the OBBBA may curb federal debt, there remains a possibility that students will simply shift their borrowing to the private sector to cover tuition gaps. By eliminating the DTE metric, Hoffman warned, the department would lose its only mechanism for monitoring and penalizing programs that drive students into high-interest private debt.

Hoffman also inquired about the specific burden of maintaining both metrics, and Dave Musser, ED's federal negotiator, responded by explaining that calculating the DTE metric involves significant administrative and technical complexity. He noted that while the department has access to most information, determining precise federal debt is difficult because older records are often poorly maintained, particularly in cases where institutions have merged or programs have been consolidated. These scenarios frequently require labor-intensive manual calculations.

Furthermore, Musser highlighted the burden placed on institutions, which must report private loan data and granular information on institutional grants. This process causes frequent confusion for schools struggling to distinguish between different types of aid. Musser concluded that the DTE metric provides

a relatively small amount of additional data but requires a significant financial and administrative burden from ED, institutions, and taxpayers.

“Removing all of those components and the entire infrastructure for doing that [DTE] calculation will be a substantial savings to the taxpayer and to the department,” Musser said. “As well, it will reduce costs to institutions for all the various data that they have to pull together on their campuses to do this work.”

The session continued with a debate among negotiators regarding the elimination of the DTE metric and the loss of private loan data in earnings calculations. Concerns were also raised about the proposed earnings premium calculation, specifically the age group used as a benchmark. Negotiators noted that the comparison group of working adults (ages 24-35) could have up to 17 years of work experience. In contrast, the program's complete population would have potentially only four years of work experience.

Discussions also centered on how part-time versus full-time work should be accounted for in the calculation and whether any effort should be made to exclude work that is less than full-time. The department made no decisions on the future of the DTE metric or the specific information to be used in the earnings premium calculation at this time.

The day concluded with ED walking the negotiators through the section of the proposal that deals with the earnings premium metric calculation of the STATS framework.

Preston Cooper, a negotiator representing taxpayers and the public interest, pointed out that ED’s proposal removed a provision from the existing FVT regulations intended to prevent the "roll-up" of graduate degree outcomes when calculating the earnings premium. Without this exclusion, if a student earned a master’s degree while enrolled in a doctoral program, the institution could include that student's presumably higher doctoral-level earnings in the master’s program’s earnings data. Cooper argued for restoring this exclusion, noting it would be "odd" to credit a master’s program with the salary of a PhD holder, as it artificially inflates the program’s perceived financial value. Musser said that the department would be open to removing the strikethrough of this paragraph, renewing the exclusion of rollups at both the graduate and undergraduate levels.

To end the day, Musser walked through the section of the proposal focused on institutional reporting requirements. This section would update and standardize reporting requirements for all GE and non-GE programs to support both the STATS transparency framework, and the accountability framework ED refers to as “earnings accountability,” including its public website on program costs and net price. Institutions would report limited student-level information — primarily identifiers, initial enrollment dates, total actual cost of attendance for the award year, actual tuition and fees, and the total amount of grants and scholarships received across the student’s entire enrollment in the program. Institutions would no longer be required to report institutional debt due to the elimination of the DTE metric.

While ED originally proposed collecting five years of historical data by July 31, 2026, from institutions that were previously exempt from reporting FVT data, the requirement has been scaled back so that schools must report only the two most recently completed award years by October 1 following the effective date of the regulations, with future annual reporting due each October 1. This revised framework is essentially a pared-down version of the current GE/FVT reporting structure, rather than a new layer of reporting for most institutions. Schools that have already been submitting GE/FVT data,

including their historical data and the most recent award-year data reported in October, will continue on their existing annual reporting cycle, but with fewer required data elements.

Musser also described the process by which the department will use its own administrative data to identify individuals who ED will include in the cohorts for the earnings premium measure. According to Musser, program completers will be identified through the National Student Loan Data System (NSLDS) based on data provided by schools through the enrollment reporting process.

ED is proposing that the department provides institutions with a list of students who will be included in the cohort for the earnings premium calculation, as it currently provides completers' lists for the Gainful Employment/Financial Value Transparency reporting. From there, institutions must evaluate the list supplied by ED and, if necessary, update or correct the data within 60 days after the end of the award year.

"The idea here is the institutions are getting an opportunity to make sure that we have the correct individuals that we're using to calculate the earnings, the median earnings, for purposes of the earnings premium metric," Musser said. "Obviously, that's an incredibly important part of the metric. If we get that wrong, we're not capturing the correct individuals. So that's why we have this process built in to ensure that we have an accurate group of students."

AHEAD Committee Discusses Details on New Earnings Accountability Reporting Requirements, Appeals Process

The Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee on Wednesday continued working through the proposal from the ED regarding institutional reporting requirements and the appeals process, as part of the overhaul to the Gainful Employment (GE) and Financial Value Transparency (FVT) regulations to implement the new institutional accountability framework established under the One Big Beautiful Bill Act (OBBBA).

Wednesday's session began with a discussion from negotiators, in which Ritchie Morrow, a negotiator representing state grant agencies and other state and non-profit higher education financing organizations, noted that the reporting requirements create a tight time crunch for institutions, as the deadline is July 1, 2026. Dave Musser, ED's federal negotiator, clarified that ED will not be able to implement all these changes by fall 2026. Therefore, any reporting due this fall will be the same as the existing GE/FVT reporting requirements; fall 2027 will be the first time that the new reporting requirements discussed in these proposals will be due.

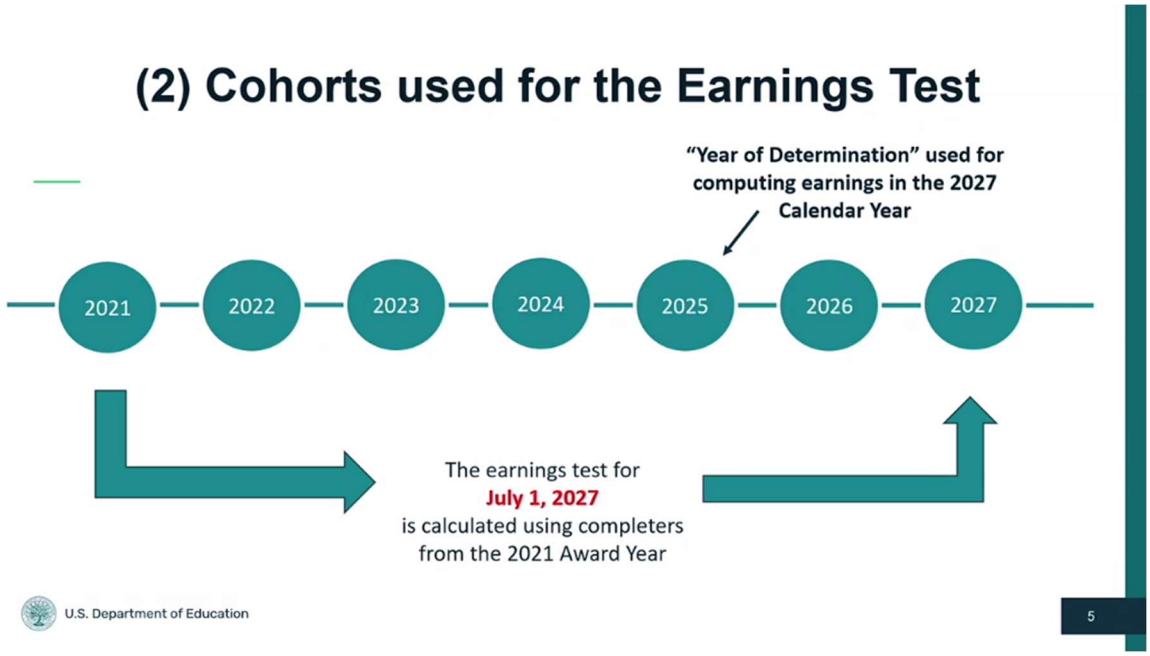
Musser added that the department does plan to offer the opportunity for institutions to implement these changes early and that ED is still working on what that means for reporting, but would assume it would mean that institutions which do plan to implement these regulations early will have the option of using the new earnings premium metric process, or the current debt-to-earnings (DTE) and earnings premium process. He noted that institutions should have already set up their reporting apparatus to comply with the current GE/FVT reporting regulations and that institutions will have to use that same process; they'd just have less to report if they choose to implement this part of the regulation early.

With questions surrounding the timeline and implementation of the earnings premium, Cody Christensen, of ED's Office of the Chief Economist, produced another presentation for the negotiators outlining rollout logistics.

The official timeline for the program accountability framework will begin in early 2027, when the first earnings test is calculated, and institutions are notified of its results. While July 1, 2027, marks the first date a program can officially "fail" the test, the consequences for direct loan eligibility would not take effect immediately, as a program would need to fail two out of three years to lose funding.

The second earnings test would be conducted in early 2028, with results shared with institutions shortly after. The most critical milestone will be July 1, 2028, which marks the first date that programs failing to meet the premium earnings threshold for those first two years it is in place can lose access to federal student loans.

For the first premium earnings test, results of which will be made available to institutions in early 2027, ED will examine students who completed their programs during the 2021 award year. By December 2025, these graduates will have been out of college for four years, allowing for a look at their career earnings four years after graduation, as required by statute. ED will pull tax information in early 2027 based on filings from April 2026, which cover the 2025 tax calendar year, ensuring that the most recent verified tax data is used to evaluate the financial outcomes of former students.



Aaron Lacey, a negotiator representing private nonprofit institutions, raised concerns about the inconsistency created by ED producing data before the accountability framework is fully in effect. He suggested treating the first data pull, expected in early 2027, as an informative/informational year rather than one that counts toward Direct Loan program eligibility. This would give schools time to identify programs that appear likely to fail and either improve them, warn currently enrolled students, or phase out the program.

Jeffrey Andrade, the deputy assistant secretary for policy, planning, and innovation at ED, proposed a potential teach-out provision that would allow students to complete their programs and maintain loan eligibility even if the program has failed the earnings premium test twice within a three-year period. While the department is still evaluating whether the OBBBA provides sufficient statutory authority for such exceptions, the intent is to create a runway that prevents students from being abruptly cut off from access to Direct Loans. Lacey said the interim exception used in the OBBBA for continuing Grad PLUS loan borrowing and borrowing under existing loan limits could serve as a model for extending Direct Loan eligibility to students in “failed” programs.

The conversation then turned to the appeal process. ED explained that in the case of a “failed” year, an institution may appeal the department’s findings. The process begins once the department notifies the school that a program has failed the earnings test, triggering a six-month window for the institution to review the underlying data used in the calculation for potential errors. During this period, the program remains eligible for federal student loans while the school examines the accuracy of the cohort data or identifies calculation mistakes. If the institution uncovers an error, it may request a correction before the failure takes effect in the following award year. If the school does not appeal or if the department rejects its claim, the program will lose eligibility on July 1 of that award year.

The timeline for resolving an appeal can vary. It may conclude quickly if the institution exhausts its remedies early, or it may extend for several months if the matter is taken before an administrative law judge. To streamline the process, the department intends to limit appeals strictly to data-related challenges. Once all administrative remedies have been exhausted, the program’s loss of eligibility becomes final, unless the institution chooses to pursue the matter in court.

ED made it clear that its proposal intends to limit appeals to only data issues. Lacey spoke up again to call attention to a proposal he submitted, which would allow an institution to appeal based on the use of local earnings data. This would allow institutions in rural or low-income areas to challenge a failing "earnings premium" determination by using local labor market data instead of statewide averages. Lacey argued that because wages vary significantly within states, programs in small towns are unfairly penalized when measured against high-earning urban centers. There was support among a few of the negotiators, and ED said they would discuss it privately after conversations around the subject had settled.

In the afternoon, the AHEAD Committee returned to the conversation around the teach-out proposals. During the break, a handful of negotiators met and developed a new proposal for ED to consider. Lacey proposed creating a voluntary teach-out agreement option for institutions whose program fails the accountability test once. Under this approach, after receiving the first failing determination, an institution could opt for an addendum to its PPA committing to stop enrolling all new students — not just Title IV students — and teach out the existing cohort. ED would still calculate and publish the program’s second year rate, but would not proceed to initiate any program termination.

Once the program fully completes its teach-out, it would still face the standard two-year period of ineligibility, including restrictions on offering any substantially similar program. The goal, Lacey explained, is to protect students, prevent institutions from “gaming” the system, and provide schools with a structured path to wind down programs that cannot function without Title IV aid. Institutions could choose not to opt in to the teach-out option if they believe they can pass the second-year rate or operate without Title IV funds.

"[The institution] can enter into this contractual relationship with the department subject to all these conditions, but that would allow them to actually complete the program," Lacey said. "It protects students. It incentivizes institutions, and it puts programs on a trajectory sooner than they otherwise would have, if [their program] failed two years in a row."

Andrade and Musser both thanked Lacey for the proposal, and Musser confirmed that ED would look at Lacey's written proposal.

Musser reviewed ED's final section of proposed regulations, student warnings, which includes the criteria that trigger a warning requirement and what that warning would entail.

He clarified that these warnings would apply to currently enrolled students and prospective students.

Per the proposed regulations, these warnings must explicitly state that the program failed to meet earnings benchmarks and could lose Direct Loan funding, while also providing a link to the department's official program information website. For currently enrolled students, the institution must deliver this warning as a standalone communication within 30 days of a failure notice.

For prospective students, the regulation requires that the warning be delivered at the very first point of contact, whether in person, via email, or over the phone. Institutions are strictly prohibited from enrolling, registering, or accepting financial commitments from prospective students until at least three business days after the warning has been delivered. Furthermore, no federal student aid funds can be disbursed, and no enrollment agreements can be finalized, until the student acknowledges having viewed the warning.

Finally, the regulation specifies that providing these warnings does not relieve the institution of its obligation to provide accurate information, nor does a student's acknowledgment of the warning automatically disqualify them from future loan discharge claims.

Musser added that ED will provide a "guiding document" for institutions to create their student warning through the Federal Register.

The AHEAD Committee will reconvene later this week to continue its discussions.

New NASFAA Resource: Campus Leadership Brief on OBBBA Loan Changes

In response to new policies resulting from negotiated rulemaking under the One Big Beautiful Bill Act (OBBBA), NASFAA has developed a one-page brief for campus leadership outlining upcoming changes to the federal student loan programs. The brief is designed to inform leaders about key changes, highlight potential institutional challenges, and provide relevant resources.

AHEAD Committee Continues Discussion on Teach-Out Proposal

The Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee met to discuss updated proposed language from the ED, based on feedback from negotiators, as part of incorporating the new institutional accountability framework created by the One Big Beautiful Bill Act (OBBBA).

The discussion began with Dave Musser, ED's federal negotiator, returning to a topic raised during Monday's session on the definition of "earnings." Musser clarified that ED is proposing to define "earnings" to include wages, tip income, and other forms of earned income, such as self-employment. He added that, if the committee reaches consensus, the department would publish this definition and include a direct question to the higher education community to solicit information on what tax forms would indicate earned income that is untaxed, ensuring it is accounted for in the earnings premium calculation.

From there, the committee continued its discussion from Wednesday regarding a proposal created by Aaron Lacey, a negotiator representing private nonprofit institutions, on a voluntary teach-out agreement option for institutions whose program fails the accountability test once. Under this approach, after receiving the first failing determination, an institution could opt into an addendum to its Program Participation Agreement (PPA) committing to stop enrolling all new students and teach out the existing cohort. ED would still calculate and publish the program's second-year rate, but would not proceed to initiate any program termination.

ED included Lacey's proposal in the department's proposed regulations text for review by the committee.

However, some negotiators raised concerns about including the proposal in its current form. Tamar Hoffman, representing legal assistance organizations, consumer advocates, and civil rights groups, cautioned that Lacey's approach could allow institutions failing accountability measures to keep students enrolled regardless of how much time they have left in the program. She also noted that it would not prevent institutions from circumventing the restrictions by launching a substantially similar program and continuing to enroll new students.

"To me, this seems like a giant loophole for institutions to try to maintain eligibility for Title IV funds when they aren't actually delivering adequate services to students," Hoffman said.

Musser suggested that the department could add language to clarify that the teach-out option could only be provided to students who "have less than X amount of time to complete their degree or to complete their program." Lacey added that schools could easily calculate when the last person enrolled in the program, assuming no leaves of absence and full-time status, would graduate. That date would be included in the PPA addendum.

To address Hoffman's second concern, Jeffrey Andrade, the deputy assistant secretary for policy, planning, and innovation at ED, also proposed that language could be added from the committee's previous session on the Workforce Pell around the prohibition of creating substantially similar programs, meaning if a school decided to take the teach-out option for a program, they would not be able to create a substantially similar program in the future.

Lacey supported this addition, saying it's reasonable to add language that an institution can't roll out a substantially similar program if they've taken the option to discontinue the program.

Much of the time in the morning and afternoon was spent in private caucuses, discussions the public is not permitted to observe.

The AHEAD Committee will convene on Friday for its final day of negotiated rulemaking, when negotiators are expected to vote on the full package of accountability measures. Consensus requires that every negotiator either votes in favor (thumb up) or abstain (thumb sideways). A single “thumb down” vote prevents the committee from reaching consensus. If consensus is achieved, ED must use the agreed-upon language in its proposed regulation; if not, ED may draft the proposed rules at its discretion.

The committee previously reached consensus in December on the entire package of proposals regarding the creation of the Workforce Pell Grant program.

Connecticut officials propose new student loan program in response to Trump changes: 'Ready to lead'

State officials announced a proposal to help fill the gaps created by the Trump administration's overhaul of federal student aid by creating a new loan program for Connecticut students.

In response to President Donald Trump's so-called "One Big Beautiful Bill Act" that implements tighter borrowing limits, new eligibility terms and other sweeping changes to the federal student loan system, several Connecticut lawmakers and advocates said at a press conference in the Legislative Office Building that it was time for the state to step in.

"While Washington retreats from their responsibilities, Connecticut is ready to lead," said Democratic state Rep. Gregg Haddad, co-chair of the legislature's Higher Education Committee.

The lawmakers' proposal would invest in and expand access to the Connecticut Higher Education Supplemental Loan Authority, also known as CHESLA, and create a new state-level graduate loan program in the upcoming legislative session to fill federal gaps. CHESLA is a state agency that provides financing programs for higher education, scholarships and other resources for Connecticut students.

The new program would need $10 million in state funding and use $20 million of CHESLA's funds for a total of $30 million, said Josh Hurlock, deputy director of CHESLA.

Haddad described the federal changes as "a grave and unprecedented threat to the future of higher education in this country." Included in the One Big Beautiful Bill Act is the elimination of the Graduate PLUS program, a student loan option that helps graduate and professional students (like medical, law and PhD students) pay for school, effective July 1.

Currently, Connecticut students receive an estimated $90 million in Grad PLUS loans, Haddad said.

"Without a reliable alternative, many Connecticut graduate students face higher private loan costs, which may jeopardize their ability to complete essential and advanced degrees in fields like health care, education and public service," Hurlock said at the press conference.

The Trump administration is also seeking to redefine which degrees are considered "professional" and qualify for the higher federal lending limits — a proposal that excludes fields such as nursing, public health and social work.

Federal officials argue that the new caps on borrowing will push schools to lower the cost of getting a degree. However, many advocates in the affected fields have disagreed, and say that students will bear

the costs. Adam Waters, a PhD student at Yale University and the president of UNITE HERE Local 33, the graduate worker union at Yale, said that the Trump administration's moves "make education in critical fields like nursing even less affordable and accessible than they already were."

Other advocates at the press conference, including nurses, teachers, social workers and graduate students called on the Connecticut General Assembly to use state resources to mitigate the impact of the federal legislation, which they argue could hurt students and workforces.

"We are not going to let the Trump administration pull the rug out from under our nurses, our teachers and our graduate students. We are not going to do that. So, this is what the proposal is about," said Democratic state Sen. Derek Slap, co-chair of the higher education committee.

The new loan program would immediately support at least 2,000 Connecticut students, Slap said. He said the proposal would be one of the top priorities of the legislature's higher education committee in the upcoming session.

"This solution leverages CHESLA's existing lending infrastructure and bonding authority in tandem with state funding, allowing us to offer affordable financing for Connecticut graduate and professional students and help them avoid high-interest rate private student loans," Hurlock said.

He also said the program would have the ability to grow over time.

"The plan is not to just replace the Grad PLUS loan program. The goal is to provide a more affordable financing option for Connecticut graduate students," Hurlock said. "We believe this proposal is an opportunity to position Connecticut as a national leader in addressing the impact of changes in the federal student loan program, enabling students to continue their education without financial barriers."

AHEAD Committee Reaches Consensus on Entire Accountability Package

Amidst much debate over the new accountability framework, negotiators of the Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee reached consensus on Friday on a package of accountability measures proposed by the ED related to changes enacted under the One Big Beautiful Bill Act (OBBBA).

ED began the session by reviewing some of the changes it made to the proposed language, first focusing on the added provision that would allow for a voluntary program closeout. As a reminder, the voluntary orderly program closure proposal would allow an institution whose program fails the accountability test once to opt into an addendum to its Program Participation Agreement (PPA), committing to cease all new enrollments in that program and teach out the existing cohort.

ED would still calculate and publish the program’s second-year accountability rate but would not move to terminate the program based on that second failure. ED added more restrictions to this provision, which would permit the program to continue participating in the Direct Loan Program only up to the lesser of three years or the program’s normal full-time length, if the Secretary determines that the arrangement is in the best interest of the students.

In response to concerns from negotiators about guardrails and student protections, several conditions were added. ED must review whether any circumstances suggest that the closure plan might not benefit

students. While institutions may need to respond to those concerns, such a review is only triggered if ED identifies a potential issue; if not, approval is granted.

Institutions seeking to use this option must now:

- Notify their state authorizing and accrediting agencies and meet all related closure requirements
- Formally acknowledge that the program has been voluntarily discontinued, including substantially similar programs;
- Place the program in a warning status and continue issuing warnings to students; and
- Agree not to restart the same or a substantially similar program for at least two award years and provide academic and financial pathways for students to transfer into a program that has not failed the earnings premium test — at the same or another institution — that can accept all of the credits the student has earned to date in the program.

Institutions must also be in good standing with their accreditor and ED, as institutions or programs under sanctions, such as probation or heightened cash monitoring 2 (HCM2), cannot take advantage of the orderly closure pathway.

The department also added new requirements to the warning process for students enrolled in programs at risk of losing Direct Loan eligibility for the next award year due to their final earnings-premium measure. Institutions would now be required to send a separate warning specifically to enrolled Pell-eligible students. This notice needs to include a description of the student's remaining lifetime Pell Grant eligibility and an explanation that any Pell Grant funds received while enrolled in the program will count against the student's future lifetime eligibility.

The session then broke for a caucus, and upon its resumption, the department returned with a proposal negotiated with the committee to amend the existing standards of administrative capability to place additional penalties on institutions where most of their Title IV recipients or Title IV dollars come from failing programs. The new language would consider an institution to meet administrative capability standards only if at least half of the institution's Title IV recipients and half of the institution's total Title IV funds are not from programs that fail the earnings premium metric (are not "low-earning outcome programs") in two of three consecutive years.

The Program Participation Agreement (PPA) regulations are also amended to state that an institution that did not meet this new administrative capability standard in two of three consecutive award years would be placed on provisional certification status and the institution's low earning outcome programs would lose eligibility for all Title IV aid programs, not just direct loans.

Ultimately, the AHEAD committee reached consensus on the entire proposal package. All negotiators voted in support of the proposal except Tamar Hoffman, a negotiator representing legal assistance organizations, consumer advocates, and civil rights groups, who abstained from the vote.

Dave Musser, ED's federal negotiator, and Nicholas Kent, ED's under secretary, both thanked negotiators and department staff for their hard work during the week. Kent congratulated negotiators for reaching consensus and called this new accountability package a "game changer."

“For years, we have been bogged down in ineffective measures that simply failed to capture the full picture of how all programs were actually performing,” Kent said. “This new framework is different. It's about ensuring that all programs meet a baseline for financial value, a baseline that reflects the needs of students and taxpayers alike.”

Since the committee reached consensus, ED must use the agreed-upon language from the negotiations in its forthcoming Notice of Proposed Rulemaking (NPRM), which is expected to be published in the coming months. Following a public comment period, the ED will draft final regulations, and the rule will become effective on July 1, 2026.

This is the final scheduled negotiated rulemaking session regarding provisions established in the OBBBA. The first committee, the Reimagining and Improving Student Education (RISE) Committee, reached consensus in November on ED’s entire package of proposals regarding loan limits, repayment plans, loan reduction, and loan rehabilitation and deferment. The NPRM for these provisions is due sometime this month.

The AHEAD Committee in December also reached consensus on ED’s package of proposals regarding the creation of a new Workforce Pell Grant Program during its first week-long session. This week's proposal and the proposal from early December will be published as separate NPRMs.

Deep Dive: NASFAA Summary of Consensus on Accountability Language from Last Week’s AHEAD Negotiated Rulemaking Committee

The ED concluded its negotiated rulemaking session to implement the new low earnings outcomes accountability metric from the One Big Beautiful Bill Act (OBBBA). The Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) committee reached consensus on this new accountability framework, meaning that ED’s proposed regulatory text for public comment — expected in the first half of 2026 — will match what negotiators agreed to.

As a reminder, ED must review comments received during the public comment period and incorporate that feedback into the regulatory text before issuing a final rule. As such, this summary of the consensus language negotiators agreed to is subject to change pending publication of a final rule.

Background

The OBBBA introduced, for the first time in statute, an earnings accountability measure (Ineligibility Based on Low Earning Outcomes) to ensure that students do not leave a program of study financially worse off than when they entered it. A “do-no-harm” framework, the measure attempts to establish whether students have benefited from their postsecondary educational programs by calculating an earnings premium, calculated as the difference between a program’s graduates’ median earnings four years after completion and a set threshold.

A program whose completers’ earnings exceed or equal the threshold is considered to pass the earnings test; a program whose completers fall short of the threshold fails and is designated a “low-earning outcome program.” Failure in two of three consecutive years results in the program’s loss of eligibility to participate in the Direct Loan program for two years.

New Proposed Framework

Prior attempts to hold institutions accountable for their graduates' earnings existed only at the regulatory level, through the Gainful Employment and, most recently, the combined Gainful Employment and Financial Value Transparency (GE/FVT) regulations. In implementing the new do-no-harm framework, ED chose to overhaul the existing GE/FVT regulations rather than simply adding the new median earnings accountability measure from the OBBBA to the existing regulations.

This approach addresses two issues. First, it acknowledges that the new earnings accountability measure from the do-no-harm framework is highly similar to the existing earnings premium metric in the GE/FVT regulations and, as such, it is not necessary to maintain both. Second, it establishes a uniform penalty for all programs, whereas the GE/FVT regulations were bifurcated, with different penalties for different program types.

The new framework eliminates the debt-to-earnings (DTE) metric and uses a single metric, the earnings premium, to determine whether a program is a low-earning outcome program. It applies a consistent penalty — loss of eligibility to participate in the Direct Loan program for 2 years after failing the earnings premium in 2 of 3 consecutive years — to all programs at all institutions.

Subpart Q of the Student Assistance General Provisions in CFR §668, formerly the Financial Value Transparency framework, is now called the Student Tuition and Transparency System (STATS) and contains the framework for calculating the earnings premium metric. Subpart S, formerly the Gainful Employment framework, is now renamed "earnings accountability," and includes the rules and procedures under which ED determines program eligibility to participate in the Direct Loan program based on whether it is determined to be a low earning outcome program.

Earnings Premium Calculation

To calculate the earnings premium for undergraduate programs, the threshold is the median U.S. Census Bureau earnings of a working high school graduate, aged 25-34 who were not enrolled in postsecondary education during the year of the associated measured earnings, in the state in which the institution is located unless the institution enrolls more than 50% of its students from out of state, in which case the national median is used.

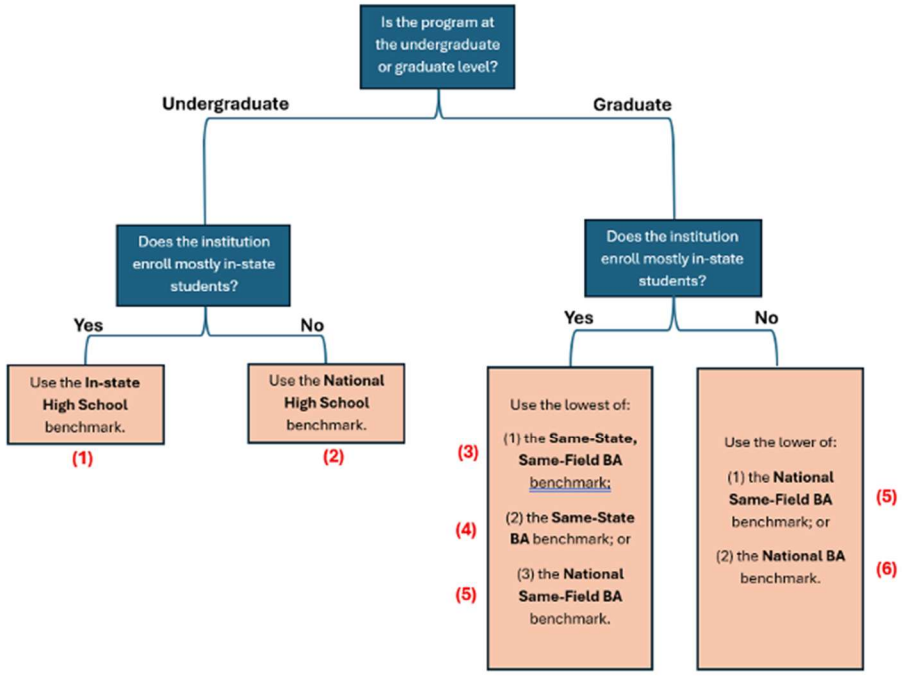
To calculate the earnings premium for graduate programs, the threshold is the median U.S. Census Bureau earnings of a working bachelor's degree recipient, aged 25-34 who were not enrolled in postsecondary education during the year of the associated measured earnings. The median earnings used for graduate programs will be the lesser of the earnings:

- In the state the institution is located;
- In the same field of study under the 2-digit or 4-digit Classification of Instructional Programs (CIP) in the state in which the institution is located; or
- Nationally, in the same 2-digit or 4-digit CIP.

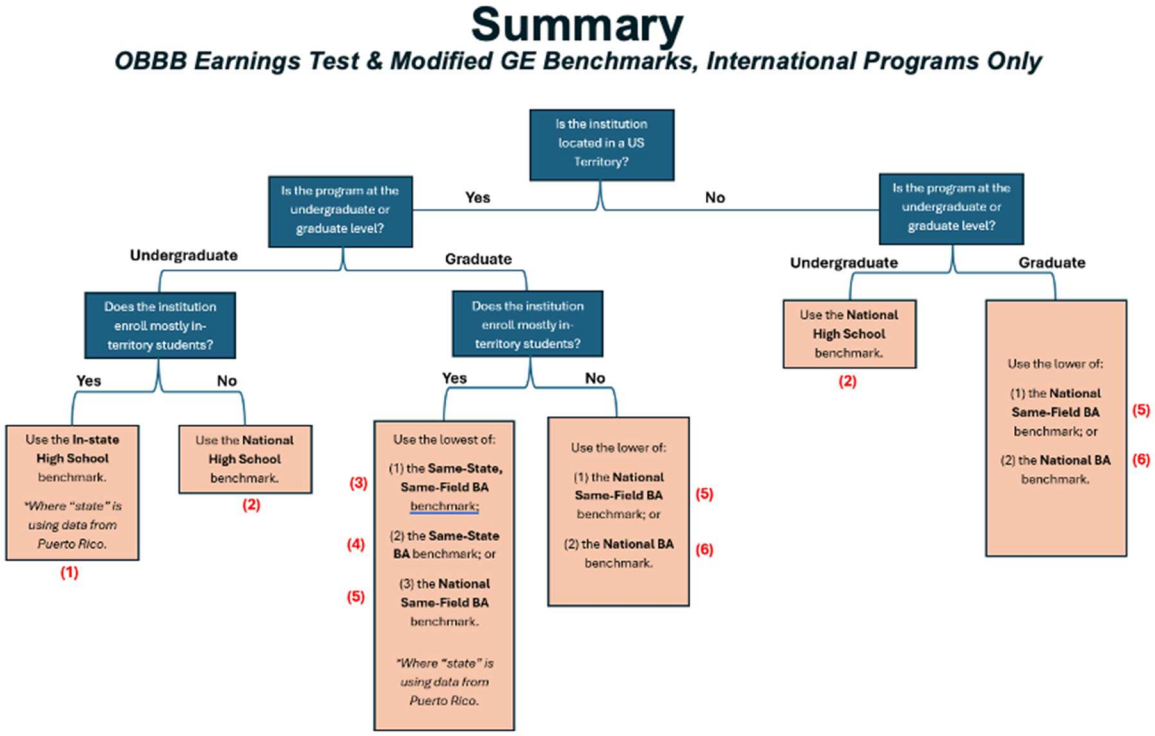
If the institution enrolls more than 50% of students from out of state, the median earnings used would be the lower of the national median or the national median in the same field of study under the 2-digit or 4-digit CIP code.

Summary

OBBB Earnings Test & Modified GE Benchmarks, Domestic Programs Only



Foreign institutions will have their program completers' median earnings calculated as shown in the figure below.



Orderly Program Closure

Programs that fail to pass the earnings premium metric in a single year would have the option to append their Program Participation Agreement (PPA), committing to cease all new enrollments in that program and teach out the existing cohort. ED would have to determine that such action would be in the best interest of students, and would permit extension of Direct Loan eligibility for a maximum of the lesser of three years or the full-time normal duration of the program. ED would continue to calculate and publish the program's second-year accountability rate, but would not move to terminate the program's Direct Loan eligibility based on that second failure.

Additional Penalties for Institutions With Significant Title IV Dollars or Students From Failing Programs

ED proposes to add a new administrative capability standard, requiring that at least half of the institution's Title IV recipients and half of the institution's total Title IV funds are not from low-earning outcome programs in any two of three consecutive years.

The PPA regulations are also amended to state that an institution that did not meet this new administrative capability standard in two of three consecutive award years would be placed on provisional certification status, and the institution's low earning outcome programs would lose eligibility for all Title IV aid programs, not just Direct Loans.

Appeals

An appeals process is in place for the low earning outcome determination, but it is limited to circumstances where institutions believe ED erred in its calculation of the earnings premium. There is no alternate earnings appeal process as had been in place under earlier iterations of the GE regulations. Institutions may also appeal the loss of all Title IV eligibility for failing programs at institutions where more than half of their Title IV recipients or dollars come from failing programs.

Institutional Reporting

Institutional reporting requirements for the new accountability framework are largely similar to the GE/FVT reporting requirements. Reporting will continue to be due each October 1, with earnings premium data published by the following July. ED has indicated that, due to limited time to make changes, reporting will not change from what is currently required under GE/FVT for 2026; however, they will require fewer data elements to be reported in future years. Data elements to be eliminated beginning in 2027 include:

- Whether the program is a qualifying graduate program whose students are required to complete postgraduate training;
- The student's attendance dates and attendance status (e.g., enrolled, withdrawn, or completed) in the program during the award year;
- The student's enrollment status (e.g., full time, three quarter time, half time, less than half time) as of the first day of the student's enrollment in the program;
- The date the student completed or withdrew from the program;
- The total amount of institutional debt the student owes any party after completing or withdrawing from the program.

Data must only be reported for the two most recently completed award years prior to October 1, as opposed to the second through seventh under GE/FVT.

Timelines

Congress established an effective date of July 1, 2026, for the new accountability framework. Because the OBBBA was passed on July 4, 2025, ED does not have to follow standard master calendar rules, which would have required a final rule to have been published by November 1, 2025.

The effective date of July 1, 2026, means that the first earnings premium calculations under the new rule will be released by July 1, 2027. Because programs only lose Direct Loan eligibility if they fail the metric in 2 of 3 consecutive years, the earliest a program could lose eligibility is July 1, 2028.

ED must, however, still release its proposed rules for public comment, which are expected in early 2026. ED must then review all comments, draft, and publish a final rule by June 1, 2026. Until then, everything detailed here is subject to change.

ED: FSA Conference Registration Open Through January 23

The ED has provided more details for its upcoming in-person Federal Student Aid (FSA) training conference, announcing on Wednesday that registration is now open and that attendance will be limited to 2,000 attendees who are invited to register via a lottery system. The lottery system application will remain open until January 23, to "ensure fair representation of our partner schools."

Trump Administration Begins to Send ED Employees to DOL

The Trump administration on Thursday announced its next steps to dismantle the ED by sending higher education agency staff over to the Department of Labor (DOL) beginning next week, a move that is also complicating congressional negotiations over ED's annual funding.

Staff in the Higher Education Programs (HEP) Division of ED's Office of Postsecondary Education (OPE) will begin working at DOL starting on January 20. With this transition, ED noted that HEP grantees will transition to DOL's Grant Solutions and Payment Management System to align the grants management and payment systems across ED and DOL's postsecondary and workforce programs.

Earlier in November, ED announced six new interagency agreements (IAAs) aimed at transferring several of the department's responsibilities to other federal agencies, which include DOL. Under this agreement, DOL will "take on a greater role in administering postsecondary education grant programs authorized under the Higher Education Act (HEA)," ED stated in November.

This move is part of the Trump administration's broader effort to dismantle ED. Last year, President Donald Trump issued an executive order directing Education Secretary Linda McMahon to initiate the dissolution of the department, after which McMahon announced a reduction-in-force (RIF).

The Trump administration's continued efforts to dismantle ED have posed a problem for Congress and the appropriations process, as negotiators try to finalize spending levels for the current fiscal year. According to POLITICO, Democratic lawmakers are trying to include language in the education spending bill to stop ED from offloading some of its duties to other agencies. Rep. Robert Aderholt (R-Ala.), chair of the subcommittee overseeing the education spending bill, told POLITICO that adding this language would be a "heavy lift" to get through the House.

Government funding for ED's annual budget is currently set to expire after January 30, meaning Congress has two weeks to pass legislation to continue funding the government or risk a partial government shutdown due to a possible lapse in funding for several agencies.

Involuntary Collections on Defaulted Student Loans Delayed While ED Rolls Out OBBBA

Defaulted student loan borrowers will not be subject to involuntary collections while the ED rolls out provisions from the One Big Beautiful Bill Act (OBBBA), which significantly reshape the student loan program through the negotiated rulemaking process.

Many of those changes are slated to take effect on July 1, 2026, and according to a Friday announcement from ED, the delay in involuntary collections will give the department more time to

implement OBBBA – referred to as the "Working Families Tax Cuts Act" – and offer defaulted borrowers more time to review their repayment options and rehabilitate their loans.

"The Department determined that involuntary collection efforts such as Administrative Wage Garnishment and the Treasury Offset Program will function more efficiently and fairly after the Trump Administration implements significant improvements to our broken student loan system," said Nicholas Kent, ED's under secretary.

In April 2025, the Department of Education (ED) announced it was resuming the collections process for defaulted federal student loans after a five-year pause in collections due to the Covid-19 pandemic. The collections process includes administrative wage garnishment and the Treasury Offset Program.

The Treasury Offset Program requires ED to request that the Department of the Treasury withhold money from defaulted borrowers' federal tax refunds. Prior to Friday's announcement, on the Federal Student Aid (FSA) website, ED detailed that defaulted borrowers' state tax refunds could also be withheld and applied toward repayment of the defaulted loans.

ED has not provided a specific date for the resumption of involuntary collections on defaulted student loans, but has encouraged borrowers to explore their options for resolving defaulted loans.

NASFAA Updates Gainful Employment Web Center

NASFAA's Gainful Employment web center, which maintains a history of the Gainful Employment (GE) and Financial Value Transparency (FVT) regulations since they were first established in 2011, has been updated to incorporate the latest iteration of the rules proposed in the Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) negotiated rulemaking committee.

FY 2026 Spending Bill Flat Funds Pell Grant, FSEOG, and FWS Programs, Prevents ED Funding from Transferring to Other Federal Agencies

With just over a week until funding for the ED's programs is set to expire, the Senate Appropriations Committee on Tuesday unveiled bicameral legislation to fund ED and other federal agencies through the remainder of the 2026 fiscal year (FY), which ends September 30.

The legislation would flat-fund the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) programs, and includes a provision that would block funding for ED from being transferred to other agencies, unless specified in the appropriations law.

"While it's a relief to hopefully avoid another government shutdown, flat funding federal student aid programs isn't maintaining support — it's quietly cutting it," said Melanie Storey, NASFAA president & CEO. "Students today are facing very real challenges. As the cost of living continues to increase, the value of their financial aid shrinks, leaving them with fewer resources and higher costs."

Specifically, ED would be allotted $79 billion in discretionary funding, which is a $217 million increase over the FY 2025 level and $12 billion more than President Trump's FY 2026 budget request, which was released last year.

The maximum Pell Grant award would be set at $7,395 for the 2026-2027 academic year, consistent with the 2025-26 award. The FWS program would receive $1.2 billion in funding, and the FSEOG program would receive $910 million, the same as the final FY 2025 funding levels.

Last year, President Donald Trump proposed in his budget that the FSEOG program be eliminated, and that funding for the FWS program be set at $250 million, a $980 million funding decrease from the FY 2025 level. The Trump administration also proposed eliminating the TRIO programs and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).

In the Senate's spending bill, which was also endorsed by House leadership, TRIO programs would be flat-funded at $1.191 billion, and GEAR UP would be flat-funded at $388 million.

Additionally, the bill includes language that "prohibits the transfer of such funding to another Federal agency unless such transfer authority is provided in an appropriations law." The Senate Appropriations Committee noted in its explanatory statement "that no authorities exist for the Department of Education to transfer its fundamental responsibilities under numerous authorizing and appropriations laws, including through procuring services from other Federal agencies, of carrying out those programs, projects, and activities to other Federal agencies."

The bill also includes a provision that requires ED to maintain the staff necessary to fulfill its statutory responsibilities. Over the past year, the Trump administration has focused on dismantling ED, including through a reduction in force (RIF). Most recently, ED began sending higher education agency staff over to the Department of Labor (DOL) through its new interagency agreement.

Additionally, language was added to the funding bill that requires ED to make formula grants available to states and districts on time, which will prevent "funding from being withheld and creating chaos for students, teachers, and families," Sen. Patty Murray (D-Wash.), vice chair of the Senate Appropriations Committee, wrote in a fact sheet.

To avoid another government shutdown, both the Senate and House must vote to pass the legislation by January 30 or pass another continuing resolution (CR), a short-term funding extension. The Senate is in recess for this week, but the House, which plans to be on recess for the week of January 26, has included "possible" consideration of a spending bill on its agenda.

Ineligibility for Federal Pell Grants Due to Receipt of Non-Federal Financial Assistance Flowchart

To help clarify a provision included in the One Big Beautiful Bill Act (OBBBA), NASFAA developed a flowchart outlining the process for determining whether a student is eligible to receive a Federal Pell Grant when their total non-federal grants and scholarships equal or exceed the student's cost of attendance (COA). The flowchart guides institutions through assessing aid, making allowable adjustments, and determining when a student remains eligible for Pell or becomes ineligible under statute.

New ED Status Report Shows Gradual Processing of IDR, PSLF Backlog

In its January legal filing, the ED demonstrated gradual progress in addressing the number of pending and outstanding income-driven repayment (IDR) and Public Service Loan Forgiveness (PSLF) Buyback program applications for December. However, that application backlog could soon grow drastically if a settlement terminating the Saving on a Valuable Education (SAVE) repayment plan is finalized, which would result in moving over 7 million borrowers to other repayment plans.

The January legal filing is part of an agreement with the American Federation of Teachers (AFT) that requires ED to continue filing status reports detailing the number of pending and outstanding IDR and PSLF applications. The agreement overall would offer more borrowers a pathway to forgiveness and ensure that eligible applicants are not subject to a tax bill due to processing delays, pending final court approval.

According to January's filing, the department received 258,465 IDR applications between December 1 and 31, 2025. In December 242,655 applications were approved while 34,476 were denied, and as of December 31, ED recorded a backlog of 734,221 IDR applications.

The filing also noted that during this period, ED received 5,090 PSLF Buyback applications, approved 1,690 applications, and denied 190. As of December 31, 2025, ED has a backlog of 83,370 PSLF Buyback applications.

Since these status filings began last year, ED reported in May that there was an IDR backlog of over 1.5 million pending applications. Meaning between May to December 2025, ED reduced the backlog of IDR applications by roughly 848,000.

The backlog of IDR and PSLF buyback applications could soon balloon, experts warn, as the Trump administration prepares to terminate the SAVE plan. In a December press release, ED announced that it had proposed a joint settlement agreement with Missouri to end the SAVE plan. Under this proposal, ED would not enroll any new borrowers in the SAVE plan, would deny any pending applications, and would move all SAVE borrowers into other repayment plans. There are over seven million borrowers in the SAVE plan, according to ED.

While this proposal from ED awaits court approval, Adam Minsky, an attorney and student loan expert, estimated in his Forbes article that if the IDR application backlog grows to around seven million after the SAVE plan is terminated, it could take ED and student loan servicers 25 months – or over two years – to get through those requests at its current rate of processing.

"This influx of new applications may be unlike anything the department has experienced before," Minsky wrote. "And at the current rate of processing, it could lead to massive delays that would make the recent IDR backlog seem insignificant by comparison."

As part of the settlement between ED and Missouri, ED agreed to hold a negotiated rulemaking session to terminate the SAVE plan and remove it from federal regulations. ED has yet to announce when this negotiated rulemaking session will take place. Under the One Big Beautiful Bill Act (OBBBA), SAVE, along with the Income-Contingent Repayment (ICR) and Pay As You Earn (PAYE) plans, will sunset on July 1, 2028.

House Passes FY 2026 Spending Package, Awaits Senate Action

Congress is one step closer to averting a government shutdown and funding the ED through the end of the 2026 fiscal year after the House passed an appropriations package on Thursday that would fund several agencies – including ED – through September 30.

Last week, on Thursday evening, the House completed its work on 12 appropriations bills with the Labor-HHS-Education package passing by a margin of 341-88..

Earlier last week, the Senate Appropriations Committee unveiled bicameral legislation that would allot $79 billion in discretionary funding to ED. The legislation would flat-fund the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), the federal TRIO, and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) programs at FY 2025 levels. The legislation also included a provision that would block funding for ED from being transferred to other agencies, unless specified in the appropriations law.

While the Senate's legislation flat-funds the Pell Grant, FSEOG, FWS, TRIO and GEAR UP programs, Rep. Bobby Scott (D-Va.), ranking member of the House Education & Workforce Committee, said in a statement he is "relieved" the programs get to continue. Last year, President Donald Trump proposed in his FY 2026 budget request that FSEOG, TRIO, and GEAR UP programs be eliminated, and funding for the FWS program and the Pell Grant be drastically cut.

"While I would want to see more funding for critical programs, including an increase in the maximum Pell Grant and increased enforcement capacity to protect workers and their health coverage, I am relieved this did not codify Trump's requested elimination of programs that Congress created to help students, workers, and families," Scott said. "While far from perfect, the bill is dramatically better than the original funding request proposed by the Trump administration."

The package of appropriations bills now heads to the Senate for a final vote, with the timing of the vote unclear due to an impending storm that could disrupt travel for members of Congress. The vote could be close, with Democrats and Republicans clashing over the appropriations bill to fund the Department of Homeland Security.

ED Seeks Nominations for New Neg Reg Committee Focused on Accreditation

The ED announced in the Federal Register that it will create a new negotiated rulemaking (neg reg) committee to reform the accreditation system, which will meet for two in-person sessions in April and May.

The neg reg committee, dubbed the Accreditation, Innovation, and Modernization (AIM) Committee, will address four topics related to accreditation: deregulation, student outcomes, merit, and integrity. In a press release on Monday, ED outlined its goals under each topic:

- **Deregulation:** Address regulations that hinder the entry of new accreditors. ED also intends to reduce "burdensome and duplicative requirements that hinder efficient reviews." Additionally, ED seeks to require accrediting agencies to enforce their standards in ways that "minimize unnecessary costs and administrative burden on institutions."

- **Student Outcomes:** Establish expectations that accrediting agencies assess "quality using data-driven student outcomes" rather than "unlawful DEI-based standards."
- **Merit: "**Revise regulations to ensure that accreditors' standards comply with all federal civil rights laws and prohibit standards or policies that require or facilitate discrimination on the basis of immutable characteristics, such as race-based scholarships."
- **Integrity:** Ensure accrediting agencies and institutions do not mislead students or the public with misrepresentative labels, such as "regional accreditor." ED also intends to strengthen requirements to maintain "greater separation" between accrediting agencies and related trade associations. Lastly, ED wants to improve college affordability by reforming transfer-of-credit policies.

The press release also noted that the AIM Committee will focus on creating proposed regulations that simplify ED's recognition process for emerging and existing accreditors, examine how accreditation "contributes to rising higher education costs and credential inflation," and have safeguards against "undue influence" from related private trade associations, among other goals.

Last year, President Donald Trump issued an executive order on reforming the accreditation system, which, among other things, called on ED to hold "accreditors accountable for unlawful actions." ED said on Monday that the AIM Committee will "advance" Trump's order.

In the Federal Register announcement, ED listed the constituency groups that will serve as negotiators for the AIM Committee, including public, private nonprofit, and proprietary institutions of higher education.

The deadline to submit nominations to serve as a negotiator is February 27, with instructions to submit nominations via the Federal Register announcement. The AIM Committee will meet for two five-day in-person sessions on April 13-17 and May 18-22.

"Rather than focusing on whether member institutions offer high-quality programs that benefit students and the workforce, the current accreditation regime has become a protectionist system that shields existing players, fuels rising costs, drives credential inflation, adds administrative bloat, allows undue influence from related trade associations, and promotes ideologically driven initiatives," Education Under Secretary Nicholas Kent said in a statement. "We welcome nominations from key stakeholders willing to challenge the status quo to help reform this unhealthy system, restore accountability, and ensure our higher education institutions deliver high-quality postsecondary education."

NASFAA, Higher Ed Organizations Provide Comments to ED on Accreditation Process

NASFAA joined dozens of other higher education organizations in providing comments to the ED on the accreditation handbook and process, just as ED announced an upcoming negotiated rulemaking committee focused on accreditation reform.

The letter, led by the American Council on Education (ACE), is in response to a December Federal Register notice where ED requested comments on its accreditation handbook and the accreditation

process as a whole. The department also called for comments on an executive order issued by President Donald Trump last year, which called on ED to reform the accreditation process.

Just earlier this week, ED announced that it is seeking nominations for a new negotiated rulemaking committee, dubbed the Accreditation, Innovation, and Modernization (AIM) Committee, focusing on four topics related to accreditation: deregulation, student outcomes, merit, and integrity. The committee will convene for two in-person sessions in April and May.

In the letter, the organizations highlighted different ways ED can improve the accreditation process and raised concerns over some proposals.

For example, the organizations wrote they oppose any measure to establish student achievement standards in regulatory text, or any measures that go beyond the flexibility provided in the Higher Education Act (HEA). Currently, the HEA provides flexibility for institutions in how they measure student achievement. The organizations warned against isolating outcome measures to determine the quality of an institution. Instead, accreditors should use outcome measures in conjunction with on-site visits, institutional reports, and other tools to gain a comprehensive view of the institution and its programs, they argued.

The organizations also proposed that accreditors could create teams of reviewers with deep knowledge of different institution types when conducting on-site inspections. For example, when a historically Black college or university (HBCU) is being inspected by a team, that team of individuals should be familiar with HBCUs, their missions, their culture, how they operate, and their challenges.

The organizations also wrote in support of ED's move to streamline the process of changing accreditors through a Reasonable Cause Request Certification, and hope this process is codified into regulations.

However, the organizations raised concerns over proposed changes to states' roles in the accreditation process. Recently proposed legislation would allow states to designate an entity within the state as an accreditor, which could ultimately lead to barriers to Title IV funding for institutions and programs, the letter warned.

The organizations strongly oppose giving states the authority to determine institutional eligibility for federal student aid, also voicing concerns that this measure could undermine program integrity and "improperly insert government officials into matters involving academic quality."

"We also oppose letting states determine eligibility for federal student aid because states may use that authority to disadvantage some institutions," the letter reads. "Given the current political environment, we fear a possible negative impact on institutions should a state have any bias against an institution of higher education. In a world of academic freedom and institutional autonomy, institutions should be able to operate and fulfill their mission without fear of losing Title IV funding due to political differences."

The letter also outlined concerns regarding Trump's executive order on accreditation. In the executive order, Trump outlined new principles of "student-oriented accreditation," which called on ED to ensure accreditation "requires that institutions support and appropriately prioritize intellectual diversity amongst faculty in order to advance academic freedom, intellectual inquiry, and student learning."

The letter warned that this provision in the executive order could be counterproductive and questioned whether this would be an expansion outside of the HEA's scope – which ED cannot legally do.

Lastly, the organizations reminded ED that the accreditation handbook is a handbook – meaning that it is not the law. ED should make it clear that only statutes and regulations hold the force of law. When the accreditation handbook is revised, ED should ensure that definitions and processes used in the handbook are aligned with statute and regulatory text.

ED Publishes NPRM to Implement Student Loan Changes Enacted Under OBBBA

The ED published a Notice of Proposed Rulemaking (NPRM) to implement statutory changes to the federal student loan programs enacted under the One Big Beautiful Bill Act (OBBBA).

The proposed regulations largely mirror the consensus text agreed to by the OBBBA's Reimagining and Improving Student Education (RISE) negotiated rulemaking committee, with only minor technical and conforming changes. Comments on the proposed regulations are due 30 days after publication in the Federal Register.

The proposed regulations would create a distinction between graduate and professional students for student loan borrowing limit purposes, revise annual and aggregate loan limits for graduate students, professional students, and parent borrowers, and phase out the Graduate PLUS Loan Program and additional borrowing limits for certain health professions (HEAL).

Graduate students would retain the current annual Unsubsidized loan limit of $20,500, but borrowing would be capped at $100,000 in the aggregate. Students enrolled in designated professional degree programs would be eligible for higher limits of up to $50,000 annually and $200,000 in the aggregate. A new lifetime limit of $257,500 would apply to all Direct Subsidized and Unsubsidized loans borrowed at any level, including amounts repaid, forgiven, canceled, or discharged.

The NPRM also imposes new limits on Parent PLUS Loans, capping borrowing at $20,000 per student per year and setting an aggregate limit of $65,000 per student.

All student loans would also be required to be reduced proportionally for students enrolled less than full-time.

In addition, the proposed regulations would streamline the federal student loan repayment system by phasing out existing Income-Contingent Repayment (ICR) plans and establishing two new repayment options for new borrowers: a Tiered Standard repayment plan and a new income-driven Repayment Assistance Plan, which would include features such as monthly interest cancellation and principal payment subsidies.

Finally, the proposal would expand relief options for borrowers in default by allowing loan rehabilitation twice per borrower, even if a borrower has previously completed a rehabilitation.

NASFAA plans to submit comments on the proposed regulations and will publish a draft version in *Today's News* ahead of the comment deadline, allowing members to review the feedback and draw on

it as they develop their own comments.

Members seeking additional context may wish to review NASFAA's One Big Beautiful Bill Act Web Center, NASFAA's "You Have Questions; We Have Answers: Making Sense of the Student Loan Changes from OBBBA's RISE Committee" article, as well as NASFAA's RISE Committee webinar, all of which offer a deeper discussion of the provisions included in this NPRM.

Senate Expected to Vote on Revised Appropriations Package Before Impacts of a Shutdown Take Effect

After clashing over funding for the Department of Homeland Security (DHS) this week, the Senate on Thursday agreed to move forward with a revised spending bill that would fund the ED and other agencies through the end of the 2026 fiscal year (FY). Even though funding for several government agencies is set to lapse over the weekend and both chambers still need to vote on the package, the White House's endorsement of the agreement indicates that a partial government shutdown should be averted.

Late week, Senate leaders agreed to a revised funding package, which retained most of the provisions from the bicameral agreement that passed the House last week. The bill would allot $79 billion in discretionary funding for ED, and flat-fund the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) programs at FY 2025 levels. The legislation also includes a provision that would block funding for ED from being transferred to other agencies, unless specified in the appropriations law.

However, the Senate decoupled funding for DHS – which will need to be addressed later but does not impact funding for ED – and will require the bill to go back to the House for another vote. Should the House approve the Senate-passed version, the President would still need to sign the bill into law.

Just a few months ago, the federal government was fully shut down for 43 days – from October 1 to November 12, 2025. The shutdown ended when President Donald Trump signed into law a continuing resolution (CR), a short-term funding extension, that funds some agencies, including ED, through January 30, 2026.

Even though the January 30 deadline will likely pass before the House has a chance to reconvene, so long as the chamber remains on track to clear the bill, the Office of Management and Budget (OMB) will likely be able to avert any short-term impacts of a partial government shutdown.