



H.R. 1's Impact on Paying for Higher Education

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PRESENTED BY

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Today's Topics

- Pell Grant and FAFSA Formula Changes
- Federal Loan Borrowing
- Federal Student Loan Repayment
- Negotiated Rulemaking
- 529 Tax Code Changes
- Miscellaneous Items
- Items Not Included in the Final Bill





The material and information presented in this webinar has been prepared for informational purposes only. There are numerous details to be determined through negotiated rulemaking and other guidance.



Pell Grant and FAFSA Changes

Workforce Pell Grant Program (July 1, 2026)

- Eligible programs must be between 150-599 clock hours and 8-15 weeks, offered by accredited institutions, and lead to a “portable, stackable” credential.
- Programs must be approved by the state governor and align with in-demand jobs and meet employers’ needs.
- Remedial, non-credit, English language learning, and study abroad coursework are not eligible for funding.
- Additional requirements exist, and details will be worked out through the federal negotiated rulemaking process to be held in December 2025 and January 2026.



Pell Grants/FAFSA Formula Changes

Pell Eligibility for Students with High Student Aid Indexes (July 1, 2026)

- Currently a student whose family has a low Adjusted Gross Income (based on the federal poverty guidelines) can qualify for a Pell Grant regardless of their SAI (even if the family has significant assets).
- H.R. 1 addresses this scenario by preventing students from receiving Pell Grants if their Student Aid Index (SAI) exceeds twice the maximum Pell Grant award.
- The threshold for 2026-2027 is \$14,790.

No Pell if Over the Cost of Attendance (July 1, 2026)

- A student will be ineligible for a Pell Grant if they are receiving other non-Title IV grant aid (e.g., state, college, or private scholarship funds) that, taken together, equals or exceeds the student's full cost of attendance.
- Outstanding questions to be answered through negotiated rulemaking.



FAFSA Formula Changes

FAFSA Asset Exemptions (Award year 2026-2027)

- H.R. 1 restores the exemptions for family farms and family-owned small businesses (with fewer than 100 full-time employees) from the SAI calculation.
- Additionally, the asset exemption expands to include family-owned commercial fisheries.
- The 2026-2027 FAFSA, which will be released on October 1, 2025, will reflect these changes.



FAFSA Formula Changes

Foreign Income and Pell Eligibility (Award year 2026-2027)

- Foreign income included in the AGI will now be used to calculate Pell Grant eligibility.
- This will result in the question asking individuals if they have foreign income to be removed from the FAFSA.



Federal Loan Borrowing



Federal Loan Borrowing

Federal Parent PLUS Loan Limits (July 1, 2026)

- Currently, parents can borrow up to the total cost of education minus the total amount of other financial aid the student is receiving.
- H.R. 1 limits borrowing to \$20,000 per year, per dependent student, with a \$65,000 aggregate limit per dependent student.
- There is an exemption, for up to three years, for parents who borrow a PLUS Loan before July 1, 2026.



Federal Loan Borrowing

Federal Graduate Loan Limits (July 1, 2026)

- Currently, graduate students can borrow up to \$20,500 in Federal Direct Unsubsidized loans annually.
- H.R. 1 maintains this annual loan limit of \$20,500 for graduate students and sets a \$50,000 annual borrowing limit for professional students.
- The aggregate limit is capped at \$100,000 for graduate students and \$200,000 for professional students, not including amounts already borrowed as an undergraduate.
- Typically, professional students are ones who require licensure (i.e. medical doctors and lawyers, but not most PhDs).



Definition of a Professional Student

- H.R. 1 refers to the following [definition](#) in the Code of Federal Regulations:

“A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor’s degree. Professional licensure is also generally required. Examples of a professional degree include but are not limited to Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), and Theology (M.Div., or M.H.L.).”
- More clarification to come with Negotiated Rulemaking.



Federal Loan Borrowing

Federal Graduate PLUS Loans (July 1, 2026)

- Currently, students can borrow up to the total cost of education minus the total amount of other financial aid (including the \$20,500 in Federal Direct Unsubsidized Loans).
- H.R. 1 eliminates the Graduate PLUS program.
- There is an exemption, for up to three years, for students who borrow a Graduate PLUS loan before July 1, 2026.



Federal Loan Borrowing

Lifetime Limit on All Federal Loans

- H.R. 1 contains a \$257,500 borrowing cap on all federal student loans, excluding borrowed Parent PLUS loan amounts.
- This limit includes amounts that have been repaid.
- If a borrower has a Federal Direct Loan made before July 1, 2026, they can continue to borrow under current loan limits for up to 3 academic years.



Federal Loan Borrowing

Loan Proration (No date stated in the bill)

- Institutions will be required to prorate annual loan amounts in direct proportion to the percent of full-time status for which the student is enrolled.
- Additional guidance from the Department of Education is needed to fully understand the impact of this provision.
- NASFAA has confirmed with the Department of Education that this proration will be in effect for the 2026-2027 academic year.



Federal Student Loan Repayment



Federal Student Loan Repayment

Repayment Plans for New Borrowers (July 1, 2026)

- Borrowers with new loans on or after July 1, 2026, will have two options to repay their federal student loans:
 - a new standard repayment plan with fixed monthly payments; or
 - the new income-based plan, the Repayment Assistance Plan (RAP).
- All loans must be paid under the same repayment plan, so borrowers with loans made before July 1, 2026, who take out additional loans on or after July 1, 2026, will only have RAP and the new standard repayment plan as options.



Federal Student Loan Repayment

Standard Repayment Plan (July 1, 2026)

- New standard plan with 4 fixed terms of 10, 15, 20, or 25 years based on the amount borrowed (or outstanding balance if in repayment).
 - Up to \$24,999 – 10 years
 - Between \$25,000 and \$49,999 - 15 years
 - Between \$50,000 to \$99,999 - 20 years
 - Over \$100,000 - 25 years



Federal Student Loan Repayment

Repayment Assistance Plan (July 1, 2026)

- Payments are based on the borrower's adjusted gross income (AGI) and family size
- Base Payment – The base payment will be based on AGI as follows:
 - Up to \$10,000 = \$120
 - \$10,001 to \$20,000 = 1 percent of AGI
 - \$20,001 to \$30,000 = 2 percent of AGI
 - \$30,001 to \$40,000 = 3 percent of AGI
 - \$40,001 to \$50,000 = 4 percent of AGI
 - \$50,001 to \$60,000 = 5 percent of AGI
 - \$60,001 to \$70,000 = 6 percent of AGI
 - \$70,001 to \$80,000 = 7 percent of AGI
 - \$80,001 to \$90,000 = 8 percent of AGI
 - \$90,001 to \$100,000 = 9 percent of AGI
 - More than \$100,000 = 10 percent of AGI
- Minimum monthly payment is \$10



Federal Student Loan Repayment

Repayment Assistance Plan (July 1, 2026)

- If a borrower is married and filing separately, the spouse's AGI and number of dependents will not be included in the payment calculation.
- If the monthly payment is not enough to cover accrued interest, the interest is waived and will not be added to the loan balance.
- If the borrower makes an on-time payment that reduces their principal by less than \$50, the Department of Education will reduce the outstanding principal balance by up to \$50.



Federal Student Loan Repayment

Repayment Assistance Plan (July 1, 2026)

- There is no cap on monthly payments, even if the payment amount is higher than the standard repayment plan payment would be.
- The maximum repayment period is 30 years. Remaining balance is forgiven after 360 qualifying monthly payments.
 - Forgiveness under RAP is treated as taxable income, unless it is being forgiven under PSLF.
- New Parent PLUS loan borrowers aren't eligible for RAP (only the new Standard Repayment Plan).



Federal Student Loan Repayment

Repayment Plans for Current Borrowers (July 1, 2026, & July 1, 2028)

- Current borrowers with no new loans made on or after July 1, 2026, will continue to be eligible to enroll in the following repayment plans: current Standard, current Income Based (IBR), Graduated, Extended, or the new income-based Repayment Assistance Plan (RAP).
- Current borrowers enrolled in ICR, PAYE, or SAVE repayment plans must transition to one of the new eligible repayment plans (RAP, new Standard Plan, or Amended IBR) by July 1, 2028.
 - If no selection is made by that date, they will be moved into RAP.
- After all current borrowers move out of all other current IDR or Standard plans, they will be sunset.



Federal Student Loan Repayment

Economic Hardship Deferment and Unemployment Deferment (July 1, 2027)

- Eliminates the Economic Hardship Deferment and Unemployment Deferment for borrowers with an effective date for borrowers who received a loan on or after July 1, 2027.



Federal Student Loan Repayment

Loan Forbearance (July 1, 2027)

- Loans made on or after July 1, 2027, are eligible for forbearance for up to nine months in any two-year period.
- Current rules allow for a forbearance up to 12 months at a time, with a cumulative limit of three years.



Negotiated Rulemaking



Negotiated Rulemaking

Two committees:

- Reimagining and Improving Student Education (RISE) Committee will address loan issues.
 - September 29-October 3, 2025; and
 - November 3-7, 2025
- Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee will address institutional and program accountability, Pell Grants, and other issues.
 - December 8-12, 2025
 - January 5-9, 2026



529 Tax Code Changes



529 Tax Code Changes

Section 529 Plans (Various dates)

- Expands the definition of qualified education expenses (tax free) effective for distributions made after **July 4, 2025**.
- Now allows K-12 qualified education expenses for:
 - Tuition
 - Curriculum and academic materials, including online courses
 - Books and instructional materials
 - Tutoring services (tutor must be licensed and unrelated to the student)
 - Standardized test fees (e.g., SAT, ACT, AP exams)
 - Dual-enrollment college course
 - Educational therapies for students with disabilities
- The legislation applies to K-12 attendance or enrollment at a public, private, or religious elementary or secondary school
- Increases the cap on K-12 expenses from \$10,000 to \$20,000 **starting in 2026**.



529 Tax Code Changes

Section 529 Plans (July 4, 2025)

- Adds certain postsecondary credentialing expenses to the definition of “qualified higher education expenses.”
 - Tuition, fees, books, supplies, and equipment required for enrollment in a recognized postsecondary credential program.
 - Testing fees required to obtain or maintain a recognized credential
 - Continuing education fees necessary to maintain a recognized postsecondary credential program.
- To qualify, credential programs must be one of the following:
 - Authorized by the Workforce Innovation and Opportunity Act
 - A military credential
 - Aligned with other approved postsecondary credential organizations



Miscellaneous



Accountability Measures

Accountability Measures (July 1, 2026)

- H.R. 1 creates a new accountability measure that would cause a program to lose Direct Loan eligibility if it fails the “low earnings outcomes” measure 2 out of 3 years.
- For undergraduate programs: compares the median earnings of completers four years after program completion with the earnings of “working adults” with only a high school degree or GED.
- For graduate programs: compares the median earnings four years post-enrollment with the earnings of “working adults” with only a bachelor’s degree.
- Programs failing to meet this earnings threshold in 2 of 3 years will lose eligibility to participate in the Direct Loan Program, with the option to reapply after 2 years.
- After one year of failure, institutions have to provide disclosures to students.

Endowment tax on Private College and Universities (2026 tax year)

- For tax years beginning after December 31, 2025, the flat 1.4% tax is replaced with the following tiered structure:
 - 1.4% for endowments between \$500,000 and \$750,000 per student
 - 4% for endowments between \$750,001 and \$2M per student
 - 8% for endowments exceeding \$2 per student
- Institutions that serve less than 3,000 students are exempt from the tax.
- What this looks like:
 - Harvard, Yale, Stanford, Princeton and the Massachusetts Institute of Technology are expected to pay the 8% rate next year.
 - Notre Dame, Dartmouth College, Rice University, University of Pennsylvania, Washington University in St. Louis and Vanderbilt University are expected to pay the 4% rate.
 - Some universities are on the edge of the law's parameters. Both Duke and Emory, for instance, were shy of the \$750,000-per-student endowment threshold based on last fiscal year.



Items Not Included in the Final Bill



Items Not Included in the Final Bill

Proposed Changes Not Included in H.R. 1

- Pell Grant Enrollment – no change the definition of full-time enrollment for Pell eligibility (remains at 12 credits per semester).
- Pell Grant Enrollment – no change to eligibility for less-than-half-time enrollment.
- Subsidized Loan Program – no changes
- Non-citizen eligibility – no changes to eligibility criteria for non-citizens.



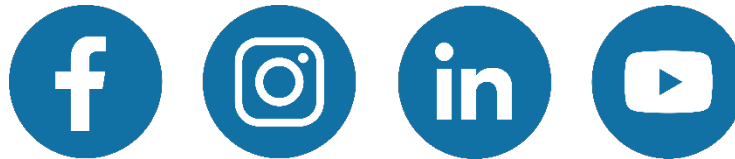
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