NAICU

National Association
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Reconciliation Bill Summary

July 3, 2025

Loan Limits

- Grad PLUS eliminated
- Parent PLUS capped
  - $20,000 annual, per student
  - $65,000 aggregate, per student
- Unsubsidized graduate loan limits capped and include undergraduate borrowing
  - Graduate, non-professional programs
    - $20,500 annual (same as current law)
    - $100,000 aggregate (lower than current law)
  - Professional programs (Defined under 34 CFR 668.2)
    - $50,000 annual (increase from current law)
    - $200,000 aggregate (increase for most programs, decrease from existing $224,000 cap for certain health programs)
- The total loan aggregate limit across all loans, except Grad or Parent PLUS loans, is $257,500
- Lowers loan limits for students in proportion to their enrollment intensity
- Allows institutions to set lower loan limits across entire programs
  - Applies to student borrowing and parent borrowing
- Phases in student loan changes for currently enrolled students (as of June 30, 2026) for the lesser of their remaining expected time to credential or 3 years

Loan Repayment

- Beginning July 1, 2026, establishes new standard and income-driven repayment plans and eliminates all other options
  - Standard plan: 10–25-year repayment based on the amount of outstanding principal
    - Less than $25,000: 10-year repayment period
    - $25,000 to $49,999: 15 years
    - $50,000 to $99,999: 20 years
    - $100,000 or more: 25 years
  - IDR plan
    - Forgiveness after 360 qualifying payments
    - Waives interest not paid each month for "distressed borrowers"
      - *NOTE: "distressed borrowers" is not defined in the text*
  - Provides up to a $50 principal payment match if the borrower's monthly payment does not lower their outstanding principal balance by at least $50

    - Monthly payments calculated as "applicable base payment for borrower" divided by 12, then subtracting $50 for each dependent of the borrower
    - "Base payments" are calculated according to AGI and have a minimum payment of $10
        - AGI of $10,000 or less: $120
        - AGI above $10,000 and up to $20,000: 1% of AGI
        - AGI above $20,000 and up to $30,000: 2% of AGI
        - Payments increase by 1% of AGI for every $10,000 up to a maximum payment of 10% AGI for AGIs above $100,000
    - *NOTE: No income protection, so it is likely that payments will be higher for most borrowers, and especially lower-income borrowers*
- Borrowers can opt to move in and out of the IDR and standard plans at will, unlike House bill
- PLUS loans and consolidated loans that included a PLUS loan are not eligible for IDR plan
- SecED has option to force defaulted borrowers into new IDR plan
- Transition IDR plan for existing IDR-enrolled borrowers, beginning July 1, 2028
    - Pre-2014 borrowers: 15% discretionary income (150% FPL income protection); forgiveness after 25 years
    - Post-2014 borrowers: 10% discretionary income (150% FPL income protection); forgiveness after 20 years
- Repayment for consolidated loans (excluding consolidation loans in ICR prior to bill enactment)
    - 15% of borrower and borrower's spouse AGI above 150% FPL income protection
- Waives negotiated rulemaking requirements for 270 days after bill enactment to implement these repayment changes
- SecED prohibited from allowing borrowers in IDR plans to complete repayment, carry out, or otherwise modify IDR plans other than the new one
- Removes partial financial hardship eligibility and economic hardship and unemployment deferments
    - Allows forbearance according to terms under 428(c)(3)(B) for a maximum of 9 months in a 24-month period
- Allows two loan rehabilitations
- Provides $1 billion for student loan servicing

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Pell Grants

- Provides $10.5 billion in funding to address the Pell shortfall
- Provides fix to FAFSA need analysis for family farms and small businesses
- Includes foreign income in need analysis calculation for Pell
- Removes eligibility from students with SAIs at least twice the maximum Pell
- Removes eligibility from students who receive grant aid from sources other than title IV, including states, institutions of higher education, or private sources, in an amount that equals or exceeds that student's cost of attendance for the period
    - Any period a student is deemed ineligible under this provision counts against their total Pell Grant eligibility duration
- Creates a Workforce Pell Grant program
    - Eligible programs must:
        - Have between 150 and 599 clock hours, or the credit hour equivalent, in instruction
        - Be at least 8 weeks long, but less than 15 weeks
        - Not be a correspondence course
        - Be approved by the Governor of their state that it meets certain requirements:
            - Aligned with "high-skill, high-wage" or "in-demand" jobs
            - Either
                - Leads to a recognized and stackable post-secondary credential that is portable across more than one employer
                  or
                - Prepares students for employment in occupation with only one recognized postsecondary credential and provides them that credential upon completion
            - Prepares students to pursue one or more certificate or degree programs at one or more institutions of higher education, including the provider of the Workforce Pell program being considered, by ensuring:
                - That a student who completes the programs will receive academic credit for the Workforce Pell program that will be accepted for a certificate or degree program
        - Be approved by the Secretary of Education that it meets certain requirements:
            - Has been in existence longer than one year
            - Has a verified completion rate of 70% within 150% normal time for completion
            - Has a verified job placement rate of 70% measured 180 days after completion
            - Does not charge tuition and fees that exceed the annual value-added earnings of federally-aided completers three years prior

- Value-added earnings are median earnings less 150% of the federal poverty line

Accountability

- Amends program participation agreements (PPAs) to require institutions to agree that they will not use federal funds for programs that fail their new metrics
  - Generally, these new metrics compare the median earnings of a program's federally-aided graduates to the median earnings of either a high school diploma holder or a bachelor's degree recipient in their state, depending on credential level
  - *NOTE: These metrics do not apply to undergraduate certificate programs*
- New metrics for "low-earning" programs
  - **Undergraduate degree programs**: The median earnings of former students who left the program 4 years prior must be greater than the median earnings of a 25–34-year-old high school diploma recipient who is working in their state and isn't currently enrolled in higher education
    - Earnings are pulled from Census data for the state in which the institution is located;
      or
    - If fewer than 50% of students enrolled in the institution reside in the school's state, earnings are compared to the national median
  - **Graduate and professional programs:** The median earnings of graduates who completed the program 4 years prior must be greater than the median earnings of a 25–34-year-old bachelor's degree recipient who is working in their state and isn't currently enrolled in higher education
    - Earnings are pulled from Census data for the lowest median earnings of:
      - A working adult in the institution's state
      - A working adult in the same field of study (2-digit CIP code) in the institution's state
        and
      - A working adult in the same field of study (2-digit CIP code) in the entire country
        or
      - If fewer than 50% of the students enrolled at the institution reside in the institution's state, then the lower median earnings of either:
        - A working adult in the entire country
          or
        - A working adult in the same field of study (2-digit CIP code) in the entire country

- Failure of these metrics in any year requires disclosure of failure and risk of losing access to federal aid to enrolled students and failure in two out of the most recent three years results in the loss of access to the Direct Loan program for at least two years, after which the program may apply for reinstatement
    - Programs may also appeal their earnings calculations, during which time they may continue accessing the Direct Loan program
- Program cohorts must be at least 30 former students
    - If fewer than 30 in an award year, additional years of program data must be aggregated and
    - Additional years of program data for degrees of equivalent length are added to achieve 30 former students

Regulatory Relief

- The latest Borrower Defense to Repayment and Closed School Discharges regulations are delayed until July 1, 2035

Endowment Tax

- Proposes a three-tiered rate structure with two new marginal tax rates:

1. 1.4% for endowment per FTE of $500,000 to $749,999
2. 4% for endowment per FTE of $750,000 to $1,999,999
3. 8% for endowment per FTE over $2 million

- International students are included in the formula count toward FTE
- Amends the formula so that an institution must have at least 3,000 tuition paying students to be subject to the tax

Parking Tax

- Does not contain the House proposal that would tax nonprofit employers who provide transportation benefits to employees

Section 127

- Adopts the House language making the student loan expansion of employer-provided education assistance permanent, and indexes the entire annual $5,250 for inflation

Student and Family Benefits

- Preserves all the current benefits that help students and families save for college, pay tuition, and repay student loans