The College Cost Reduction Act (H.R. 6951)

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SUMMARY

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During the 118th Congress, the House Committee on Education and the Workforce marked up and ordered reported the College Cost Reduction Act (CCRA; H.R. 6951). Most of the bill's provisions would amend the Higher Education Act of 1965 (HEA; P.L. 89-329, as amended), though it is not a comprehensive reauthorization of the HEA. Nevertheless, the bill would make policy changes affecting a wide array of postsecondary education issues. H.R. 6951 signals an attempt to apply downward pressure on the cost of postsecondary education by changing how federal student aid is calculated and awarded, curtailing the availability of some student aid programs, implementing an institutional accountability framework, and providing expanded consumer information, among other policy changes.

Title I of H.R. 6951 would authorize the Secretary of Education (the Secretary) to develop a standardized form and terminology for financial aid offers that institutions of higher education (IHEs) receiving federal financial assistance under the HEA would be required to use. The bill would also phase out the College Navigator website and direct the Secretary to make several updates to the College Scorecard website and create a new Universal Net Price Calculator, which would provide personalized information akin to what is included in the standardized financial aid offer form, as well as a cumulative measure of the net price required for completion for any IHE and its programs of study. Additionally, the bill would amend Section 132 of the HEA to authorize the National Center for Education Statistics to develop a postsecondary student-level data system covering only students who received HEA Title IV student financial aid (e.g., Pell Grants, Direct Loans) and students who received military and veteran education benefits.

Title II would change how a student's financial need is calculated by replacing "cost of attendance" in the need calculation with a new "median cost of college" metric, making a student's calculated need equal across IHEs for a given program of study. Federal Pell Grant awards would be capped at the median cost of college for a student's program of study, and annual Direct Loan amounts generally would be capped at the median cost of college minus the value of a student's Pell Grant award, as applicable. The bill would also terminate the authority of the Leveraging Educational Assistance Partnership program and authorize new performance-based grants known as Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) Grants. To receive a PROMISE Grant, IHEs would be required to publish a maximum total price guarantee. PROMISE Grant amounts would be determined based on completers' earnings, the maximum total price, the dollar amount of Pell Grants awarded, and the number of students who completed a program of study within 100% of the program length, or who transferred from a two-year to a four-year institution.

H.R. 6951 would make several additional changes to the federal Direct Loan program. Authority to make new PLUS Loans to graduate students and to parents of dependent undergraduate students would be terminated, annual and cumulative loan limits would be modified, interest capitalization would be eliminated, origination fees would be eliminated, and loan rehabilitation would be made available to eligible borrowers two times instead of once. The bill would also replace the existing assortment of loan repayment plan options with a set of two: one standard 10-year year repayment plan and a new repayment assistance plan. The new repayment assistance plan would, among other features, include principal and interest subsidies for qualifying borrowers.

Title III would create a new risk-sharing framework in which institutions would be responsible for making reimbursement payments to the federal government based on the nonrepayment of its federal student loan borrowers. Additionally, the bill would repeal several U.S. Department of Education regulations and limit the Secretary's authority to issue new ones. H.R. 6951 would also amend requirements for accrediting agencies in an effort to support innovative education program delivery and more stringent accreditation processes and standards. Additionally, the bill would make policy changes related to student transfers and codify the Postsecondary Student Success Grants program, which has been authorized annually under appropriations acts and administered under the Fund for the Improvement of Postsecondary Education.

The Congressional Budget Office estimates the bill would result in budgetary savings of $185.5 billion in direct spending over a 10-year period, primarily stemming from the elimination of existing IDR plans in the Direct Loan program, the elimination of PLUS Loans and the institution of new limits on student loan borrowing, the repeal of certain regulations, and a projected reduction in student borrowing as a result of the bill's institutional risk-sharing policy.

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Introduction

During the 118th Congress, the House Committee on Education and the Workforce marked up and ordered reported the College Cost Reduction Act (CCRA; H.R. 6951).[1] Most of the bill's provisions would amend the Higher Education Act of 1965 (HEA; P.L. 89-329, as amended), though it is not a comprehensive reauthorization of the HEA.

H.R. 6951 signals an attempt to apply downward pressure on the cost of postsecondary education through a set of policy changes affecting a wide array of postsecondary education issues, including federal student aid, institutional risk-sharing, expanded consumer information, institutional accreditation, and U.S. Department of Education (ED) rulemaking. The Congressional Budget Office (CBO) estimates that the bill would result in budgetary savings of $185.5 billion in direct spending over a 10-year period, primarily stemming from the elimination of existing income-driven repayment (IDR) plans in the Direct Loan program, the elimination of PLUS Loans and the institution of new limits on student loan borrowing, the repeal of certain regulations, and a projected reduction in student borrowing as a result of the bill's institutional risk-sharing policy.[2]

The bill was ordered reported by the House Committee on Education and the Workforce on January 31, 2024, with an amendment in the nature of a substitute.[3] (Throughout this report, references to "H.R. 6951" or "the bill" refer to that version so ordered.) H.R. 6951 would amend some provisions of the HEA that, at the time of the bill's markup, were pending previously enacted changes set to become effective in the future, such as changes made by the FAFSA Simplification Act (Title VII, Division FF of P.L. 116-260) and the FAFSA Simplification Act Technical Corrections Act (Division R of P.L. 117-103). However, those pending changes have since taken effect as of July 1, 2024. (References in this report to "current law" reflect those changes.)

This report provides a section-by-section summary of H.R. 6951. Following the structure of the bill, the report begins with Title I, which concerns transparency of information related to college costs and value. Next, the report describes Title II, which addresses financial aid, including proposed changes to how student financial need would be calculated and other changes to HEA Title IV grant and loan programs. The report concludes with Title III, which includes a proposed institutional risk-sharing policy, the repeal of ED regulations, the codification of a new grant program—Postsecondary Student Success Grants—and provisions on accreditation and student transfer policies.

[1] H.R. 6951 is distinct from P.L. 110-84, the College Cost Reduction and Access Act.

[2] Congressional Budget Office, "H.R. 6951, College Cost Reduction Act Cost Estimate," May 10, 2024, https://www.cbo.gov/publication/60285.

[3] U.S. Congress, House Committee on Education and the Workforce, "Amendment in the Nature of a Substitute to H.R. 6951 Offered by Mr. Owens of Utah," https://edworkforce.house.gov/uploadedfiles/hr6951_owens_ans.pdf (accessed September 10, 2024).

Title I: Transparency

Part A: Definitions

Section 101: Definitions

Section 101 would amend Section 103 of the HEA to define several new terms. One such term, "value-added earnings," is particularly noteworthy because it is used throughout H.R. 6951.

Under the bill, a measure of value-added earnings would be constructed for program completers who received federal student aid under Title IV of the HEA. Value-added earnings would measure the amount by which an individual's earnings exceed a certain multiple of the federal poverty line.[4] In general, for individuals who completed a program of study that awards an undergraduate credential, the applicable multiple of the federal poverty line would be 150% (equal to $22,590 in 2024).[5] For individuals who completed a program of study that awards a graduate credential, the applicable multiple would be 300% (equal to $45,180 in 2024).[6] Certain undergraduate programs, termed "qualifying undergraduate programs," would also use 300% of the federal poverty line as the point of comparison for earnings.[7] The amount of time after program completion at which earnings would be measured would vary by the level of the program, ranging from one to five years.[8]

Part B: College Costs and Financial Value

Section 111: Financial Aid Offers

H.R. 6951 would require the Secretary of Education (hereinafter, "the Secretary") to develop a standard financial aid form for institutions of higher education (IHEs) to notify students of their financial aid packages. Currently, IHEs are permitted to develop and format their own financial aid offers for the purposes of communicating financial aid packages. ED has also developed The College Financing Plan,[9] an optional tool IHEs may use to inform students of their packages.

Section 111 would create a new HEA Section 124 to require the Secretary to develop, in consultation with other appropriate agencies (as determined by the Secretary) and based on

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

[5] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Poverty Guidelines," https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines (accessed September 10, 2024).

[6] Ibid.

[7] Qualifying undergraduate programs would refer to federally regulated programs of study that provide final licensing and credentials to students upon completion, such as flight education and training programs.

[8] Earnings would be measured one year after an individual completes a program that awards an undergraduate certificate, postbaccalaureate certificate, or graduate certificate; two years after an individual completes a program that awards an associate's or master's degree; and four years after an individual completes a program that awards a bachelor's degree, doctoral degree, or professional degree. The Secretary of Education would be authorized to extend the measurement period for a program of study that requires completion of an additional education program in order to obtain licensure for the awarded credential, so long as the measurement period does not exceed five years after program completion.

[9] U.S. Department of Education, "The College Financing Plan," https://www2.ed.gov/policy/highered/guid/aid-offer/index.html.

stakeholder recommendations, a standard terminology and a standard form for financial aid offers. IHEs receiving aid through HEA Title IV-authorized programs would then be required to use such terminology and form when making financial aid offers to students. The standard form would include the following elements:

- **Cost information:** the cost of attendance and other descriptive information about the financial aid offer, generally. Cost of attendance would further be disaggregated into two categories: direct costs and indirect costs.[10]
- **Grants and scholarships:** the aggregate amount of grants and scholarships, which do not have to be repaid, disaggregated by source of grant aid.
- **Net price:** the estimated amount that the student must pay to enroll in the institution for the academic period covered by the financial aid offer. This would be presented as the minimum amount covered by the student for enrollment and the estimated annual net price of attendance. The minimum amount covered by the student for enrollment would be the difference in the direct costs and the amount in grants and scholarships provided to the student. The annual net price of attendance would be the difference in the total cost of attendance (i.e., the sum of the direct and indirect costs) and grants and scholarships.
- **Loans:** information on any loans available under state and federal programs, with the exception of PLUS Loans made under the Direct Loan program, and on any other loans for which the student or their parents have applied and been approved, regardless of the source.[11]
- **Student employment:** information on work-study employment opportunities available, such as through federal, state, or institutional work-study programs.
- **Process for accepting, adjusting, or declining aid and next steps:** information about next steps in the financial aid process and other sources of information for students and their parents about the financial aid offer and college costs and student outcomes.
- **Net Price Calculator:** a link to the Universal Net Price Calculator website as authorized in HEA Section 132(c)(4), as would be amended by the bill (see the "Section 112: College Scorecard Website" section of this report for more information).
- **Quick reference box:** a quick reference box with the two items provided under "Net Price," (i.e., the minimum amount covered by the student for enrollment and the estimated annual net price of attendance).
- **Additional information:** any other information the Secretary deems necessary based on consumer testing, but limited to improving communication about college costs and financial aid eligibility to students and parents.

[10] Under the bill, the new HEA Section 124((b)(1)(A)(i) would define "direct costs" as "[t]he total cost of all items described in section 472 that are billed to the student by the institution or otherwise required by the institution for enrollment." This would include tuition, fees, and institutionally operated housing and food services elected by the student. "Indirect costs" would include costs of any other item described in the "cost of attendance," as defined in HEA Section 472, that is not required to be paid to enroll at the institution. This could include housing and food, books, school supplies, equipment, course materials, the rental or purchase of a personal computer, and transportation, among other items.

[11] The new HEA Section 124(c)(2)(A) would also require that the standard form include disclosures that "Federal Direct PLUS Loans, private education loans, or income share agreements may be available to cover remaining need."

In addition to the standard financial aid form developed by the Secretary, IHEs would be required to provide certain supplemental disclosures about how financial aid may vary, including in future academic years.

A standard financial aid form, such as the one authorized in the new Section 124, may allow students and their families directly to compare financial aid offers across different institutions. At the same time, IHEs may face an increased burden in reformatting their current offers to align with the required terms and definitions.

Section 112: College Scorecard Website

H.R. 6951 would streamline certain information collections and publications aimed at increasing student consumer transparency about college costs. Section 132 of the HEA includes provisions related to public transparency and consumer information about IHEs, in general, and about college prices to enable students to make informed college-going decisions. Currently, the HEA requires, among other things, that (1) the Secretary administer the College Navigator website, through which certain consumer information about IHEs is made publicly available, and (2) Title IV-participating IHEs make Net Price Calculators available on their websites. Net Price Calculators allow prospective students to obtain individual estimates of the net price of an IHE, taking into account the financial aid they may be likely to receive.[12] Separately, ED also administratively implements another consumer transparency website, the College Scorecard,[13] which publishes institutional data from various ED sources in the areas of student prices, student financial aid, graduation rates, post-college earnings, and student loan repayment.

Section 112 would amend HEA Section 132 by eliminating the collection and publication of certain information on Title IV-participating IHEs through the College Navigator website, including college affordability and transparency lists and state higher education spending charts.[14] Instead, the bill would require the Secretary to publish aggregate information related to various metrics for each Title IV-participating IHE and their programs of study on the College Scorecard website. Required metrics would include student enrollment; student progression and completion; cost of attendance, grant and scholarship aid, and net price; federal student loan borrowing and repayment; and earnings. Data on these metrics would also be disaggregated by different student characteristics including race or ethnicity and measures of financial circumstances.

While H.R. 6951 would continue to require IHEs to make Net Price Calculators available on their websites, the bill would also require the Secretary to develop a Universal Net Price Calculator to provide students with personalized information akin to what is included in the standard financial aid offer form (see the "Section 111: Financial Aid Offers" section), as well as a cumulative measure of the net price required for completion for any IHE and its programs of study.

Section 113: Postsecondary Student Data System

H.R. 6951 would authorize ED to develop a postsecondary student-level data system (PSDS) to track HEA Title IV-aided students and students receiving federal military and veteran education

[12] Currently, the HEA defines "individual net price" of an IHE as the annual price that would be charged to the individual student at such IHE after deducting any need-based and merit-based aid available to the student, to a practicable extent. This measure does not necessarily have to be specific to the program of study.

[13] See https://collegescorecard.ed.gov.

[14] HEA Section 132 requires the Secretary to publish "college affordability and transparency lists," which are searchable and sortable lists, by state, of the top 5% of IHEs with the highest college costs, according to multiple measures, and the top 10% of IHEs with the lowest costs, according to two measures, within each category of IHE sector.

benefits. The HEA currently prohibits the creation of a new federal postsecondary student unit record system (SURS) that could be used to track postsecondary education financing, participation in and completion of academic programs, and post-program outcomes for individual students over time.

H.R. 6951 would not fully repeal the current prohibition on a new federal postsecondary SURS. Specifically, Section 113 would amend Section 132 of the HEA to authorize the National Center for Education Statistics (NCES) to develop a PSDS limited to students receiving federal student aid and education benefits, rather than all students receiving a postsecondary education.

As part of the PSDS authorization, the bill would require NCES to establish and consult with a newly created Postsecondary Student Data System Advisory Committee on the data elements to be included in the PSDS. Data elements would be required, at a minimum, to allow for reporting on student enrollment, persistence, retention, transfer, and completion measures for all credential levels and within and across IHEs and allow for disaggregation by a number of categories (e.g., enrollment status, race or ethnicity, Pell Grant recipient status).

H.R. 6951 would also require NCES to enter into data-sharing agreements with a number of federal agencies (e.g., the Department of the Treasury) to collect and report on certain measures such as post-completion earnings. Additionally, NCES would be required to make summary aggregate information publicly available through a user-friendly consumer information website and analytical tool. The bill also includes a number of provisions that would seek to ensure data privacy and security protections, consistent with federal law, and prioritize the streamlining of data collection and reporting.

From a research and accountability standpoint, the current patchwork of data sources available to evaluate postsecondary education outcomes and federal programs is limited, especially with regard to the impacts on various subgroups of students. The newly authorized PSDS might enhance capacity to evaluate student enrollment patterns and outcomes and support transparency, institutional improvement, and analysis of federal aid programs while potentially reducing reporting burden among IHEs, insofar as it applies to students receiving federal student aid and education benefits.

Section 114: Database of Student Information Prohibited

H.R. 6951 would also make conforming amendments elsewhere in the HEA to permit the authorization of the new PSDS (see "Section 113: Postsecondary Student Data System") and require IHEs to submit data for the PSDS in order to participate in Title IV.

Under current law, Section 134 of the HEA prohibits the creation of a new SURS. Section 114 of H.R. 6951 would amend Section 134 to create an exception to the prohibition for the newly authorized PSDS. The bill would also amend Section 487(a) of the HEA to mandate that IHEs submit data for the PSDS as part of their program participation agreement for the Title IV student aid programs.

Title II: Financial Need and Financial Aid

Part A: Financial Need

Section 201: Amount of Need; Cost of Attendance; Median College Cost

Section 201 would change the way student eligibility for need-based federal aid is calculated by basing the calculation on the median cost of all comparable programs of study rather than the cost of attendance of a student's specific program as determined by the institution. Relative to current policy, the approach in H.R. 6951 could reduce access to federal aid for students attending programs with a cost above the national median.

Under current law, the process for determining a student's amount of *need* and corresponding eligibility for need-based aid considers (1) *cost of attendance* (COA; an institutionally determined amount that typically considers tuition, fees, and other associated costs as well as living expenses) and (2) a student's *student aid index* (SAI; an amount that is calculated on the basis of information provided on the Free Application for Federal Student Aid [FAFSA] irrespective of the institution the student attends).[15] A student's SAI in a given award year is fixed and, all else equal, a student may have more need at an institution with a higher COA.[16]

H.R. 6951 would replace COA in the need calculation with a new "median cost of college" metric. This change would make need for a student equal across institutions for a given program of study. Section 201(c) would define "median cost of college" as "the median cost of attendance ... for the program of study across all institutions of higher education offering such a program for the preceding award year." The bill would define "programs of study" as those educational programs with the same Classification of Instructional Programs (CIP) Code at the same credential level.[17]

Under this proposal, a student's eligibility for need-based aid would no longer be impacted by the COA of a specific program but would instead be based on the median cost of all comparable programs of study. This means that if a student enrolled in a program with a COA above the median, a portion of the COA would not be covered by need-based federal aid. For example, consider a student with an SAI of $3,000 who enrolled in a program of study with a COA of $20,000, and the median cost of comparable programs of study nationwide was $10,000. This student would be eligible for $17,000 in need-based federal aid under current law compared to $7,000 under H.R. 6951. Under the policy that would be established by H.R. 6951, the example student would have "unmet need," as defined under current law, of $10,000.

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

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

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

[17] ED developed CIP codes to provide a taxonomic scheme that supports the accurate tracking and reporting of fields of study and program completions activity. For example, CIP Code 01.0000 represents Agriculture, General; while CIP Code 01.0103 represents Agricultural Economics.

The changes made by Section 201 would take effect in the 2025-2026 award year and each subsequent award year.[18]

Part B: Financial Aid

Title IV of the HEA authorizes several federal financial aid programs, including both grant and loan programs, that serve as the primary sources of federal aid to support postsecondary education. While some aid programs, such as the federal Pell Grant program, are awarded to students, other programs, called "campus-based aid programs," award funds to IHEs, which are then responsible for administering the programs at the institution level and awarding aid to students as applicable. Title IV of the HEA also authorizes the Direct Loan program, which makes loans to individuals to help finance the cost of postsecondary education.

Subpart 1: Grants

Section 211—Federal Pell Grant Program

The federal Pell Grant program, authorized by HEA Title IV, is the single largest source of federal grant aid supporting postsecondary education students. Starting in award year 2024-2025,[19] the maximum Pell Grant award a student may receive in an academic year is based on several factors, including but not limited to the student's COA.[20] Most institutions establish average COAs for different categories of students (e.g., undergraduate students who are state residents and live on campus). Under current law, a student's Pell Grant award for the academic year cannot exceed COA.

Section 211 would additionally limit a student's Pell Grant award for the academic year to no more than the median cost of college (see "Section 201: Amount of Need; Cost of Attendance; Median College Cost") for the educational program. As a consequence, Pell Grant recipients pursuing educational programs at higher cost schools or in areas with a higher cost of living might receive smaller awards than under current law, assuming no other changes.

Section 212: Campus-Based Aid Programs[21]

Campus-based programs are unique among the need-based federal student aid programs in that federal funds are awarded to IHEs according to formulas that take into account past institutional awards and the aggregate financial need of students attending the institutions. The mix and amount of aid students receive under the programs are determined by each institution's financial aid administrator according to institution-specific award criteria, rather than according to nondiscretionary award criteria such as that applicable for Pell Grants and Direct Subsidized Loans. The term *campus-based programs* generally refers to three postsecondary student financial aid programs authorized under the HEA: the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Federal Perkins Loan

[18] Award year refers to the period beginning July 1 and ending June 30 of the following calendar year (HEA §481(a)).

[19] For more information on Pell Grant award rules beginning in award year 2024-2025, see CRS Report R46909, *The FAFSA Simplification Act*.

[20] For a student enrolled at least half-time, the COA used is for a full-time student for a full academic year. For a student enrolled less-than-half-time, COA excludes miscellaneous personal expenses and, for most students, a housing and food allowance.

[21] For more information on existing campus-based aid programs, see CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

program.[22] The campus-based programs require recipient institutions to provide matching funds equal to approximately one-third of the federal funds they receive.

Section 212 would establish new performance-based Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) Grants to provide more flexible funding for a range of activities (as opposed to direct student aid) provided they improve completion rates, increase value-added earnings, and support postsecondary student success. This section would terminate the authority to carry out the Leveraging Educational Assistance Partnership (LEAP) program, which has not received appropriations since FY2010. LEAP provided funds for states to establish their own grant programs to assist students with "substantial financial need" (as defined by each recipient). This program has not received appropriations since FY2010. Section 212(b) would replace the LEAP program with PROMISE Grants, which would be made annually beginning in award year 2026-2027.

To receive a PROMISE Grant, IHEs would be required to publish a maximum total price guarantee before the application of any Pell Grants or other federal financial aid for each student income category and for each SAI category established by the Secretary.[23] The price guarantee would be in effect for each Title IV-aided student for the length of the median time it would take to earn a credential in any undergraduate program of study at the IHE during the most recent award year.

To determine the size of a PROMISE Grant for an IHE, ED would multiply three factors on an annual basis:

1. the lesser of (1) the three-year average of median value-added earnings[24] for students who complete any program of study divided by the three-year average of the maximum total price for students who received any Title IV aid, minus 1; or (2) the number 2;
2. the three-year average of the total dollar amount of Pell Grants awarded; and
3. the three-year average of the percentage of low-income students who received any Title IV aid and completed a program of study within 100% of the program length, or who transferred from a two-year to a four-year institution.

After calculating an initial grant size using the resulting product, the size of the PROMISE Grant would then be reduced by the sum of the FWS and FSEOG funds already awarded to an IHE for the most recent fiscal year. The maximum amount awarded to an IHE would be the three-year average of the number of students enrolled who receive Title IV aid multiplied by $5,000. For example, if an IHE had a three-year average of applicable median value-added earnings of $40,000 and a maximum total price for students who received Title IV aid of $25,000, the first factor in the initial grant calculation would be 0.6 (i.e., $40,000 divided by $25,000, minus 1).[25] If

[22] The authority for institutions to make new Perkins Loans expired on September 30, 2017.

[23] The maximum total price would indicate "the maximum total price that may be charged to the student for completion of a program of study at the institution for the minimum guarantee period applicable to a student [based on program length and median time to credential], before application of any Federal Pell Grants or other Federal financial aid under this title" (§212(b)). Such a maximum price would be determined for students in each income and SAI category. The guarantee would apply to students who received Title IV aid.

[24] See "Section 101" in this report for discussion of the term "value-added earnings," as defined in the bill.

[25] In this and subsequent examples, the given median value-added earnings amount is based on median early career earnings levels for bachelor's degree recipients in relation to 150% of the federal poverty level applicable to a household size of one. No consideration is given to how earnings may vary across institutions, programs, or individuals. All other amounts used in this and subsequent examples (e.g., prices, Pell Grant awards, other federal aid (continued...)

the IHE's three-year average dollar amount of Pell Grants awarded—the second factor—was $15 million and its three-year average of the percentage of low-income students who received any Title IV aid and completed a program of study within 100% of the program length or who transferred from a two-year to a four-year institution—the third factor—was 75%, then the IHE's initial PROMISE Grant would be $6.75 million (i.e., 0.6 multiplied by $15 million multiplied by 75%). If the IHE had received allocations of $500,000 for FWS and $500,000 for FSEOG for the most recent fiscal year, then its PROMISE Grant amount would be reduced to $5.75 million (i.e., $6.75 million minus $500,000 minus $500,000). If the IHE's three-year average number of students enrolled who received Title IV aid was 5,000, then its PROMISE Grant ceiling would be $25,000,000 (i.e., $5,000 multiplied by 5,000). In this scenario, the calculated grant amount (i.e., $5.75 million) is less than the applicable ceiling, so it would be the final grant amount.

PROMISE Grants would be funded primarily by new reimbursement payments related to federal student loans that IHEs would remit annually to the Secretary per Section 301 of H.R. 6951 (see "Section 301: Agreements with Institutions"). In the event that such funds would be insufficient to fully cover all eligible PROMISE Grants, institutional refunds of Title IV federal student aid returned to the Secretary under Section 484B of the HEA would also be available for that purpose.

Unlike the existing campus-based aid programs (FSEOG, FWS) that provide only direct student aid, IHEs would have greater flexibility to use PROMISE Grant funds to carry out activities (such as tutoring and counseling) to increase postsecondary affordability, access, and student success; evaluate the effectiveness of these activities; and disseminate best practices, in addition to any direct student aid.

Subpart 2: Loans

The Direct Loan program makes several types of federal student loans available to assist with financing postsecondary education expenses. When taking a loan, a borrower assumes a contractual obligation to repay the debt according to certain terms and conditions, including applicable loan limits, repayment options, terms of default and loan rehabilitation, interest capitalization, and origination fees, among others.[26]

Section 221: Loan Limits

Section 221 would amend annual and aggregate loan limits for borrowers of Title IV federal student loans and terminate the authority to make new Federal Direct PLUS Loans to both graduate students and parents of dependent undergraduate students.

Under current law, annual loan limits vary by loan type, borrower characteristics (e.g., dependency status—whether a borrower is dependent on their parents' financial support), program level, and class level. In general, annual loan limits are capped at statutorily specified amounts. Under H.R. 6951, federal student loans for periods of instruction beginning on or after July 1, 2025, would be subject to new annual and aggregate loan limits.[27]

received by IHEs) are strictly hypothetical and intended only to help clarify the calculations used in this proposal. They are not constructed to suggest how PROMISE Grants or reimbursement percentages would be distributed across institutions.

[26] For more information about the Direct Loan program, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

[27] Students enrolled as of June 30, 2025, with a loan (or on whose behalf a loan was made in the case of Parent PLUS (continued...)

Annual loan limits would be largely shaped by the new median cost of college metric applicable to each borrower's program of study. **Table 1** compares loan limits applicable to different groups of borrowers under current law and H.R. 6951.

Table 1. Federal Direct Loan Limits Under Current Law and H.R. 6951

Annual and Aggregate Loan Limits by Loan and Borrower Type

Limit	Current Law[a]	H.R. 6951
Annual		
Undergraduate (Subsidized)	$3,500 (first-year, dependent or independent) $4,500 (second-year, dependent or independent) $5,500 (third-year and beyond, dependent or independent)	The lesser of (1) current law limits, or (2) median cost of college minus Pell Grant award[b]
Undergraduate (Unsubsidized)	$5,500 minus Subsidized Loans (first-year, dependent) $6,500 minus Subsidized Loans (second-year, dependent) $7,500 minus Subsidized Loans (third-year and beyond, dependent) $9,500 minus Subsidized Loans (first-year, independent) $10,500 minus Subsidized Loans (second-year, independent) $12,500 minus Subsidized Loans (third-year and beyond, independent)	Median cost of college minus [Subsidized Loans plus Pell Grant award][c]
Graduate/Professional (Unsubsidized)	$20,500 (in general; higher limits apply to certain health professions programs)[d]	Median cost of college of the program of study[e]
PLUS Loans (graduate/professional students and parents of dependent undergraduate students)	Up to COA minus EFA	PLUS Loans eliminated
Aggregate		
Undergraduate (Subsidized)	$23,000 (dependent or independent)	$23,000
Undergraduate (Unsubsidized)	$31,000 minus Subsidized Loans (dependent) $57,5000 minus Subsidized Loans (independent)	$50,000 minus Subsidized Loans
Undergraduate in qualifying undergraduate program[f]	NA	$150,000
Graduate (Unsubsidized)	—	$100,000
Professional (Unsubsidized)	—	$150,000

Loans) for that program would not be affected by the amended loan limits during their expected time to completion period (maximum three years).

Limit	Current Law[a]	H.R. 6951
Combined undergraduate (Subsidized and Unsubsidized) plus graduate/professional (Unsubsidized)	$138,500[g]	$200,000
PLUS Loans (graduate students and parents of dependent undergraduate students)	Not limited	PLUS Loans eliminated

Sources: HEA §§428, 428H, 451, and 455; CRS analysis of H.R. 6951, as ordered reported by the House Committee on Education and the Workforce.

Notes: "—" indicates that a certain limit is not directly specified.

COA: cost of attendance

EFA: estimated financial assistance (amount of aid anticipated to be made available to a student from all sources for a period of enrollment)

a. Current law specifies distinct annual loan limits for preparatory coursework for an undergraduate program ($2,625 for dependent students and $8,625 for independent students, of which up to $2,625 may be Subsidized Loans), preparatory coursework for a graduate program ($5,500 for dependent students and $12,500 for independent students, of which up to $5,500 may be Subsidized Loans), and teacher certification programs ($5,500 for dependent students and $12,500 for independent students, of which up to $5,500 may be Subsidized Loans). H.R. 6951 does not specify loan limits for such programs.

b. Under H.R. 6951, the combined dollar amount of an undergraduate student's Subsidized Loans, Pell Grant award, and other financial assistance could not exceed the student's cost of attendance.

c. Under H.R. 6951, the combined dollar amount of an undergraduate student's HEA Title IV financial aid and other financial assistance could not exceed the student's cost of attendance.

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

e. Under H.R. 6951, the combined dollar amount of a graduate or professional student's Unsubsidized Loans and other financial assistance could not exceed the student's cost of attendance.

f. The term "qualifying undergraduate program" would be newly established under the bill. It would refer to federally regulated programs of study that provide final licensing and credentials to students upon completion, such as flight education and training programs.

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

Under the bill, an institution would be permitted to prorate or limit the dollar amount students may borrow, starting July 1, 2024, if it could demonstrate that outstanding loan amounts would be excessive for program completers, based on the median value-added earnings, median debt owed, and repayment rate for program completers. Institutions would also be able to prorate or limit loan amounts for students enrolled on a less-than-full-time basis, or based on the year of the program the student would be financing. IHEs would be required to apply any proration or limitation of loan amounts to all students in a given program of study at an institution. Nevertheless, an individual student whose loan amount had been prorated or limited could request to have their loan amount increased up to the original applicable annual limit.

Additionally, Section 221(b) would terminate the authority to make new Direct PLUS Loans, effective July 1, 2025. This would apply to all Direct PLUS Loans, including those made to graduate and professional students and parents of dependent undergraduates. Students enrolled as of June 30, 2025, who received a loan (or on whose behalf a loan was made) for that program would not be affected by this change during their expected time to completion period (maximum three years).

Section 222: Loan Repayment

H.R. 6951 would authorize the availability of only two repayment plans for any new Direct Loans: the standard 10-year repayment plan and one IDR plan.

The HEA and accompanying regulations establish numerous federal student loan repayment plans, each with differing monthly payment structures and maximum repayment periods. The currently available repayment plans fall into five broad categories: standard repayment plans, extended repayment plans, graduated repayment plans, alternative repayment plans, and IDR plans. Standard repayment plans allow borrowers to make predictable, level payments (i.e., monthly payments that remain the same over the life of the loan) over a defined period of time. For example, under the standard 10-year repayment plan, borrowers would make fixed monthly payments such that their loans would be paid off in 10 years. Extended repayment plans afford borrowers the opportunity to make lower monthly payments over a longer duration. Loan repayment according to the graduated repayment plans is structured so that a borrower makes smaller payments earlier in the repayment period and larger payments later. Alternative repayment plans are available in more limited situations, on a case-by-case basis, to borrowers who demonstrate that other available repayment plans do not "accommodate the borrower's exceptional circumstances."[28]

The HEA requires that the Secretary make available to borrowers (other than to parent borrowers of Direct PLUS Loans) IDR plans, which base a borrower's monthly payment on their income.[29] Over time, through congressional acts and administrative rulemaking, several IDR plans have been established. Currently available IDR plans include the income-contingent repayment plan, two income-based repayment (IBR) plans, the Pay As You Earn (PAYE) repayment plan, and the Saving on a Valuable Education (SAVE) repayment plan.[30]

Section 222 would authorize the availability of two repayment plan options for any Direct Loans made on or after July 1, 2024: the standard 10-year repayment plan and a new IDR plan, or "repayment assistance plan." Monthly payment amounts under the repayment assistance plan would be equal to one-twelfth of 10% of the borrower's adjusted gross income (AGI) that exceeds 150% of the applicable federal poverty line for the borrower's family size.[31]

The repayment assistance plan would provide a principal subsidy for borrowers whose monthly payment amount under the plan on an individual loan is less than twice the monthly interest due on such loan. In other words, the principal subsidy would be available to borrowers making non-$0 monthly payments of which more than half the dollar amount would otherwise be applied to

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[28] HEA §455(d)(4).

[29] Parent borrowers of Direct PLUS Loans may qualify to repay such loans according to the income-contingent repayment plan by consolidating them into a Direct Consolidation Loan.

[30] In August 2024, the U.S Court of Appeals for the Eighth Circuit preliminarily enjoined the Administration from implementing the SAVE repayment plan. Missouri v Biden, No. 24-2332 WL 3738157, at *4 (8th Cir. August 9, 2024).

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

accrued interest. For such borrowers, the loan's principal would be reduced by up to an amount equal to half of the monthly payment for such loan.[32] For example, if a borrower's monthly payment for their loan under the repayment assistance plan were $100 and the monthly interest due on that loan were $80, then after the monthly payment were applied toward the interest due, there would be $20 left to pay down the principal balance. However, because the monthly payment is less than twice the monthly interest due, under the repayment assistance plan the borrower's principal balance would be reduced by up to $50 (i.e., half of the monthly payment of $100). Of the $50 in principal reduction, $20 would be due to the borrower's own payment toward the principal and $30 would be due to the principal subsidy. Under existing IDR plans, no such principal subsidy is provided; thus, at the same monthly payment amount, the borrower's principal balance would only be reduced by $20 absent a principal subsidy in such a scenario.

Under existing IDR plans, an interest subsidy is provided during periods of repayment in which a borrower's monthly payment is not sufficient to cover all of the monthly interest that accrues on the loan. In certain circumstances, any monthly accrued interest that remains unpaid after the monthly payment is applied would not be charged to the borrower. For example, if a borrower's monthly payment for their loan were $100 and the monthly interest due on that loan were $120, $20 in monthly interest due would be left unpaid. When an interest subsidy is available, the Secretary would not charge the remaining $20 to the borrower. Under the IBR and PAYE repayment plans, an interest subsidy is available for Subsidized Loans only during the first three years of repayment. Under the SAVE repayment plan, per current regulations, any monthly accrued interest that remains unpaid after the monthly payment is applied would not be charged to the borrower for any loan type in perpetuity. Under the repayment assistance plan, as proposed by H.R. 6951, the interest subsidy would be the same as under the SAVE repayment plan.

Additionally, while the bill does not specify a definite maximum repayment period, borrowers would have their remaining balance of principal and unpaid interest cancelled if they had repaid an amount equal to

- the amount in principal and interest that would have been repaid under a standard 10-year repayment plan (or other relevant standard repayment plan for Direct Consolidation Loans[33]), plus
- any amounts in unpaid interest that had accrued during certain periods of deferment and forbearance.[34]

The amendments included in Section 222 would streamline the repayment plan options available to borrowers. For some borrowers, the repayment assistance plan may result in them paying less out of pocket in both principal and interest relative to existing IDR plans due to the availability of both principal and interest subsidies. For low-income borrowers or borrowers with a high debt-to-

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[32] The language of the bill text does not directly specify whether the principal subsidy would be partially offset by the borrower's regular principal payment or if it would be entirely supplementary, but it has generally been interpreted that the combined effect of the principal subsidy and the borrower's payment would be to reduce the borrower's principal balance by an amount equal to 50% of the borrower's monthly payment amount. See, for example, Jason Cohn and Jason Delisle, *Student Loan Repayment in the College Cost Reduction Act*, Urban Institute, March 2024, https://www.urban.org/sites/default/files/2024-03/Student_Loan_Repayment_in_the_College_Cost_Reduction_Act.pdf.

[33] Borrowers of Direct Consolidation Loans who entered repayment on or after July 1, 2006, may select a standard repayment plan that has a repayment period of between 10 and 30 years. The precise repayment period is generally based on the combined balances of the Direct Consolidation Loan and all other federal and private education loans owed by the borrower.

[34] Additionally, a borrower would be required to have been enrolled in the new IDR plan at any time during their repayment and for the last monthly payment prior to the loan cancellation.

income ratio, the SAVE repayment plan would likely result in the most savings to them as such borrowers are likely to realize forgiveness of any remaining balance in principal and unpaid interest, in part or in whole.

It is estimated that this policy change would result in significant budgetary savings for the federal government. In its May 2024 cost estimate for H.R. 6951 as ordered reported, CBO estimated that proposed changes to repayment plans would reduce direct spending by $127.3 billion over the 2024-2033 period.[35]

Section 223: Loan Rehabilitation

A loan made through the Direct Loan program is considered to be in default once the borrower has failed to make payments when due or has otherwise not adhered to the terms of the promissory note for 270 days. Defaulting on a federal student loan can result in a number of adverse consequences for the borrower, such as acceleration, loss of certain borrower benefits (e.g., deferment, loan forgiveness), and loss of eligibility to receive additional HEA Title IV student aid.

Loan rehabilitation offers borrowers who have defaulted on a student loan an opportunity to have their loan(s) reinstated as active and to have their borrower benefits and privileges restored. A defaulter must work with the party responsible for debt collections to enter into a written loan rehabilitation agreement. If during a period of 10 consecutive months a borrower voluntarily makes nine reasonable and affordable monthly payments on a defaulted loan within 20 days of the due date, the defaulted loan is rehabilitated. Under current law, a defaulted loan may be rehabilitated only once.

Section 223 would amend Section 428F of the HEA to make loan rehabilitation available twice instead of once to eligible borrowers.

Section 224: Interest Capitalization

Current statute contains several references to "interest capitalization," which is the addition of unpaid interest to a loan's principal balance. In 2023, ED implemented regulations to eliminate all instances of interest capitalization that are not specified in the HEA,[36] and H.R. 6951 would amend the HEA to eliminate most of the remaining instances of interest capitalization (i.e., failing to certify income under an IBR plan, exiting an IBR plan, no longer being in partial financial hardship under an IBR plan, or following a period of deferment).[37] Because interest that is capitalized into a borrower's principal balance may then itself become subject to interest accrual, the elimination of most interest capitalization would provide borrowers with some savings in certain situations.

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[35] U.S. Congressional Budget Office, "H.R. 6951, College Cost Reduction Act Cost Estimate," May 10, 2024, https://www.cbo.gov/publication/60285. The CBO cost estimate was prepared before the U.S Court of Appeals for the Eighth Circuit preliminarily enjoined the Administration from implementing the SAVE repayment plan. (Missouri v Biden, No. 24-2332 WL 3738157, at *4 (8th Cir. August 9, 2024).)

[36] See U.S. Department of Education, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2022, https://www.federalregister.gov/documents/2022/11/01/2022-23447/institutional-eligibility-under-the-higher-education-act-of-1965-as-amended-student-assistance.

[37] H.R. 6951 would not eliminate instances of capitalization that would occur following the consolidation of loans into a Direct Consolidation Loan.

Section 225: Origination Fees

Loan origination fees are charged to borrowers of Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans. They are calculated as a proportion of the loan principal borrowed and are deducted proportionately from the proceeds of each loan disbursement to the borrower. The HEA specifies a loan origination fee of 1% for Direct Subsidized Loans and Direct Unsubsidized Loans made on or after July 1, 2010, and 4% for Direct PLUS Loans regardless of when disbursed.[38]

Section 225 would repeal the charging of loan origination fees for all types of loans disbursed on or after July 1, 2024. Such a change would mean that a borrower would receive a greater amount of loan proceeds for any given loan amount. Under current law, origination fees are withheld from loan disbursements.

Title III: Accountability and Student Success

Part A: Accountability

Subpart 1: Department of Education

Section 301: Agreements with Institutions

Under current law, institutions that participate in the Direct Loan program must enter into an agreement with the Secretary in which they agree to abide by program rules.[39] H.R. 6951 would update program participation agreements to require participating institutions to pay annual reimbursements to the Secretary based on the performance of their students' loans, the prices charged to students, and the median earnings of former students.

The first factor in determining an institution's reimbursement payment would be the "non-repayment balance" of its student cohorts.[40] The non-repayment balance for a given year would be calculated as the sum of

- the total amount of payments due but not paid by borrowers on the Direct Loan program loans in the student cohort; plus
- the total amount of interest waived, paid, or otherwise not charged to borrowers by the Secretary under an IDR plan, including the newly established repayment assistance plan; plus

[38] During periods when a budget sequestration order that applies to direct (mandatory) spending programs is in effect, such as for the Direct Loan program, special rules apply to loan origination fees. For more information, see the "Student Loans" section of CRS Report R42050, *Budget "Sequestration" and Selected Program Exemptions and Special Rules*.

[39] HEA §454.

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

- the total amount of principal and interest forgiven, cancelled, waived, discharged, repaid, or otherwise reduced by the Secretary, other than a discharge due to death or total and permanent disability.[41]

The final reimbursement payment amount would be determined by multiplying the non-repayment loan balance of a given cohort by its "reimbursement percentage." In general, the reimbursement percentage of a student cohort of program completers would be calculated as one minus the quotient of the median value added earnings of program completers divided by the median total price charged to students in such cohort:[42]

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

The higher the ratio of median value added earnings to median total price charged to students in the cohort, the lower the reimbursement percentage would be.[43] If median value added earnings equaled or exceeded median total price charged to students in the cohort, the reimbursement percentage would be zero.[44] If the median value-added earnings were negative, the reimbursement percentage would be set to 100%.[45]

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

Each year, the Secretary would notify institutions of their reimbursement bill within 30 days of calculating the amount due, and institutions would be required to remit payment within 90 days of

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

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

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

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

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

notification. The bill would impose penalties for delinquent payments that escalate the longer payments remain past due:

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

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

The funds remitted to the Secretary for the reimbursement payments would be reserved for the awarding of PROMISE grants authorized under Section 212. (See "Section 212: Campus-Based Aid Programs.")

Section 302: Regulatory Relief

Section 302 would repeal several ED regulations and make changes to statutory requirements for IHEs under the HEA. Section 302(g) states that "any regulations repealed by subsections (c) through (e) that were in effect on June 30, 2023, are restored and revived as if the repeal of such regulations under such subsections had not taken effect."

Section 302(a) would fully repeal the "90/10 rule," thereby reducing Title IV participation requirements for proprietary IHEs. Under current law, proprietary IHEs participating in the Title IV programs must derive at least 10% of their tuition and fees revenues from nonfederal funds.[46] Section 302(a) would also repeal the 90/10 regulations promulgated on October 28, 2022, that were to implement the statutory changes to the 90/10 rule made by the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2). ARPA amended the 90/10 rule to require that all proprietary IHEs derive at least 10% of their tuition and fee revenues from nonfederal funds. Just prior to ARPA, proprietary IHEs were required to derive at least 10% of their tuition and fee revenues from non-HEA Title IV sources.

Section 302(b) would repeal nearly all of the regulatory provisions added or amended by the final rule on "Financial Value Transparency and Gainful Employment" published by ED on October 10, 2023,[47] which took effect on July 1, 2024, and relates to institutional eligibility for participation in the Title IV aid programs. The only regulatory provisions added or amended by that final rule that would not be repealed by the bill are 34 C.F.R. §668.401 and 34 C.F.R. §668.408. Section 668.401 covers the scope and purpose of the financial value transparency framework, while Section 668.408 covers institutional reporting requirements for students who

[46] 34 C.F.R. §668.28.

[47] U.S. Department of Education, "Financial Value Transparency and Gainful Employment," 88 *Federal Register* 70004, October 10, 2023, https://www.federalregister.gov/documents/2023/10/10/2023-20385/financial-value-transparency-and-gainful-employment.

enroll in, complete, or withdraw from a program and defines the timeframe for institutions to report this information to ED. By the bill's repeal of the other provisions of the final rule, ED would not assess programs for preparing students for "gainful employment";[48] it would not calculate debt-to-earnings or earnings premiums measures for programs; it would not establish a website with such program measures; and programs that would have failed such measures would not be required to obtain student acknowledgements of such failures. Further, Section 302(b)(2) would prohibit the Secretary from promulgating or enforcing any regulation or rule with respect to the decision or application of the term "gainful employment" for any purpose under the HEA.

Section 302(c) would repeal several ED regulations relating to institutional changes in ownership as added or amended by a final rule published by ED on October 28, 2022. This would potentially facilitate more types of change in ownership transactions than are currently permitted and ease regulatory requirements associated with such transactions.[49] Among others, the bill would repeal regulatory provisions that

- amended rules specifying when a change in ownership results in a change in control (e.g., an IHE changing from proprietary to nonprofit status);
- expanded reporting requirements for Title IV-participating IHEs that undergo a change in ownership that results in a change in control;
- require, in certain circumstances, an IHE that undergoes a change in ownership that results in a change in control to post financial protection of between 10% and 25% of the institution's prior year Title IV volume; and
- specify that proprietary IHEs that undergo a change in control to nonprofit would be considered by ED as proprietary until ED's change in status review is complete (i.e., the institution would still be required to meet criteria specific to proprietary schools, such as the 90/10 rule).

In addition to repealing these regulations, Section 302(c) would add new language to the HEA regarding change in ownership. Under the bill, ED would be required to offer a pretransaction review to determine whether an IHE would meet the HEA Section 102 or 103(13) definitions—"proprietary" and "nonprofit," respectively. ED would be bound by that determination once the IHE submitted a change in ownership application, provided that certain other conditions were met.[50]

Section 302(c) would also newly establish a schedule of administrative fees, equal to a percentage of the IHE's Title IV revenue, that institutions would be required to pay to ED when applying for changes in ownership or control, or pretransaction reviews. The bill would require that institutions approved for conversion be subject to a five-year monitoring period for compliance with the HEA definition of nonprofit and, during that time, remit to ED an administrative fee equal to 0.15% of their Title IV revenues from the most recent fiscal year.

[48] Most nondegree programs offered by public and private nonprofit IHEs and almost all programs offered by proprietary and postsecondary vocational institutions, regardless of whether they lead to a degree, must prepare students for "gainful employment in a recognized occupation" (HEA §§101(b)(1), 102(b)(1)(A)(i), and 102(c)(1)(A)).

[49] U.S. Department of Education, "Pell Grants for Prison Education Programs; Determining the Amount of Federal Education Assistance Funds Received by Institutions of Higher Education (90/10); Change in Ownership and Change in Control," 87 *Federal Register* 65426, October 28, 2022, https://www.federalregister.gov/documents/2022/10/28/2022-23078/pell-grants-for-prison-education-programs-determining-the-amount-of-federal-education-assistance.

[50] Previously, ED would offer IHEs the option for a pretransaction review in which it would review a proposed change in ownership transaction to indicate whether it believed the institution substantially met the requirements of a change in ownership. However, once the change in ownership occurred, ED was not bound by any determination it made in the pretransaction review.

Section 302(d) would repeal regulations promulgated in 2023 related to institutional financial responsibility.[51] The regulations that would be rescinded require that institutions' Title IV compliance audits and audited financial statements be submitted earlier than under prior regulations. ED uses these reports to determine whether an IHE is sufficiently financially responsible to participate in the Title IV aid programs, and, if so, under what conditions. The regulations that would be rescinded recently established new triggers that may require comparatively more IHEs to post financial protection (e.g., letters of credit) to continue participation in the Title IV aid programs. Section 302(d) would also amend HEA Section 498(c) to require that ED update its financial responsibility ratios and establish a process by which IHEs can appeal their draft ratios.[52] Altogether, the subsection might reduce the financial burden and extend the period of Title IV eligibility for some institutions that would have demonstrated potentially weak financial responsibility.

Section 302(e) would amend Section 487(a)(20) of the HEA, which generally prohibits institutions from providing incentive-based compensation to individuals or entities engaged in recruiting or admissions activities. Under the bill, an exception to this prohibition would be added for third parties providing such services provided three conditions are met. To be exempt, third parties would need to provide the recruiting or admissions activities as part of a larger bundle of services, not provide incentive-based payments to its employees or subcontractors providing the services to the institution, and not award or disburse federal financial aid awards.

Section 302(f) would repeal ED regulations pertaining to closed school discharges of qualifying federal student loans, borrower defense to repayment, pre-dispute arbitration, false certification, administrative capability, certification procedures, ability to benefit, and personal liability. In general, the repeals would make it more difficult for some students to discharge their federal loans based on harmful institutional actions and reduce the burden to some institutions demonstrating Title IV eligibility.

Section 302(f)(1) would repeal regulations pertaining to federal student loan closed school discharges currently in effect that were issued in 2022.[53] Prior to the 2022 regulations, two different sets of standards and procedures were applied to closed school discharges: one for loans made before July 1, 2020, and one for loans made on or after July 1, 2020. The 2022 regulations made uniform the standards and procedures that would apply to all loans regardless of when a loan was first disbursed.[54] Under the 2022 regulations, to qualify for a closed school discharge, a borrower is required to submit an application and certify that (1) the school attended closed either while the student was enrolled or within 180 days of the student withdrawing and (2) the student

[51] U.S. Department of Education, "Financial Responsibility, Administrative Capability, Certification Procedures, Ability To Benefit (ATB)," 88 *Federal Register* 74568, October 31, 2023, https://www.federalregister.gov/documents/2023/10/31/2023-22785/financial-responsibility-administrative-capability-certification-procedures-ability-to-benefit-atb.

[52] The financial responsibility ratios are intended to gauge the financial health of an institution. The three ratios are a primary reserve ratio, an equity ratio, and a net income ratio. The primary reserve ratio measures a school's viability and liquidity. The equity ratio measures a school's capital resources and its ability to borrow. The net income ratio measures a school's profitability.

[53] U.S. Department of Education, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2023, https://www.federalregister.gov/documents/2022/11/01/2022-23447/institutional-eligibility-under-the-higher-education-act-of-1965-as-amended-student-assistance; 34 C.F.R. §674.33(h); 34 C.F.R. §682.402(d); 34 C.F.R. §685.214.

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

did not complete the program of study for which a loan was obtained at another branch or location of the school or through a teach-out agreement at another school. The new regulations permit the Secretary to issue an automatic closed school discharge if, based on information available to the Secretary, the borrower meets the aforementioned criteria or if the borrower accepted but did not complete a continuation of their program of study within one year.

Section 302(f)(2) would repeal some regulations currently in effect that were issued in 2022 related to borrower defense to repayment.[55] The 2022 regulations added a new Subpart D to the regulations governing the Direct Loan program that apply to borrower defense applications pending with the Secretary on July 1, 2023, or received by the Secretary on or after July 1, 2023.[56] Prior to the 2022 regulations, a borrower may have asserted a defense to repayment according to procedures and standards specified in regulations that are specific to the period during which their loans were made. There were three distinct periods applicable to borrower defense claims: (1) for loans disbursed prior to July 1, 2017; (2) for loans disbursed on or after July 1, 2017, and before July 1, 2020; and (3) for loans disbursed on or after July 1, 2020. The 2022 regulations established new standards and procedures that are applicable to borrower defense applications received on or after July 1, 2023, and for applications pending with ED on July 1, 2023 (regardless of when the applicable loan was disbursed). These new standards and procedures, among other changes, expanded the circumstances under which a borrower may assert a defense to repayment, including on the basis of engagement by the school in aggressive and deceptive recruitment conduct. H.R. 6951 would repeal 34 C.F.R. §685.401, which specifies these new standards and procedures, and would retain all other parts of the new Subpart D, such as the establishment of a group process for borrower defense. It is unclear how the provisions in the new Subpart D that were retained would be interpreted absent 34 C.F.R. §685.401.

Section 302(f)(3) would repeal regulations on pre-dispute arbitration currently in effect that were issued in 2022 with the intention of eliminating institutional processes that prevent Direct Loan borrowers from immediately pursuing borrower defense claims with ED.[57] Regulations issued in 2016 prevented IHEs from (1) compelling students to pursue complaints based on a Direct Loan borrower defense claim through an institutional dispute process and (2) relying on a pre-dispute arbitration agreement or on any other pre-dispute agreement for student claims related to Direct Loan borrower defense claims.[58] Regulations issued in 2019 rescinded most of the 2016 regulations related to such agreements and permitted the agreements while requiring related

[55] U.S. Department of Education, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2023, https://www.federalregister.gov/documents/2022/11/01/2022-23447/institutional-eligibility-under-the-higher-education-act-of-1965-as-amended-student-assistance; 34 C.F.R. §685.401.

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

[57] U.S. Department of Education, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2022, https://www.federalregister.gov/documents/2022/11/01/2022-23447/institutional-eligibility-under-the-higher-education-act-of-1965-as-amended-student-assistance; 34 C.F.R. §668.41; 34 C.F.R. §685.300; 34 C.F.R. §685.304.

[58] U.S. Department of Education, Office of Postsecondary Education, "Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, William D. Ford Federal Direct Loan Program, and Teacher Education Assistance for College and Higher Education Grant Program," 81 *Federal Register* 75926-76089, November 1, 2016.

student disclosures.[59] The 2022 regulations generally reestablished the prohibitions related to such agreements in the 2016 regulations unless certain conditions are met.[60]

Section 302(f)(4) would repeal regulations on student loan discharges due to false certification currently in effect that were issued in 2022.[61] Prior to the 2022 regulations, two different sets of standards and procedures applied to false certification discharges, one for Direct Loan and Federal Family Education Loan (FFEL)[62] program loans made before July 1, 2020, and one for loans made on or after July 1, 2020. The 2022 regulations made uniform the standards and procedures that apply to all loans regardless of when a loan was first disbursed. Additionally, the 2022 regulations removed a regulatory provision that any borrower who attested to a high school diploma or equivalent did not qualify for a false certification discharge, expanded the types of documentation ED considers when a borrower applies for a false certification discharge, and enabled groups of borrowers who experienced the same behavior from their institutions to apply together.

Section 302(f)(5) would repeal regulations on institutional administrative capability issued in 2023 that became effective July 1, 2024.[63] HEA Section 498(d) authorizes ED to establish requirements to ensure that IHEs comply with administrative capability standards in order to participate in the HEA Title IV aid programs. Prior to the 2023 regulations, the regulations stated that ED determines administrative capability based on measures related to an IHE's administration of Title IV funds, having adequate Title IV administrative staff, resolving aid discrepancies, providing Title IV aid counseling to students, and meeting other requirements established elsewhere in statute and regulations. The 2023 regulations that would be repealed refined the previous regulations; established extra measures related to providing additional information, services, and timely disbursements to students; and added further measures related to requirements established elsewhere in statute, executive order, and regulations. While the 2023 regulations were intended to better inform Title IV aid recipients about their aid and educational programs and secure institutional administration of Title IV aid, they increased institutional reporting and administrative requirements.

Section 302(f)(6) would repeal regulations on institutional certification procedures issued in 2023 that became effective July 1, 2024.[64] The HEA specifies that for an IHE to be eligible to

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[59] U.S. Department of Education, Office of Postsecondary Education, "Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program," 84 *Federal Register* 49788-49933, September 23, 2019.

[60] For example, under the 2016 regulations an IHE may not rely on an arbitration agreement or pre-dispute agreement until the presiding court has ruled that the case may not proceed as a class action.

[61] U.S. Department of Education, "Institutional Eligibility Under the Higher Education Act of 1965, as Amended; Student Assistance General Provisions; Federal Perkins Loan Program; Federal Family Education Loan Program; and William D. Ford Federal Direct Loan Program," 87 *Federal Register* 65904, November 1, 2023, https://www.federalregister.gov/documents/2022/11/01/2022-23447/institutional-eligibility-under-the-higher-education-act-of-1965-as-amended-student-assistance; 34 C.F.R. §682.402(e); 34 C.F.R. §684.215(c); C.F.R. §685.215(d).

[62] The FFEL program is another student loan program authorized under Title IV of the HEA, under which loan capital was provided by private lenders who also originated and serviced the loans. The federal government guaranteed such loans against loss due to borrower default, death, permanent disability, and in limited circumstances bankruptcy. Authority to make new loans under the FFEL program was terminated effective July 1, 2010.

[63] U.S. Department of Education, "Financial Responsibility, Administrative Capability, Certification Procedures, Ability To Benefit (ATB)," 88 *Federal Register* 74568, October 31, 2023, https://www.federalregister.gov/documents/2023/10/31/2023-22785/financial-responsibility-administrative-capability-certification-procedures-ability-to-benefit-atb; 34 C.F.R. §668.16.

[64] U.S. Department of Education, "Financial Responsibility, Administrative Capability, Certification Procedures, (continued...)

participate in Title IV student aid programs, ED must certify its financially responsibility and administrative capability, and an IHE must enter into a program participation agreement (PPA) with ED in which the IHE agrees to comply with the laws, regulations, and policies applicable to the Title IV program.[65] The regulations that would be rescinded expanded the list of reasons by which ED may provisionally certify[66] an IHE and added new PPA requirements, such as who is required to be a PPA signatory (e.g., an authorized representative of any entity with direct or indirect ownership of a private institution) and requirements of educational programs subject to gainful employment.[67]

Section 302(f)(7) would repeal regulations on students' ability to benefit issued in 2023 that became effective July 1, 2024.[68] HEA Section 484(d) establishes that students without a high school diploma (or equivalent) may be Title IV aid eligible if they (1) pursue an eligible career pathway program and (2) meet one of the described "ability to benefit" requirements. The ability to benefit may be demonstrated by the student passing an eligible examination, fulfilling an eligible state process, or earning higher education credits. The 2023 regulations that would be rescinded would, for the first time, provide ED detailed information about career pathway programs such that ED could in the future make legislative recommendations regarding ability to benefit. More specifically, the 2023 regulations updated the previous regulations to be consistent with current law, added new and more rigorous requirements to eligible state processes, and established a new requirement that ED approve at least one career pathway educational program at each IHE that offers one.

Section 302(f)(8) would rescind ED guidance published in March 2023[69] that clarified the process ED would use to make a determination to require individuals who exercise substantial control of an IHE to assume personal liability for Title IV financial losses that may be incurred by the federal government. This provision would not, however, amend HEA Section 498(e)(1)(B), which is the provision ED has asserted gives it the authority to require the assumption of personal liability by an individual who exercises substantial control over a Title IV participating IHE.

Ability To Benefit (ATB)," 88 *Federal Register* 74568, October 31, 2023, https://www.federalregister.gov/documents/2023/10/31/2023-22785/financial-responsibility-administrative-capability-certification-procedures-ability-to-benefit-atb; 34 C.F.R. §668.13; 34 C.F.R. §668.14; 34 C.F.R. §668.43.

[65] For additional information, see CRS Report R43159, *Eligibility for Participation in Title IV Student Financial Aid Programs*.

[66] Under provisional certification, ED certifies that an IHE has demonstrated it is capable of meeting Title IV institutional participation standards within a specified time frame and is able to meet its responsibilities under its PPA. The period of provisional certification is generally shorter than the up-to-six-year period for certification.

[67] These additional requirements for gainful employment programs would generally limit the duration of such programs to the greater of the "required minimum number of clock hours, credit hours, or the equivalent required for training in the recognized occupation for which the program prepares the student, as established by the state in which the institution is located"; 34 C.F.R. §668.14(b)(26)(ii). A federal court has enjoined ED's implementation of this provision; 360 Degree Education, LLC. v. U.S. Dep't of Educ., No. 4:24-CV-00508-P, 2024 WL 3092459 (N.D. Tex. June 21, 2024).

[68] U.S. Department of Education, "Financial Responsibility, Administrative Capability, Certification Procedures, Ability To Benefit (ATB)," 88 *Federal Register* 74568, October 31, 2023, https://www.federalregister.gov/documents/2023/10/31/2023-22785/financial-responsibility-administrative-capability-certification-procedures-ability-to-benefit-atb; 34 C.F.R. §668.2; 34 C.F.R. §668.32; 34 C.F.R. §668.156; 34 C.F.R. §668.157.

[69] U.S. Department of Education, "Establishing Personal Liability Requirements for Financial Losses Related to the Title IV Programs," GENERAL-23-11, March 1, 2023, https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-03-01/establishing-personal-liability-requirements-financial-losses-related-title-iv-programs.

Section 302(g) states that any regulations repealed by subsections (c) through (e) that were "in effect on June 30, 2023," would be "restored and revived as if the repeal of such regulations under such subsections had not taken effect."

Section 302(h) would prohibit ED from implementing "any rule, regulation, policy, or executive action specified in the section (or a substantially similar rule, regulation, policy, or executive action), unless authority for such implementation is explicitly provided for in an Act of Congress."

Section 302(i) would amend HEA Section 498A by adding new time limits on ED's program review activities.[70] The bill would require ED to (1) provide an initial report finding not later than 90 days after concluding an initial site visit, (2) respond in a substantive manner within 90 days of receiving an institution's response during a program review inquiry; (3) provide the final program review report and accompanying enforcement actions within 90 days of receiving an institution's response to a draft final program review report; and (4) in most cases, conclude the entire program review process not later than two years of initiating it.[71]

Section 303: Limitation on Authority of Secretary to Propose or Issue Regulations and Executive Actions

Section 303 would establish new procedures to limit the Secretary of Education's ability to promulgate regulations or take other "executive actions" under Title IV.[72] HEA Section 492 prescribes procedures ED must follow when developing regulations for HEA Title IV. In relevant part, ED must first develop draft regulations to present to a negotiated rulemaking ("neg reg") committee, which comprises ED and outside stakeholders who negotiate to potentially reach consensus on the content of a proposed regulation.[73] ED must then publish a proposed rule in the *Federal Register* and go through the Administrative Procedure Act's notice-and-comment procedures.[74] After reviewing the comments it received and making any adjustments to the proposed regulations, ED publishes a final rule in the *Federal Register*.[75] Under the requirements of Executive Order 12866, ED must complete a regulatory impact analysis alongside the rule if it determines that the rule is likely to be "economically significant," as defined under Section 3(f)(1) of the order.[76] Economically significant rules are those that may "have an annual effect on the economy of $200 million or more ... or adversely affect in a material way the economy, a

[70] ED conducts program reviews to ensure that IHEs participating in Title IV programs meet FSA requirements for institutional eligibility, financial responsibility, and administrative capability. For more information on program reviews, see ED, *FSA Handbook*, Volume 2, Chapter 8, "Program Reviews, Sanctions, & Closeout," https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2024-2025/vol2/ch8-program-reviews-sanctions-closeout.

[71] For cases in which the Secretary determines that the program review is sufficiently complex that it cannot reasonably be concluded within two years, the Secretary would be required promptly to notify the institution of the reasons for the delay and provide an anticipated date of completion.

[72] The term *executive action* is not defined under the HEA or H.R. 6951.

[73] The Secretary may forgo using a negotiated rulemaking process if he or she determines that doing so is "impracticable, unnecessary, or contrary to the public interest (within the meaning of section 553(b)(3)(B) of title 5, United States Code)"; HEA §492(b)(2).

[74] 5 U.S.C. §553.

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

[76] Executive Order 12866, "Regulatory Planning and Review," 58 *Federal Register* 51735, October 4, 1993.

sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State local, territorial, or tribal governments or communities."[77]

Under Section 303, if the Secretary determines a draft regulation to be economically significant and would result in an increase in a subsidy cost,[78] then ED would be prohibited from taking further action regarding such regulation. Additionally, ED would be prohibited from issuing a proposed rule, a final rule, or an executive action if it were economically significant and would result in a subsidy cost. Economically significant would be defined as having "an annual effect on the economy of $100,000,000 or more" or adversely "affect[ing] in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities."

Section 304: Office of Federal Student Aid

To administer many aspects of the HEA Title IV federal student loan programs, ED has developed a variety of processes and procedures that are carried out by third-party contractors such as loan servicers and private collection agencies. These administrative functions often focus on ensuring that borrowers are informed of and receive loan terms, conditions, and benefits.

Section 304 would specify that federal student loan servicers would not be subject to state or local law on a number of student loan administration related topics.[79] Specifically, the bill would provide that federal student loan origination, servicing, collections, and related activities carried out by a "qualified entity"[80] shall not be "subject to any law or other requirement of any State or political subdivision of a State" regarding disclosure requirements, requirements (or restrictions) on communications with borrowers, or "any other requirement relating to the servicing or collection of a loan"[81] made under HEA Title IV. Section 304 would also require ED's Office of Federal Student Aid (FSA)—the office tasked with administering the HEA Title IV student aid programs—to provide contracted student loan servicers with specified forms of written guidance relating to new or different functions the loan servicer is to perform pursuant to its contract with ED not later than 30 days before such change would take effect.[82]

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[77] Executive Order 14094, "Modernizing Regulatory Review," 88 *Federal Register* 21879, April 11, 2023.

[78] Subsidy costs apply to federal credit programs. The *subsidy cost* of direct loans and loan guarantees is the net present value of loan disbursements minus repayments of principal and interest, adjusted for estimated defaults, recoveries, prepayments, and fees. Other Title IV programs, such as the Pell Grant program and the TRIO programs, do not have subsidy costs. Thus, in effect, Section 303 would only apply to the Title IV loan programs.

[79] Numerous states have enacted legislation specifically aimed at student loan servicers, and several state attorneys general and student loan borrowers have invoked existing state consumer protection laws and common law causes of action against servicers in civil litigation. Additionally, ED has issued a notice of interpretation clarifying its "position on the legality of State laws and regulations governing various aspects of the servicing of Federal student loans." U.S. Department of Education, "Federal Preemption and Joint Federal-State Regulation and Oversight of the Department of Education's Federal Student Loan Programs and Federal Student Loan Services," 88 *Federal Register* 47370, July 24, 2023. For additional information on the legal debate surrounding whether federal law preempts state law relating to federal student loan servicers, see CRS Report R45917, *Federal and State Regulation of Student Loan Servicers: A Legal Overview*.

[80] While the bill does not define "qualified entity," one of the sections of the HEA that would be amended by Section 304 of H.R. 6951 refers to "entities" that the Secretary determines are "qualified" to provide loan origination, servicing, and collection services.

[81] H.R. 6951 §304.

[82] Loan servicers have previously reported receiving fragmented, incomplete, and untimely guidance from ED with respect to implementing aspects of the Title IV student loan programs. See, for example, U.S. Government Accountability Office (GAO), *Public Service Loan Forgiveness: Education Needs to Provide Better Information for Loan Servicer and Borrowers*, GAO-18-547, September 2018, pp. 16-17; and Danielle Douglas-Gabriel, "Weeks later, (continued...)

Subpart 2: Accreditors

Section 311—Accrediting Agency Recognition

Postsecondary schools seeking to participate in many federal programs, including the HEA Title IV aid programs, must be accredited by an agency recognized by ED as a reliable authority on the quality of the education being offered. An ED-recognized accrediting agency must meet various HEA and regulatory provisions. The provisions establish general organizational requirements, require the consistent application and enforcement of standards that ensure the education programs offered by an IHE are of sufficient quality to meet the stated objectives for which they are offered, and require operating and due process procedures. The HEA differentiates between institutional accreditors, which are accrediting agencies that review IHEs; and programmatic accreditors, which are accrediting agencies that review programs within IHEs that are accredited by institutional accreditors. The following sections briefly describe some of the major provisions in H.R. 6951 related to the recognition of accrediting agencies.[83] In general, Section 311 would support innovative higher education program delivery through the accreditation process while requiring that accrediting agencies establish more stringent processes and standards (e.g., student labor market outcomes).

ED Recognition of State-Designated Accreditors

H.R. 6951 would newly authorize state-designated accreditors to become ED-recognized accrediting agencies. State-designated accreditors would be agencies designated by a state to act as an accrediting agency for programs or institutions in such state.[84] The Secretary would be required to approve ("recognize") or disapprove such designation within 30 days of receipt of the state's plan for the accrediting agency and make public the reasons for that decision. The state's plan must include the its process for selecting an agency; a description of its requirements of the agency; the agency's standards, policies, and procedures; the state's assessment that the agency's standards meet the HEA requirements; evidence that another state has determined the agency is a reliable authority on the quality of education; and an assurance that the state will monitor the agency's ongoing compliance with all of the requirements.

ED Recognition of Accrediting Agencies that Assess Programs with New Education Delivery Methods

To ensure accrediting agencies take into consideration changing educational delivery methods, the HEA authorizes ED to include within an accrediting agency's scope of recognition the ability to assess an IHE's distance education or correspondence programs.[85] Accrediting agencies that accredit these programs are not required to have separate standards, procedures, or policies for the

servicers still waiting on Education Dept. guidance for loan forgiveness expansion," *Washington Post*, October 28, 2021, https://www.washingtonpost.com/education/2021/10/28/pslf-waiver-education-department/.

[83] Under the bill, accrediting agencies would still be permitted to adopt standards not required by the HEA, but such standards could not be used to determine IHE accreditation for purposes of participating in the HEA Title IV aid programs.

[84] Currently, the HEA authorizes state agencies approved by ED on or before October 1, 1991, to be ED-recognized accrediting agencies. The New York State Board of Regents and Commissioner of Education is the only such state agency in existence.

[85] "Distance education" is defined as education that uses one or more specified technologies (e.g., the internet, audio conferencing) "(i) to deliver instruction to students who are separated from the instructor; (ii) and to support regular and substantive interaction between the students and the instructor, synchronously or asynchronously" (HEA §103(7)). In general, correspondence education is provided through one or more home study courses by an institution to students who are separated from the instructor whereby interaction between the instructor and student is limited, not regular and substantive, and is primarily initiated by the student.

evaluation of distance education or correspondence. They are, however, required to mandate that IHEs have processes in place to protect student privacy and to verify that a student who registers in a course offered via distance education is the same student who participates in the course. In recent years, regulations have established additional requirements of accrediting agencies that include within their scope of recognition the ability to assess an IHE's prison education or direct assessment programs.[86]

H.R. 6951 would authorize ED to include within an accrediting agency's scope of recognition the ability to assess programs offered through any instructional delivery model or method for which the agency can demonstrate the ability to review, evaluate, and assess.[87] Accrediting agencies recognized to review any instructional delivery model or method could not give preference to or differentially treat a particular instructional delivery model or method. If the delivery model allowed for separation of the student and instructor, ED could not require such agencies to have separate standards, procedures, or policies, but it would have to require that agencies ensure the student's identity and privacy in a manner consistent with current law and regulations for distance education.

ED Recognition of New Accrediting Agencies

The HEA prescribes the major components of the process for ED to recognize new accrediting agencies and requires that ED develop the procedures in regulations. The process generally includes an accrediting agency application, ED evaluation, public comments, ED site visits to the accrediting agency, initial ED findings, an agency response to the findings, a review and recommendation by the National Advisory Committee on Institutional Quality and Integrity (NACIQI), and ED's final recognition decision.[88] H.R. 6951 would provide an "accelerated path to recognition" by authorizing ED to recognize new accrediting agencies within two years of their application.[89]

Accrediting Agency Monitoring of IHEs and Programs

Under the HEA, accrediting agencies must regularly monitor institutions and programs between full accreditation reviews. H.R. 6951 would establish additional requirements for monitoring.

The bill would require agency accreditation standards to establish clear expectations for the institutions or programs accredited in the following areas: median price charged to students in relation to median value-added earnings,[90] learning outcome measures, labor market outcome measures, student success outcome measures, and the process for resolving complaints received by IHEs. The accrediting agency would be tasked with developing a policy process for evaluating at least annually the extent to which IHEs or programs are meeting the standards in the

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[86] A direct assessment program is one that, in lieu of credit or clock hours as the measure of student learning, utilizes direct assessment of student learning or recognizes the direct assessment of student learning by others (34 C.F.R. §668.10(a)). Direct assessment of student learning may be in the form of essays, examinations, or other methods. 34 C.F.R. §§602.16, 602.18 and 602.22 establish additional requirements of accrediting agencies related to direct assessment programs. A confined or incarcerated individual must be enrolled in a prison education program to be eligible to receive a Pell Grant. 34 C.F.R. §668.237 establishes additional requirements of accrediting agencies related to prison education programs.

[87] The bill would further eliminate provisions related to the recognition of accrediting agencies that assess an IHE's distance education programs.

[88] An accrediting agency may appeal the final recognition decision to the Secretary, and the Secretary's final decision may be contested in federal court.

[89] To be eligible for accelerated recognition, the accrediting agency must have at least one year of accrediting experience, meet the statutory requirements, and agree to submit monitoring reports to ED as requested.

[90] The term "value-added earnings," as defined in the bill, is addressed in "Section 101" in this report.

aforementioned areas; under current regulations, the accrediting agency must reevaluate the institutions or programs at regularly established intervals.[91] In addition, the accrediting agency would develop a policy process for requiring IHEs to develop annual plans to remedy related failures and ensuring the plans are successfully implemented.

The bill would also require accrediting agencies to establish risk-based processes or procedures for assessing compliance with the agency's standards. The agency would compare the performance of IHEs or programs with other similarly situated IHEs or programs to determine risk. High-risk IHEs and programs would be required to develop annual plans to address their issues, and if their performance continues to decline, the accrediting agency could require the high-risk IHE or program to take action to avoid or minimize the risks that may lead to revocation of accreditation. For IHEs meeting or exceeding performance, accrediting agencies would be required to reduce any compliance requirements with the standards of accreditation that "are not assessing an institution or program of study" under the aforementioned outcomes-based standards, "such as on-site inspections."

Accrediting Agency Review of Substantive Changes by IHEs and Programs

The HEA requires that IHEs submit a business plan to their accrediting agency prior to opening a new branch campus. Regulations require that accrediting agencies review substantive changes including, but not limited to, reviewing an institution's change of control (e.g., conversion from proprietary to private nonprofit), the addition of educational programs that are a significant departure from existing offerings (e.g., the offering of distance education when the institution did not previously offer it), or the addition of a new location or branch campus.[92] H.R. 6951 would eliminate the HEA requirement regarding branch campuses and establish substantive change requirements similar to those in regulations for a change in institutional mission, change in institutional legal status, the addition of educational programs at a higher credential level, and new contracts with non-Title IV participating institutions to offer 26% to 49% of the instruction for one of the IHE's educational programs.

Public Disclosure of Accreditation Actions

Under H.R. 6951, as under current regulations, an accrediting agency would be required to publicly post on its website a list of accredited IHEs or programs and actions taken regarding them.

The bill would require, within 18 months of enactment, that ED convene a panel of experts to develop common terminology for accrediting agencies to use in making accrediting decisions and publish the recommendations in the *Federal Register*. The use of the same terms for different purposes has resulted in some confusion among students, institutions, and policymakers.[93]

IHE Freedom of Religion, Freedom of Speech, and Freedom from Discrimination

H.R. 6951 would codify many of the current regulatory requirements related to determining that an accrediting agency respects an IHE's religious mission. It would establish a process whereby an IHE could submit a complaint to ED if it believes an accrediting agency's adverse action against it was the result of the agency's failure to respect the IHE's religious mission. In the event

[91] 34 C.F.R. §602.19(a).

[92] 34 C.F.R. §602.22.

[93] See, for example, American Council on Education, *Assuring Academic Quality in the 21st Century: Self-Regulation in a New Era*, A Report of the ACE National Task Force on Institutional Accreditation, 2012, pp. 25-26, https://www.acenet.edu/Documents/Accreditation-TaskForce-revised-070512.pdf.

of a complaint, the accrediting agency would bear the burden of proving to ED that it respected the IHE's religious mission or it would be required to reverse the adverse action.

Additionally, accrediting agencies would be prohibited from

- requiring, encouraging, or coercing IHEs to support or oppose political, social, cultural, or ideological viewpoints;
- requiring, encouraging, or coercing IHEs to support the disparate treatment of individuals on the basis of any protected class under federal civil rights laws except as required by federal law or a court order;
- preventing an IHE from having a religious mission;
- preventing an IHE from requiring applicants, students, employees, and contractors to adhere to the IHE's religious mission or uphold the Constitution;
- assessing an IHE's or program's commitment to any ideology or viewpoint; and
- requiring, encouraging, or coercing an IHE to violate any right protected by the Constitution.

IHE Transfer Credit Policies

Section 311 would prohibit IHEs from establishing transfer credit policies that discriminate on the basis of an IHE's accreditation. ED has acknowledged that some IHEs limit the transfer of credits from IHEs accredited by agencies referred to as regional accreditors.[94]

Section 312: National Advisory Committee on Institutional Quality and Integrity

NACIQI advises the Secretary on matters related to accreditation of IHEs, including decisions to recognize accrediting agencies for purposes of institutional participation in the HEA Title IV student financial aid programs and other federal programs. The HEA specifies the function of NACIQI and its composition, member qualifications, and meeting procedures.

Section 312 would seek to narrow ED's authority with respect to NACIQI by eliminating from NACIQI's functions additional accreditation and Title IV institutional eligibility advisory tasks "as the Secretary may prescribe."[95] Section 312 would also amend NACIQI's compositional requirements to disqualify from NACIQI appointment individuals with a significant conflict of interest that would require such individual frequently to be recused from serving as a NACIQI member and extend NACIQI's authority to operate to September 30, 2028.

Section 313: Alternative Quality Assurance Experimental Site Initiative

Under current law, IHEs must be accredited by an ED-recognized accrediting agency, among other criteria, to participate in the HEA Title IV programs. Section 313 would authorize a new experimental site initiative (ESI) to evaluate whether eligible entities "can maintain high student

[94] Prior to 2020, ED referred to two types of institutional accrediting agencies: regional and national. However, some higher education practitioners, state laws, and regulations still distinguish between national and regional accrediting agencies. U.S. Department of Education, Office of Postsecondary Education, "Student Assistance General Provisions, The Secretary's Recognition of Accrediting Agencies, The Secretary's Recognition Procedures for State Agencies," 84 *Federal Register* 58834-58933, November 1, 2019.

[95] See HEA §114(c)(6).

achievement outcomes while participating in [HEA Title IV programs] without being accredited by an ED-recognized accrediting agency."

ED would be authorized to waive any requirement that an eligible entity be accredited by an ED-recognized accrediting agency for HEA Title IV participation and other HEA Title IV requirements "determined necessary by the Secretary to carry out such initiative."[96] "Eligible entities" would be defined as IHEs (as defined in HEA Section 102) or educational providers that are not IHEs, do not receive funding under the HEA, are not accredited for purposes of participating in the HEA Title IV programs, and are authorized to operate in the state in which they are located. Eligible entities that are IHEs would be required to attest that the educational programs to be included in the ESI meet the standards of accreditation for the IHE's ED-recognized accrediting agency. Eligible entities that are not IHEs would be required to submit documentation that the educational program to be included in the ESI "meets standards similar to the standards of accreditation" of ED-recognized accrediting agencies, a rationale for why the entity seeks to participate in the ESI,[97] and a description of how the entity would plan to share the financial risk of receiving the waivers with the Secretary.[98]

Section 313 would require the Secretary to review and evaluate whether the ESI-participating programs of each eligible entity meet student achievement outcomes, including, for example, an evaluation of whether student completers of an ESI-participating program had median value-added earnings that were greater than the median total price charged to students in the program, learning outcomes (e.g., competency attainment), labor market outcomes (e.g., employment rates), and student success (e.g., completion rates). If the Secretary determined that ESI-participating entities were able to meet the student achievement outcomes, then he or she would be required to submit to the congressional authorizing committees recommendations regarding HEA amendments that would "streamline and enhance the quality assurance process" of IHEs and educational providers.

Part B: Student Success

Section 321: Postsecondary Student Success Grants

Under current law, Postsecondary Student Success Grants (PSSGs) are awarded under the authority for the Fund for the Improvement of Postsecondary Education (FIPSE)[99] and at the direction of annual appropriations acts.[100] Under FIPSE, ED awards grants and contracts to IHEs

[96] The Secretary generally would be prohibited from waiving provisions relating to award rules, grant and loan maximum award amounts, and need-analysis requirements. This is the same limitation contained in HEA Section 487A(b), which authorizes ED to carry out a number of other experiments.

[97] This would include estimates or documentation of potential savings to the entity receiving the ESI waiver.

[98] This could include, for example, providing matching nonfederal funds or a letter of credit to the Secretary to cover at least half of the expected Title IV disbursements to students enrolled in the ESI-participating educational program for the first year of the experiment.

[99] FIPSE is authorized under Title VII-B of the HEA. For more information, see U.S. Department of Education, "Fund for the Improvement of Postsecondary Education," https://www2.ed.gov/about/offices/list/ope/fipse/index.html; and U.S. Department of Education, Postsecondary Student Success Program," https://www2.ed.gov/programs/pssp/applicant.html.

[100] PSSGs were initially authorized and funded for FY2022 under the Consolidated Appropriations Act, 2022 (P.L. 117-103) and the accompanying explanatory statement. They were similarly authorized and funded for FY2023 under the Consolidated Appropriations Act, 2023 (P.L. 117-328) and accompanying explanatory statement, and for FY2024 under the Further Consolidated Appropriations Act, 2024 (P.L. 118-47) and accompanying explanatory statement.

and other public and private nonprofit institutions and agencies to promote institutional reforms and innovative programs with the potential to transform postsecondary education.[101]

Section 321 would amend Section 741 of the HEA to codify the PSSG program. Section 321 would rescind authorities for other FIPSE programs, including planning grants, the center for best practices to support single parent students, and the scholarship program for family members of veterans or members of the military.

ED would award competitive grants to IHEs, partnerships between nonprofits and IHEs, and consortia of IHEs to provide student services in order to increase postsecondary education participation, retention, and completion rates of high-need students. "High-need students" would be defined as

- low-income,
- first-generation,
- caregiver students,
- students with disabilities,
- students who stopped out before completing,
- reentering justice-impacted students, and
- military-connected students.

Two percent of funding would be reserved for eligible Indian entities. ED would reserve not less than 20% to award grants to applicants that include at least one Tier 3 evidence-based reform or practice. H.R. 6951 defines a "Tier 3 reform or practice" as one that has sizable, important impacts on student success, determines whether such impacts can be successfully reproduced and sustained over time, and identifies the conditions under which the reform or practice is effective. No more than 5% of appropriations would be used for administration, capacity building, research, evaluation, and reporting, and no more than 2% would be used for technical assistance.

Grantees would be required to use awarded funds for activities such as student services to support retention, completion, and success; direct student support, including a combination of tutoring, enrichment, and emergency financial assistance; career preparation, including coaching, counseling, and planning services; and the recruitment and retention of faculty and staff.

Section 322: Reverse Transfer Efficiency Act

Section 322 would amend the General Education Provisions Act (GEPA, P.L. 90-47) to permit IHEs to send education records to IHEs in which a student was previously enrolled in order to apply coursework and credits toward a completed recognized postsecondary credential. Students would have to provide written consent to receive this credential. This section could potentially make it easier for IHEs to award credentials based on credits that a student has already earned, such as awarding an associate's degree even if a student stopped out of a bachelor's degree program.

[101] U.S. Department of Education, *FY2025 Congressional Budget Justification*, "Higher Education," p. 133, https://www2.ed.gov/about/overview/budget/budget25/justifications/w-highered.pdf.

Section 323: Transparent and Fair Transfer of Credit Policies

Section 323 would prohibit IHEs from denying transfer credits based solely on the source of an IHE's accreditation, provided that the IHE had attained any accreditation by an agency or association recognized by the Secretary.

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