

**Date:** July 11, 2025

**To:** Chancellors, Superintendents, Presidents, and Accreditation Liaison Officers of  
ACCJC Member Institutions; Other Interested Parties

**From:** Mac Powell, President *MP*

**Subject:** Passage of the “One, Big Beautiful Bill” – Key Impacts on Higher Education

Dear Colleagues,

As you are likely aware, the “One, Big Beautiful Bill” has officially been signed into law, ushering in substantial changes to the landscape of higher education. This landmark legislation carries significant implications for our institutions, particularly in the areas of student financial aid, program eligibility, and regulatory compliance.

The bill includes wide-ranging provisions that affect:

1. Graduate and PLUS loan borrowing limits and program eligibility
2. Student loan repayment
3. Federal Student Aid administrative funding
4. Pell grants and Workforce Pell
5. Federal Student Aid eligibility
6. Program eligibility for loans based on earnings requirements
7. Regulatory Requirements
8. Other Provisions Related to Federal Tax Code

Below is a summary of the major elements of the bill that will most directly impact our institutions and the students we serve.

**Graduate and PLUS Loan Borrowing Limits and Program Eligibility**

- Prohibit new Direct Plus student loans to graduate students.
- Limit graduate students (who are not professional students) to borrowing up to \$20,500 annually and \$100,000 in the aggregate.

- Limit professional students to borrowing up to \$50,000 annually and \$200,000 in the aggregate.
  - If a graduate student has been a professional student, such student may borrow in the aggregate up to the professional limits, less the amount borrowed for the professional program they attended. Likewise, if a professional student has been a graduate student the amount they may borrow in the aggregate as a professional student is less the amount borrowed for graduate programs they attended.
- Limit parents to borrowing no more than \$20,000 annually and \$65,000 in the aggregate in Parent Plus loans for each dependent student regardless of any amounts repaid, forgiven, cancelled or discharged on such loans.
- Limit students to borrowing no more than \$257,000 total across undergraduate and graduate borrowing, excluding borrowing by the student as a parent borrower under the Parent Plus program.
- Reduce the amount that students who are enrolled less than full time can borrow to the amount that is proportionate with their enrollment intensity.
- Permit institutions of higher education (IHEs) to limit the amount of loan eligibility (below the statutory limits) for undergraduate students if such limits are applied consistently to all students enrolled in a program of study.

### **Student Loan Repayment**

*Under current law and regulation, Federal student loan borrowers have the choice of several repayment plans in which to enroll:*

1. A Standard plan under which repayment happens within 10 years;
2. A Graduated plan under which repayment happens within 10 years and payments increase over time;
3. An Extended plan where payments can be fixed or increase over time and under which repayment happens within 25 years; and
4. Several different income-driven repayment (IDR) plans:
  - a. Income-Based Repayment (IBR) where payments are based on 10 or 15 percent of a borrower's income and any remaining balance is forgiven after 25 years of qualified payments;
  - b. Income-Contingent Repayment (ICR) where payments are the lesser of 20 percent of borrower income or what a borrower would pay via a fixed payment over 12 years according to borrower income and any remaining balance is forgiven after 25 years of qualified payments;
  - c. Pay-As-You-Earn (PAYE) where payments are limited to 10 percent of a borrower's income but can be no more than what a borrower would pay under 10-year standard repayment plan and any remaining balance is forgiven after 20 years of qualified payments; and
  - d. Saving on a Valuable Education (SAVE) where payments are 10 percent of a borrower's income and any remaining balance is forgiven after 20 or 25 years of

qualified payments (depending on whether it is undergraduate or graduate debt).

Income-driven repayment plans, including the SAVE plan, have been the topic of recent litigation, limiting borrower enrollment and operability. Lastly, *under current law*, borrowers who default on their student loans are eligible for “loan rehabilitation,” which permits the borrower to make agreed upon payments for nine months to return their loan to current payment status and have their default removed from their credit record.

The *One, Big Beautiful Bill* makes several changes in this area compared to current law. The bill would:

- Require the U.S. Department of Education (ED), before July 1, 2028, to facilitate borrowers enrolled in an ICR plan (or in forbearance in conjunction with an ICR plan) as of the date of enactment to select the newly established income-based Repayment Assistance Plan (RAP) or the IBR plan for repayment of their eligible loans. Such borrowers would be required by July 1, 2028, to begin repayment of their loans under one of these two plans. If borrowers did not select a plan by such date, ED would select one of these two plans for such borrowers.
- Terminate the ability to choose an ICR plan after July 1, 2028.
- Prescribe two repayment plans applying to loans made after July 1, 2026:
  - A Standard Repayment Plan that would permit longer periods of repayment based on the size of the outstanding principal balance of a borrower. Borrowers with Parent Plus loans made after July 1, 2026, would be required to repay loans through the Standard Repayment Plan and if a borrower does not select a repayment plan, the borrower would be assigned the Standard Repayment Plan; and
  - An income-based Repayment Assistance Plan (RAP) with the following elements: a \$10 minimum monthly payment; forgiveness after 360 qualifying payments (30 years); a reduction in the amount of a borrower’s principal of up to \$50; and no capitalization of unpaid interest to the borrower. Monthly payments would be based on the adjusted gross income of the borrower and the number of dependents of the borrower. The plan would be permitted for eligible Direct Loan borrowers only.
- Prohibit ED from authorizing a borrower for loans made after July 2026 to repay such loans under a plan other than the Standard Repayment Plan and RAP.
- Permit ED to require borrowers who have defaulted on their student loans to repay under an IBR plan.
- Limit eligibility for forbearance on loans received on or after July 1, 2027, to no more than 9 months in a 24-month period.
- Permit loan rehabilitation twice (rather than once under current law) and require a minimum monthly payment of \$10 during a period of loan rehabilitation.
- Permit loan payments made under the RAP to count toward public service loan forgiveness eligibility.

## **Federal Student Aid Administrative Funding**

The One, Big Beautiful Bill provides \$1 billion for the costs of administering Federal Student Aid, including Federal student loan servicing.

## **Pell Grants**

The bill makes *several changes compared to current law* in this area. The bill would:

- Include foreign income in determining Pell grant eligibility starting with the 2026-27 award year.
- Eliminate Pell eligibility for students who have a student aid index that is double or more than the total maximum Pell grant for an academic year.
- Eliminate Pell eligibility for students who receive grant aid from sources other than Title IV—including other Federal sources, States, institutions of higher education (IHEs) and private sources—in an amount that equals or exceeds the student's cost of attendance.
- Provide \$10.5 billion in additional mandatory appropriations for the Pell program, offsetting some aspect of the expected Pell grant shortfall.

## **Workforce Pell**

*Under current law*, a Pell eligible program must at least be 15 weeks in length or 600 clock hours. This has prevented otherwise Pell-eligible students from using Pell grants to pay for the cost of courses offered by their IHE that are shorter in length.

The One Big Bill *adopts a new Workforce Pell Grant authority*. The bill would:

- Award Workforce Pell Grants (WFGs) to eligible students, starting with the award year 2026-27. To be eligible for WFGs, a student would be required to meet other Pell eligibility requirements and not be enrolled in a program that leads to a graduate credential or have obtained a graduate credential. The amount of a WFG would be prorated, and a student would be eligible for such a grant even if the amount of the grant were less than the minimum amount the student would receive otherwise through the Pell Grant program. Students cannot receive a regular Pell Grant in conjunction with a WFG.
- Establish the following criteria for programs at an eligible institution to be eligible for a WFG:
  - The program is at least 150 clock hours (but no more than 600 clock hours) and must be at least 8 weeks and no more than 15 weeks in duration;
  - The program may not be offered as a correspondence course;
  - The Governor of a State, in consultation with the State Workforce Board, must make several determinations, including that the program is aligned with requirements of high skill, high wage or in-demand industry sectors or occupations; meets the hiring requirements of potential employers; leads to a recognized postsecondary credential that is stackable, portable or prepares students for an occupation for which there is only one recognized credential and provides students with such credential upon completion; and ensures students

upon completion of the program receive academic credit that will be accepted for another certificate or degree program;

- After the Governor makes such determinations, the bill requires the Secretary of Education to determine that the program has been offered by the institution for at least one year; at least 70 percent of participants complete the program within 150 percent of normal time to completion; at least 70 percent of participants find employment within 180 days of program completion; and published tuition and fees for the program do not exceed the “value-added earnings” of completing students (3 year prior to the determination); and
- Eligible institutions are IHEs eligible under section 401 of the Higher Education Act, the Pell grant section.

### **Program Eligibility for Loans Based on Earnings Requirements**

The Bill requires institutions of higher education (IHEs) to provide assurances that, beginning July 1, 2026, the IHE would comply with eligibility requirements on a program-by-program basis based on whether the earnings of cohorts of completing students meet certain standards. Specifically, the bill would:

- Prohibit the use of Title IV, Part D loan funds (Direct Loans) for enrollment in undergraduate, graduate and professional degree programs and graduate certificate programs that are designated as a low-earning program.
  - Programs are evaluated on a cohort basis. Cohorts consist of students who completed the program 4 years before the determination and are “working.”
    - A low-earning undergraduate program is a program whose cohort does not meet the median earnings of working adults, aged 25 through 34 who only have a high school diploma or the recognized equivalent; and
    - A low-earning graduate program is a program whose cohort does not meet the median earnings of working adults, aged 25 through 34, who only have a bachelor’s degree.
    - Cohorts would be required to meet the median earnings test for at least two of the three years before the determination (ex: if a student completed the program 4 years ago, the comparison years would be the three years that are one year after program exit).
  - Median earnings of such working adults would be based on Census data:
    - For undergraduate cohorts, median earnings would generally utilize data for the State in which the IHE is located. If fewer than 50 percent of the students enrolled in the IHE reside in the State, median earnings would be calculated based on the entire United States.
    - For graduate cohorts, ED would use the lowest median earnings calculated for each of the following:
      - State in which the IHE is located
      - Same field of study in the State
      - Same field of study in the entire United States

- A similar rule to the undergraduate rule applies if fewer than 50 percent of students enrolled in the IHE reside in the State
    - ED would aggregate multiple years of data if initial cohort (undergraduate or graduate) consists of less than 30 students.
    - An appeals process would be provided to contest the median earning determination of such working adults.
- Require IHEs with a program that does not meet the cohort earning requirements for one year to promptly inform each student that the program is at risk of losing its eligibility for Title IV, Part D loan funds.
- Require ED to establish a process for an education program to regain eligibility for Title IV, Part D loan funds after a period of not less than two years of ineligibility.

### **Regulatory Requirements**

The One, Big Beautiful Bill delays the effectiveness of closed school discharge (CSD) and borrower defense to repayment (BDR) regulations (recently promulgated during the previous Administration) for 10 years.

### **Other Provisions Related to Federal Tax Code**

In addition to the above, the Bill includes several other changes to tax code that will impact institutions of higher education and their students. The Bill revises the excise tax on investment income for certain private colleges, increasing the tax rate based on per-student endowment levels and narrowing the calculation to U.S. citizens and tuition-paying students. It also permanently allows employer student loan repayments to be excluded from employees' taxable income, up to \$5,250, and makes permanent the tax exclusion for student debt discharged due to death or disability. The Bill expands eligible uses of Section 529 savings accounts to include credentialing programs recognized under federal or state workforce systems. Other changes include requiring a Social Security number to claim education tax credits, which could affect student eligibility. Collectively, these measures reshape how higher education institutions manage finances and how students and families fund postsecondary education.

We will continue to monitor implementation developments closely and engage with our federal partners to help ensure clarity, consistency, and stability throughout this transition. Our priority remains protecting access to critical financial aid programs and maintaining a strong, student-centered accreditation process. As additional guidance becomes available, we will share updates and resources to support your efforts on campus.

Thank you for your continued leadership and commitment to student success during this pivotal time.

