

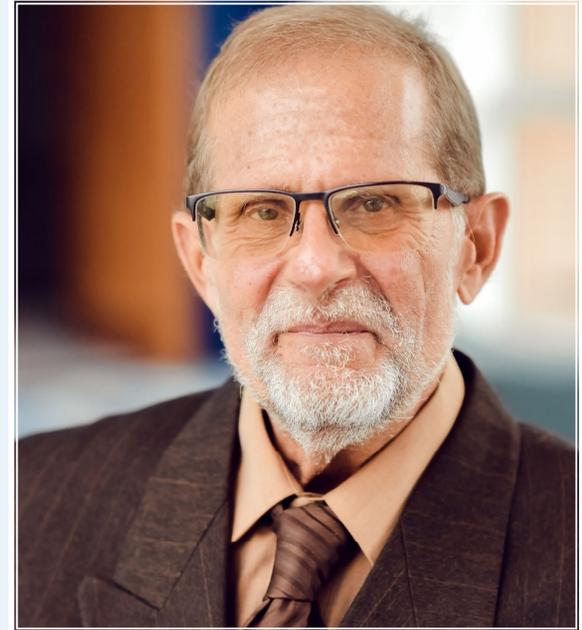
OB3 Update

Loan Proration & Earnings Accountability

NYSFAAA | March 12, 2026

Presenter Profile

- Practice and Experience
 - Approaching five decades of experience as a senior college executive and financial aid professional, managing every facet of the Title IV federal financial aid programs.
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Howard Leslie

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Presenter Profile

- Practice and Experience
 - Co-Chair of Higher Education Practice at Thompson Coburn LLC.
 - Assists institutions of higher education to navigate a wide range of challenging legal and regulatory matters.
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Aaron Lacey

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Presentation Preamble

Disclaimer

- Laws and policies are updated regularly. If you are reviewing these slides February 2026, please keep in mind that changes may have occurred.

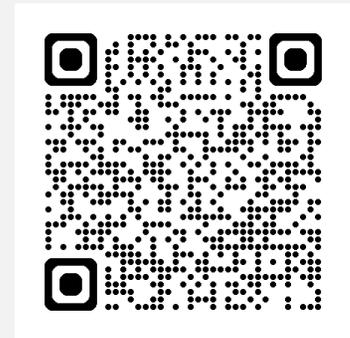
Live Links

- The hyperlinks in these slides (including the PDF) are active and would take you to the underlying resources.

TC Extra Credit

- All TC resources referenced are free and available [here](#) or by scanning the QR code.

Magic QR Code



Syllabus

Loan Proration...

Earnings Accountability

Appendix A: Median Annual Earnings

Appendix B: Earnings Threshold

Appendix C: Program Certifications



NYSFAAA

New York State Financial Aid Administrators Association

April 1st

Comes on

March 12th!



WE WILL NOT BE TALKING ABOUT LOAN PRORATION TODAY AFTER ALL!

Loan Schedule of Reduction
(Schedule of Reduction) and
More

NOT PRORATION

Starting with Other Major Changes to the Loan Programs

- We know that we said the focus for today will be Loan Schedule of Reduction – and it is.
- First, some important and impactful changes that you should be aware of and prepare for NOW.

Elimination of Grad PLUS

- Effective July 1, 2026, Grad PLUS is eliminated from the law.
- Students who meet the interim exception may continue to borrow Grad PLUS (more on the exception later).
- What you should be doing now:
 - Perform a data analysis on how much this impacts your student body.
 - Determine/prepare for alternate means of financing (to be discussed later).

Maximum Parent PLUS

- Effective July 1, 2026, Parent PLUS has an award year and aggregate limit.
- Annual Limit is \$20,000 per year for a student (either or both parents).
- Aggregate Limit is \$65,000 per year for a student (either or both parents).
- Students/Parents who meet the interim exception may continue to borrow the current PLUS (more on the exception later).
- What you should be doing now:
 - Perform a data analysis on how much this impacts your student body.
 - Determine/prepare for alternate means of financing (to be discussed later).

Institutional Authority to Limit Loans

- Beginning on July 1, 2026, institutions may limit the total amount of Direct Loans made for a program of study for an academic year that a student may borrow, or that a parent may borrow on behalf of the student, provided the limit is applied consistently to all students enrolled in the program.

The Interim Exception

- The new loan terminations and limitations will not apply during the “expected time to credential” for any student who, as of June 30, 2026, is enrolled in and has already received a Direct Loan for a program (including a Parent PLUS loan).
- The “expected time to credential” is the lesser of:
 - three academic years; or
 - the amount of time still required for the student to complete the program at the time the determination is made.

The Interim Exception

- **WE DO NOT KNOW YET:**
 - How is three years measured?
 - Is it 100% or 150%.
 - How to measure years for less than full time students.
- **HEADLINE:** At SFA the department stated that they originally misinterpreted the intention of the law regarding the Interim Exception – **SO HOLD ON TO YOUR HATS.**

How do you track students who meet the exception?

- As of now, you should be discussing that on your campus, and with your software provider, **HOWEVER**;
- We have heard that there may be modifications to NSLDS that will track it for us – and deliver a flag on the ISIR.
- At the FSA Conference it was announced that COD will automatically identify students with a Direct Loan for 2025-26 with an award end date on or after April 4, 2026, as eligible for the limited exception using a new “grandfathering flag” in COD.
 - COD staff acknowledged that this does not capture every student who may qualify for the limited exception and stated that they have a plan for a manual process for schools to update the flag by calling COD.

Alternate Funding

- Proration (as you will soon see) as well as both changes to PLUS (Grad and Parent) can have a major impact on affordability.
- Schools should be looking at alternative funding, one of which is private/alternative loans.
- Schools may not recommend or steer a student toward a lender. The only option is to create a Preferred Lender List, which is a very regulated process.

Preferred Lender List Process

- Briefly:
 - You can publish the lenders your students have used, by percentage, over the last several years, OR
 - You can go through the PLL Selection Process, which requires, among other things:
 - Creating a PLL Committee that must meet and make decisions at least once a year.
 - Sending out Requests for Information to Lenders.
 - Evaluating and discussing the responses.
 - Requesting references and evaluating responses.
 - Every member of the committee must sign a certification that they have not and will not receive any benefits from the lenders selected.
 - Documenting all committee activities with minutes and decisions made.

Finally, the Loan Schedule of Reduction

- We are going to start simple and then get more complicated, giving detailed examples along the way
- **Why Schedule of Reduction** vs. Loan Proration?: Simply, Loan Proration already existed for students are completing in less than an award year. The original loan proration has not changed
- **IMPORTANT** – Loan Schedule of Reduction is pending the Interim Final Regulations (expected in early Spring)
 - That means everything in this presentation is subject to change based on the regulations and guidance to follow
 - Everything in today's presentation is well researched and is expected to be in the final guidance; however:
 - We will point out where questions remain, and we do not know what the guidance will be, and there are unfortunately a lot of unanswered questions and questions answered that can change

Before we dig into Loan Schedule of Reduction

- Schools should be analyzing:
 - The percentage of your loan-dependent part-time students and how losing those students may impact the student body/institutional revenue.
- Changes in institutional policy that may mitigate the loss of students
 - Such as creating the Preferred Lender List
 - Creating/enhancing Payment Plans or Institutional Loans
 - Being aware of the Truth In Lending Act and Title X Implications
 - Other Institutional Programs, already in existence, that may be able to mitigate the impact.

Loan Schedule of Reduction Starting Simple

- We have seen where this can be presented in great complexity. We intend to keep it simple, even when it gets complicated.
- First, determine the student's BBAY/SAY Loan Eligibility, assuming 100%
- Keep in mind that the department has already said that the equal disbursement requirement does not apply when Loan Schedule of Reduction is involved
- Also keep in mind that the department has made it clear that a student may not receive greater than 50% of their eligibility on the front end of a BBAY/SAY
- We are being required to look at the full SAY/BBAY, not just one term

Loan Schedule of Reduction Starting Simple

- **It depends** on how you do the awarding. If you use year one (25-26) for your crossover, there is no proration impact until you start using year 2 (26-27). If you are a crossover-term school using year 2 ISIR, the Schedule of Reduction begins. So simply put, any loan made with the 26-27 ISIR and forward is subject to the new rule.
- It is our understanding the proration is rounded up .5 or higher and rounded down .4 or lower.
 - The law states that the secretary will publish a “schedule of reduction”.
- Dropped courses in the second term, after disbursement, do not require reduction. Each BBAY/SAY has its own counter

Loan Schedule of Reduction Starting Simple

- We must look at the entire BBAY/SAY, and how they impact each other due to credits registered and dropped – details to come.
- In the interest of time, we are not providing examples of dropped courses when a student started part-time, but the logic of dropped courses applies as per the full-time examples
- The department has not yet guided us on one-semester registration
- PLUS LOANS are not subject to proration; **however, Grad PLUS (for those that remain eligible due to the Interim Exception) will be subject to reduction.**
 - **This adds an extra layer because Cost of Attendance (COA) and Other Financial Aid(OFA) must be taken into consideration.**

Loan Schedule of Reduction Starting Simple

- Reduction does not apply to clock hour or to non-standard terms
- If an institution chooses to limit loan maximums by program, the reduction is based on that limitation, not normal eligibility
- A student loan whose lifetime aggregate is less than an otherwise full amount; reduction would take place on the remaining eligibility.

Loan Schedule of Reduction Starting Simple

- Institutional policy on charges has no bearing on reduction. Just because a student earned full liability on the tuition loan, a reduction must still take place:
 - To make sure we are all on the same page, there is a difference between a withdrawn class and a dropped class. Your institutional policy will determine how you handle the loans: Examples
 - Withdrawn in general after drop add and the student attended at least one time
 - Dropped in general is a course never attended, and if the loan has not been disbursed yet, you need to reduce the loan. If it is disbursed, you should correct and reduce it.

Loan Schedule of Reduction Starting Simple

- An institution can choose to adjust the loan in term one when a student withdraws rather than in term two.
- There is still a little uncertainty regarding the term after R2T4 as it pertains to the schedule of reduction. My example will be based on the knowledge we currently have.

Loan Schedule of Reduction Starting Simple

EXAMPLE 1

- Student is full-time in terms 1 and 2 (we will cover some quarter examples later)
- Student is a first-term dependent student
- Student is registered FT (for this presentation, we are assuming Undergraduate FT to be 12 or more credits) for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- **NO REDUCTION**

EXAMPLE 1

	TERM		1		2	
	CREDITS		12		12	
	PERCENTAGE		50		50	
	SUB		\$1,750.00		\$1,750.00	
	UNSUB		\$1,000.00		\$1,000.00	

Loan Schedule of Reduction Starting Simple

EXAMPLE 2

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Student is registered FT for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- Student withdraws from a 3-credit course before disbursement in term 1
- School must prorate the term 1 loan

Example 2

TERM		1			2
CREDITS		12	drops 3 credit course before disbursement		12
PERCENTAGE		37.5			50
SUB		\$1,312.50			\$1,750
UNSUB		\$750			\$1,000

Loan Schedule of Reduction Getting Complicated

EXAMPLE 3

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Student is registered FT for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- Student withdraws from a 3-credit course after disbursement in term 1
- School must prorate the term 2 loan

EXAMPLE 3

TERM		1		2
CREDITS		12	drops 3 credits course after loan disbursement	12
PERCENTAGE		50		37.5
SUB		\$1,750.00		\$1,325.50
UNSUB		\$1,000		\$750.00

Loan Schedule of Reduction Getting Complicated

EXAMPLE 3A

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Student is registered FT for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- **SCHOOLS' POLICY IS TO ADJUST TERM 1, NOT TERM 2**
- Student withdraws from a 3-credit course **after disbursement** in term 1
- School will then return the adjusted portion in term 1 (which can leave the student with a large balance) rather than reduce term 2

EXAMPLE 3A

TERM		1			2	
CREDITS		12	Drops 3 credit courses after disbursement		12	
PERCENTAGE		37.5			50	
SUB		\$1,312.50			\$1,750.00	
UNSUB		\$750.00			\$1,000.00	

Loan Schedule of Reduction Getting Complicated

EXAMPLE 4

- Student is full-time in terms 1 and 2
- Student is a first-term dependent student
- Student is registered FT for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- Student withdraws from a 3-credit course **after disbursement** in term 1; however, the student adds a 3-credit course in Module B OF TERM 1 OR IN TERM 2 (term 2 example follows)
- School does not need to prorate the term 2 loan

EXAMPLE 4

TERM		1		2	
CREDITS		12	drops 3 credits course after loan disbursement	12	adds a 3 credit class
PERCENTAGE		50		50	
SUB		\$1,750.00		\$1,750.00	
UNSUB		\$1,000		\$1,000.00	
			(12-3) + (12+3) = 24 NO PRORATION		

Loan Schedule of Reduction Getting Even More Complicated

EXAMPLE 5

- Student is full-time in term 1 and part-time in term 2
- Student is a first-term independent student
- Student is registered
- Term 1 = 15 credits (62.5%) of the BBAY/SAY eligibility
- Term 2 = 9 credits (38.5%)
- School cannot provide more than 50% of the loan eligibility in term 1, the school can apply the extra 12.5% to term 2.
- School does not need to prorate the term 2 loan

EXAMPLE 5

	TERM		1		2
	CREDITS		15		9
	PERCENTAGE		62		38
	SCHOOL CANNOT AWARD GT 50% OF ELIGIBILITY IN TERM 1 BUT CAN APPLY THE EXTRA CREDITS TO TERM 2		50		50
	SUB		\$1,750.00		\$1,750.00
	UNSUB		\$3,000		\$3,000.00

Loan Schedule of Reduction Getting Even More Complicated

EXAMPLE 6

- Student is part-time in term 1 and full-time in term 2
- Student is a first-term independent student
- Student is registered
- Term 1 = 9 credits (38%) of the BBAY/SAY eligibility
- Term 2 = 15 credits (62%)
- School cannot use extra credits from term 2 in order to make the split 50/50
- School can award greater than 50% of the annual loan limit in term 2
- School must prorate the term 1 loan and can award 62% in the second term

Loan Schedule of Reduction Getting Even More Complicated

EXAMPLE 7

- Student is part-time in term 1 and full-time in term 2
- Student is a first-term independent student
- Student is registered
- Term 1 = 3 credits (NE) (12.5%) of the BBAY/SAY eligibility
- Term 2 = 15 credits (62.5%)
- School can use extra credits from term 1 towards term 2.
School can award greater than 50% of the annual loan limit in term 2

EXAMPLE 7

	TERM		1		2
	CREDITS		3		15
	PERCENTAGE		12.5		62.5
	SCHOOL CANNOT AWARD A LT HT LOAN IN TERM 1 BUT CAN APPLY THE 3 CREDITS TO TERM 2		0		75
	SUB		\$0.00		\$2,625.00
	UNSUB		\$0.00		\$4,500.00

Loan Schedule of Reduction Getting Even More Complicated (Graduate Students)

EXAMPLE 8

- Student is part-time in term 1 and term 2
- Student is a graduate student (9=FT, 6=HT, 3 = LTHT and NE)
- Student is registered:
- Term 1 = 6 credits (NE) (33%) of the BBAY/SAY eligibility
- Term 2 = 6 credits (33%)

Example 8

TERM		1		2	
CREDITS		6		6	
PERCENTAGE		33		33	
UNSUB		\$6,765.00		\$6,765.00	

Loan Schedule of Reduction Getting Even More Complicated Graduate Students)

EXAMPLE 9

- Student is part-time in term 1 and full-time in term 2
- Student is a graduate student (9=FT, 6=HT, 3 = LTHT and NE)
- Student is registered
- Term 1 = 3 credits (NE) (16%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (66.7%)

Loan Schedule of Reduction Getting Even More Complicated Graduate Students with Grad PLUS)

EXAMPLE 10

In order to make sense out of this slide we treated each term separately

- Student is part-time in term 1 and full-time in term 2
- Student is a graduate student (9=FT, 6=HT, 3 = LTHT and NE)
- Student is registered
- Term 1 = 6 credits (NE) $(6/9) = (66 \%)$ of the term eligibility at half time
- Term 2 = 9 credits $(9/9) = (100\%)$ of the term eligibility at full-time
- COA = \$50,000
- OFA = Only the Unsub loan
- For this example, assuming COA is prorated by the number of credits because many schools charge Grad Students strictly by \$s per each credit
- First step to determine full GRAD PLUS ELIGIBILITY – then step two is Loan reduction

EXAMPLE 10

TERM	1	2	
CREDITS	6	9	
PERCENTAGE	66%	100%	
UNSUB	\$6,765.00	\$10,250.00	
COA	$(\$50,000/2) * 66\% = \$16,500$	$\$50,000/2 = \$25,000$	
COA-OFA = BASE GRAD PLUS	$\$16,500 - \$6,765 = \$9,735$	$\$25,000 - \$10,250 = \$14,750$	
REDUCED GRAD PLUS	$\$9,735 * 66\% = \$3,688$	$\$14,750 * 100\% = \$14,750$	
TOTAL UNSUB	\$6,765.00	\$10,250.00	\$17,015.00
TOTAL GRAD PLUS	\$3,688.00	\$14,750.00	\$18,438.00
TOTAL LOANS FOR BBAY/SAY			\$35,453.00

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11

- Student is full-time in term 1, 2, 3 at a quarter term school
- FT = 12 thus 36 for the BBAY/SAY
- Student is a dependent senior who needs all 3 terms to graduate
- Student is registered
- Term 1 = 12 credits (33%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (33%)
- Term 3 = 12 credits (34%)

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11 Continued

- Student withdraws from a 3-credit course after disbursement in term 1
- Student adds a 3-credit course in term 2 but then drops a 3-credit course after disbursement
- Student then drops a 3-credit course in term 3 before disbursement

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11 Continued

- Because the student added 3 credits in the second term that disbursement does not need to be prorated
- Because the student dropped 3 credits in term 2, after disbursement, term 3 has to be prorated.
- Because the student dropped a 3-credit course in term 3, before disbursement, the loan has to be prorated again
- Result:
 - $(12-3) + (12+3-3) + (12 -3) = 30$

EXAMPLE 11

TERM	1	2	3
CREDITS	12	12	12
		Student adds a class but then withdraws from another 3 credit class after the disbursement	Student then withdraws from a 3 credit class before disbursement
INITIAL PERCENTAGE	33	33	34
FINAL PERCENTAGE	33	33	16.67
SUB	\$1,815.00	\$1,815.00	\$917.00
UNSUB	\$660.00	\$660.00	\$333.00
	•(12-3) + (12+3-3) + (12 -3) = 30		

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 12

- Student is full-time in term 1, 2, 3 at a quarter term school
- FT = 12 thus 36 for the BBAY/SAY
- Student is a dependent senior who needs all 3 terms to graduate
- Student is registered
- Term 1 = 12 credits (33%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (33%)
- Term 3 = 12 credits (34%)

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 12 Continued

- Student withdraws from a 3-credit course before disbursement in term 1
- Student drops a 3-credit course in term 2 before disbursement
- The student added 6 credits in term 3 but then dropped 9 credits after disbursement.

Loan Schedule of Reduction Getting Very Complicated | Quarters

EXAMPLE 11 Continued

- Because the student dropped 3 credits in the first term before disbursement, the first term loan needs to be prorated
- The student dropping 3 credits, before disbursement, the second term loan needs to be prorated
- Because the student added 6-credits in 3 term disbursement can be increased to make the student whole for the entire BBAY/SAY
- Result: $(12 - 3) + (12 - 3) + (12 + 6)$ (-9 has no impact after disbursement)
= 36
- Final point – the 9 credit drop in term 3 does not impact the term 3 disbursement nor does it impact the next BBAY/SAY

EXAMPLE 12

TERM	1	2	3	4
CREDITS	12	12	12	NO IMPACT ON NEW BBAY/SAY
		Student withdraws from 3 credit class before the	Student withdraws from another 3 credit class before the	Student adds 6 credits then withdraws from 9 credits after
INITIAL PERCENTAGE	33	disbursement	33	disbursement
FINAL PERCENTAGE	25		25	
SUB	\$1,375.00		\$1,375.00	\$2,750.00
UNSUB	\$500.00		\$500.00	\$500.00
	(12- 3) + (12-3) + (12+6) (-9 has no impact after disbursement) = 36			

Loan Schedule of Reduction | Modules

EXAMPLE 13

- Student is attending a semester institution that also offers three 5-week modules (A, B, and C) (not going to use dollars in this example, we think you got that)
- Student is registered:
 - 15 week Term 1 = 3 credits
 - Mod A Term 1 = 3 credits
 - Mod B Term 1 = 3 credits
 - Mod C Term 1 = 3 credits
 - TOTAL TERM 1 = 12 credits
 - 15-week Term 2 = 12 credits
- $12 + 12 = 24 = 100\%$ eligibility

Loan Schedule of Reduction | Modules

EXAMPLE 13 Continued

- The student proceeds to drop the 15-week term 1 class before disbursement.
- Prorated disbursement takes place for term 1 ($9/24 = 37.5\%$)
- Student then drops Term 1 Mod C 3 credits
 - At this point, the Term 2 loan needs to be prorated
- Student adds 6 credits in Term 1 Mod C
 - At this point $(12 - 3 - 3 + 6) = 12$
 - Term 1 loan can be increased back to full 50% term eligibility
 - Term 2 loan does not need to be prorated
- **IMPORTANT NOTE:** We will not discuss Pell Freeze dates today nor get into your institution's drop/add policies. However, keep in mind that your policies and systems must be prepared for all the above

EXAMPLE 13

		TERM 1	TERM 1 RUNNING TOTALS	TERM 2
15 WEEK COURSE		3	Student drops before disbursement Term 1 Loan must be prorated 12-3=9	12
MOD A		3	Student drops after disbursement Term 2 Loan must be prorated 9-3=6	0
MOD B		3		0
MOD C		3	Student adds 6 credits The term 1 loan can be increased to 12/24 = 50%, and the term 2 loan does not need to be prorated 6+6 = 12	0
TOTAL		12		12

Loan Schedule of Reduction | R2T4 (more details are still needed but...)

EXAMPLE 14

- Student is full-time in terms 1 and 2. Student is a first-term dependent student
- Student is registered FT for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- Student withdraws from a 3-credit class after disbursement
 - Student does not need a reduction in term 1 but will in term 2
- Student fully withdraws from term 1, and R2T4 is completed.
- Student returns in Term 2 (this term now stands alone and reduction is not needed)

Loan Schedule of Reduction | R2T4 (more details are still needed but...)

EXAMPLE 15

- Student is full-time in terms 1 and 2. Student is a first-term dependent student
- Student is registered FT for both terms
- Term 1 = 12 credits (50%) of the BBAY/SAY eligibility
- Term 2 = 12 credits (50%)
- **School adopted the impact of the current term policy**
- Student withdraws from a 3-credit class after disbursement
 - Student reduction takes place in term 1 and term 2 is fine
- Student fully withdraws from term 1, and R2T4 is completed.
- R2T4 is based on the reduced loan in term 1
- Student returns in Term 2 (this term now stands alone)

Loan Schedule of Reduction | Aggregate Loan Limit

EXAMPLE 16

- Student is dependent part-time (6 credits) in terms of 1 and 2.
- The student needs 2 terms to graduate (because of 2 terms, no proration is required, but the schedule loan reduction applies).
- Student is \$2,000 away from the lifetime aggregate limit (and/or) the school adopted the policy to limit loans for the program to just \$2,000 per BBAY/SAY

Loan Schedule of Reduction | Aggregate Loan Limit

EXAMPLE 16 Continued

- The student's loan reduction is $(6 + 6) / 24 = 50\%$ (25% per term)
- Student's max is \$2,000 (again due to aggregate and/or institutional limitation)
- Student's loan = $\$2,000 * 50\%$ (\$1,000 per each term)

Loan Schedule of Reduction | Aggregate Loan Limit

EXAMPLE 16a (more details)

- Student is dependent part-time (6 credits) in terms of 1 and 2.
- The student needs 2 terms to graduate (because of 2 terms, no proration is required, but the schedule loan reduction applies).
- Student is \$2,000 away from the sub lifetime aggregate limit but still has unsub loans available

EXAMPLE 16A

		DEPENDENT STUDENT	
LIFE TIME SUB AGGREGATE LIMIT		\$23,000	(STUDENT HAS \$2,000 LEFT)
TOTAL AGGREGATE (sub + unsub)		\$31,000	STUDENT HAS \$10,000 LEFT
AS A SENIOR STUDENT IS ELIGIBLE FOR \$5,500 + \$2,000			
\$2,000 LEFT IN SUB BUT THE ADDITIONAL \$3,500 CAN BE AWARD IN UNSUB			
UNSUB BASE IS \$3,500 + \$2,000			
TERM	1		2
CREDITS	6		9
PERCENT	25		37.5
SUB	\$500.00		\$750.00
UNSUB	\$1,375		\$2,062.00

NO MORE EXAMPLES – BUT WHAT CAN SCHOOLS DO TO PREPARE?

- As mentioned earlier, creating a Preferred Lender List is highly recommended
 - For those that don't know, the Private Loan Industry changed dramatically as a result of the Affordable Care Act of 2010, which eliminated the FFELP.
 - The federal government is projected to lose approximately **\$197 billion** to over **\$200 billion** on student direct loans made over the last 25 years.
 - This administration would like to see a reversal of private to public back to private

NO MORE EXAMPLES – BUT WHAT CAN SCHOOLS DO TO PREPARE?

- Discuss all the proration issues with:
 - Admissions
 - Academic Advisement
 - Bursar/Student Accounts
 - Your Financial Aid Staff
 - Communicate with your students ASAP
- Admission often discuss affordability so the conversation with potential part-time students needs to change
- Academic Advisement – needs to know because:
 - Maybe they can advise students to add a class to avoid proration due to a dropped class
 - If students can handle greater than 12 credits, maybe they should register for 15 or 18 credits to act as buffers

NO MORE EXAMPLES – BUT WHAT CAN SCHOOLS DO TO PREPARE?

- Bursar may have or can look into payment plans or other options such as BNPL.
- Your Financial Aid Staff needs to be thoroughly retrained
- We recommend communicating with your students ASAP
 - Maybe starting with your part-time students, then educating all students on the impact of dropping a class.
- **FINALLY** – Update your catalog, website, and any other written materials.
 - Maybe add a student-friendly calculator to your website (see HTML handout)

Earnings Accountability

Negotiated Rulemaking 2025-2026

- On July 25, 2025, ED [announced](#) the RISE and AHEAD negotiated rulemaking committees to implement changes made by OB3 and “other Administration priorities.”
- For more information and to follow the negotiations as they progress, check out ED’s [“Negotiated Rulemaking for Higher Education 2025”](#) website.

The screenshot shows the U.S. Department of Education website. The header includes the department's name, a search bar, and navigation links for Higher Ed, Adult Programs, Birth to Grade 12 Education, Teaching & Admin, Grants & Programs, and Laws & Policy. The main content area is titled "Negotiated Rulemaking for Higher Education 2025" and includes a brief description of the department's efforts to make regulatory changes. Below this is a "What's New" section with a bullet point about expanding the AHEAD Committee. At the bottom, there is a list of links to various committees and documents, each with a right-pointing arrow and a plus sign.

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Negotiated Rulemaking for Higher Education 2025

This page provides information regarding the Department's negotiated rulemaking in 2025 to make regulatory changes for the programs authorized by Title IV of the Higher Education Act of 1965, as amended. View our [Frequently Asked Questions about Negotiated Rulemaking for Higher Education](#) for more information about negotiated rulemaking in general.

What's New

- Expand the ["Accountability in Higher Education and Access through Demand-driven Workforce Pell \(AHEAD\) Committee"](#) header below for session details.

> Federal Register Notices and Fact Sheets

> Public Hearing Information

> Public Service Loan Forgiveness Committee

> Reimagining and Improving Student Education (RISE) Committee

> Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee

AHEAD Outcome

- The AHEAD Committee **reached consensus** on issues relating to both Pell grants and accountability.
- The draft language that was the basis for the consensus vote, and that will serve as the basis for the proposed rule, is available on ED's [negotiated rulemaking website](#).

Day 4 Amendatory Text

Monday changes

Tuesday changes

Wednesday changes

Thursday changes

Topic 1: Accountability Technical and Conforming Changes

PART 600—INSTITUTIONAL ELIGIBILITY UNDER THE HIGHER EDUCATION ACT OF 1965, AS AMENDED

Subpart A—General

§ 600.10 Date, extent, duration, and consequence of eligibility.

* * * * *

(c) * * *

(3) For a gainful employment program [or eligible non-GE program](#) under 34 CFR part 668, subpart S, subject to any restrictions in 34 CFR 668.603 on establishing or reestablishing the [Direct Loan](#) eligibility of the program, an eligible institution must update its application under § 600.21.

* * * * *

Subpart B—Procedures for Establishing Eligibility

§ 600.21 Updating application information.

(a) *Reporting requirements.* Except as provided in paragraph

(b) of this section, an eligible institution must report to the

Next Steps in the Rulemaking Process

- We speculate that ED will choose to release two separate rule packages in the Federal Register, one covering Pell topics and one covering accountability.
 - There is nothing that requires the agency to cover all topics discussed during a rulemaking in a single package.
- We think ED will look to get these out in early spring, with Pell coming first. Institutions should expect between 30 and 60 days to comment, and we encourage them to do so.

Integrating Accountability

GE Program vs. Non-GE Program

- Since 1965, the Higher Education Act has required all non-degree programs offered by private non-profit institutions to “prepare students for **gainful employment** in a recognized occupation...”

Type of Institution	GE Programs	Non-GE Programs
Private Non-Profit & Public	Non-Degree Programs	Degree Programs
Proprietary	All Programs	N/A

GE Program vs. Non-GE Program

For PNP & Public Institutions, the programs in orange are GE programs. The programs in black are non-GE programs.

- Undergraduate certificate or diploma
- Associate degree
- Bachelor's degree
- Post-baccalaureate certificate
- Master's degree
- Doctoral degree
- First professional degree (e.g., MD, DDS, JD)
- Graduate certificate (including a postgraduate certificate)

The FVT/GE Rule

Disclosure and Reporting Requirements

- Includes significant reporting and disclosure requirements for all institutions.

Program Information Website

- The metrics, along with other data, would be made available to prospective and current students through a new program information website.

Two Accountability Tests for All Title IV Programs

- Requires ED to subject every Title IV program at every Title IV institution to a D/E Rates test and an Earnings Premium test.

Sanctions for GE Programs

- Only GE programs can lose Title IV eligibility.

The DNH Statutory Framework

One Accountability Test for Degree Programs and Graduate Certs

- Requires ED to subject every undergraduate degree, graduate or professional degree, and graduate certificate to an **Earnings Premium** test.

Loss of Direct Loans for Failing Degree Programs and Graduate Certs

- Failing programs must make warnings after one failing year and lose Direct Loan eligibility after two.

Negotiables and Non-Negotiables

Negotiables (FVT/GE)

- Disclosure and Reporting Requirements
- Two Accountability Tests for Title IV Programs
- Sanctions for GE Programs
- Program Information Website

Non-Negotiables (DNI)

- One Accountability Test for Degree Programs and Graduate Certs
- Loss of Direct Loans for Failing Degree Programs and Graduate Certs

A Range of Options

- ED is bound to implement the DNH statutory framework.
- But ED has considerable latitude in determining how to approach reporting and disclosure requirements, its program information website and, importantly, the evaluation of GE programs.
- ED could have argued to keep the existing FVT/GE rule in place, or it could have argued to strip it off the books entirely.
- ED opted for a middle of the road proposal but did not hesitate to remind negotiators that all options were on the table.

The Draft Proposal

The Draft Policy Framework

Disclosure and Reporting Requirements

- Largely maintains the significant reporting and disclosure requirements for all institutions included in the current FVT/GE regulation. Also, would require all institutions to report all new Title IV programs on their ECAR.

Program Information Website

- Maintains the publishing of the metrics and other data on ED's program information website, as required under the current FVT/GE rule.

One Earnings Premium Test for All Title IV Programs

- Requires ED to subject every Title IV program to an Earnings Premium test. The D/E test is eliminated.

Sanctions for All Title IV Programs

- All failing programs must make warnings after one failing year and all failing programs lose Direct Loan eligibility after two. Pell eligibility can also be lost by all failing programs if the number of failing programs exceeds certain thresholds.

Projected Impact

(1) Data Overview

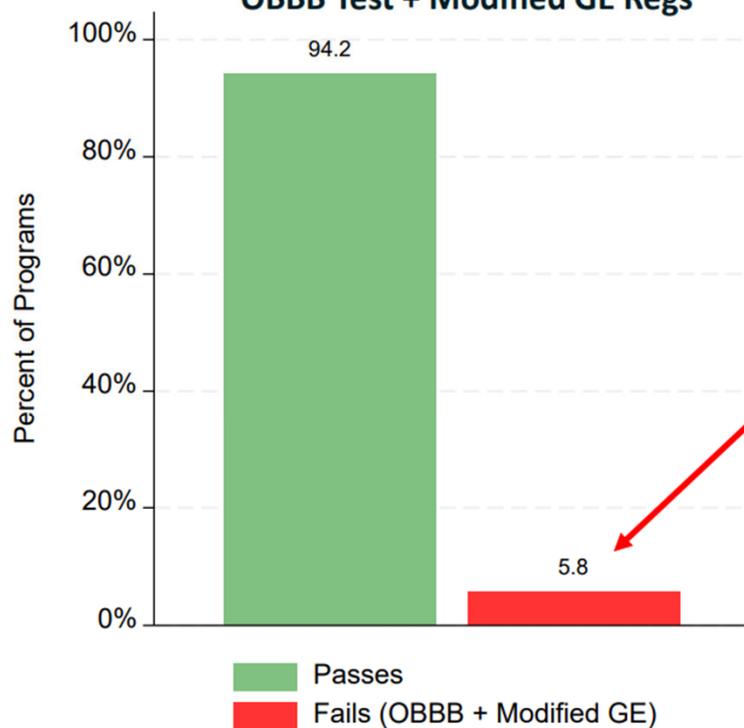
- ED assembled a program-level dataset that includes performance information for nearly all Title IV programs offered at US colleges (Program Performance Data 2026, or “**PPD:26**”)
- **PPD:26** draws on data from public sources (e.g., IPEDS, College Scorecard, ACS) and private sources (e.g., NSLDS, FAFSA, IRS).
- **PPD:26** allows us to estimate which types of programs are most likely to pass (or fail) the new earnings test in OBBB and the Gainful Employment regulations.
- The **PPD:26** dataset and additional details are available to the public on ED’s website.



Overall Pass/Fail Rate

Program-Weighted

Figure 1. Overall Pass/Fail Rates,
OBBB Test + Modified GE Regs

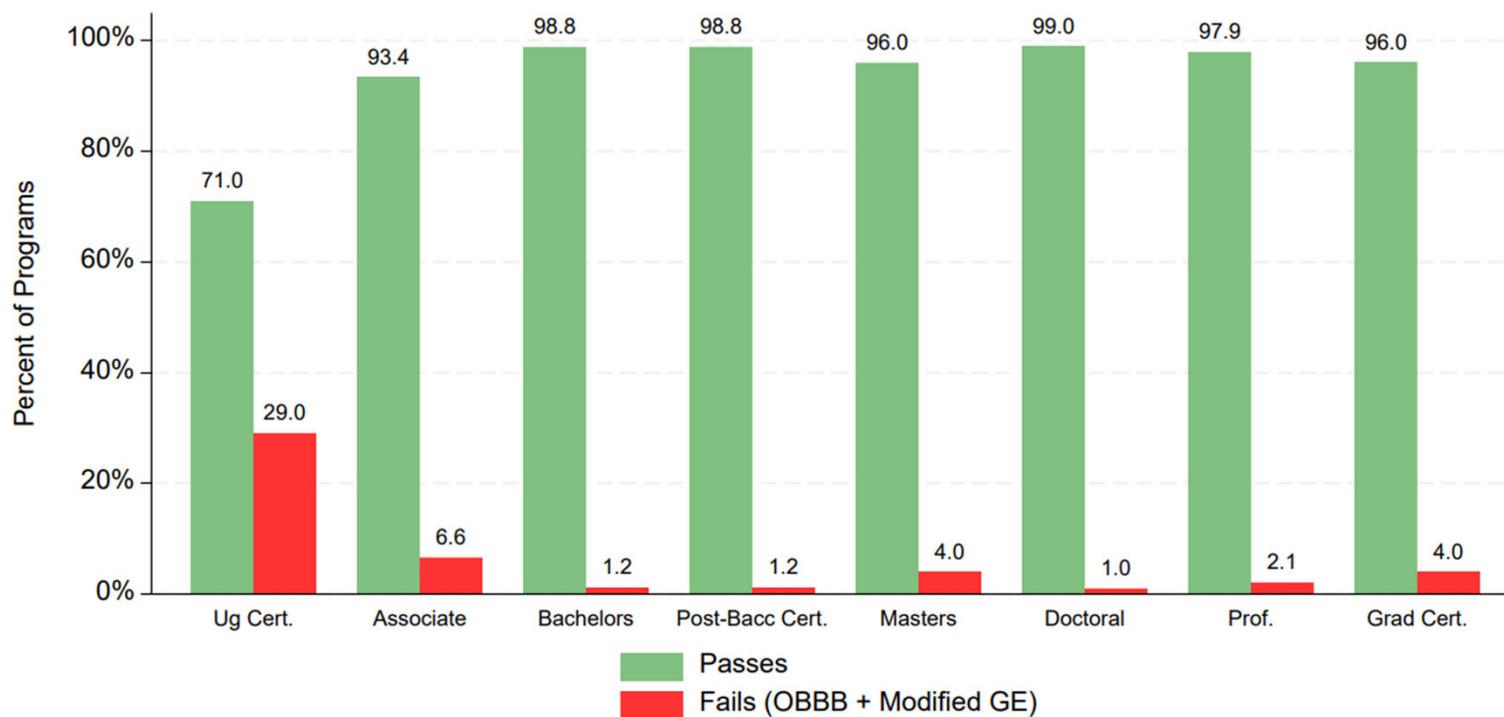


The proposed rule would impact approximately **6%** of programs.

Pass/Fail Rate, by Credential Level

Program-Weighted

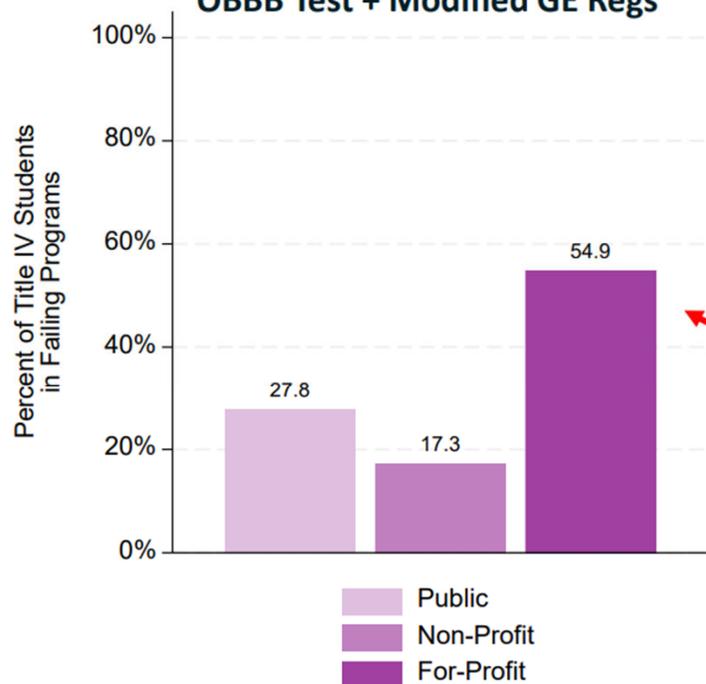
Figure 6. Pass/Fail Rates by Credential Level, OBBB Test + Modified GE Regs



Students in Failing Programs, by Sector

Student-Weighted

Figure 5. Percent of Students in Programs that Fail, by Sector, OBBB Test + Modified GE Regs

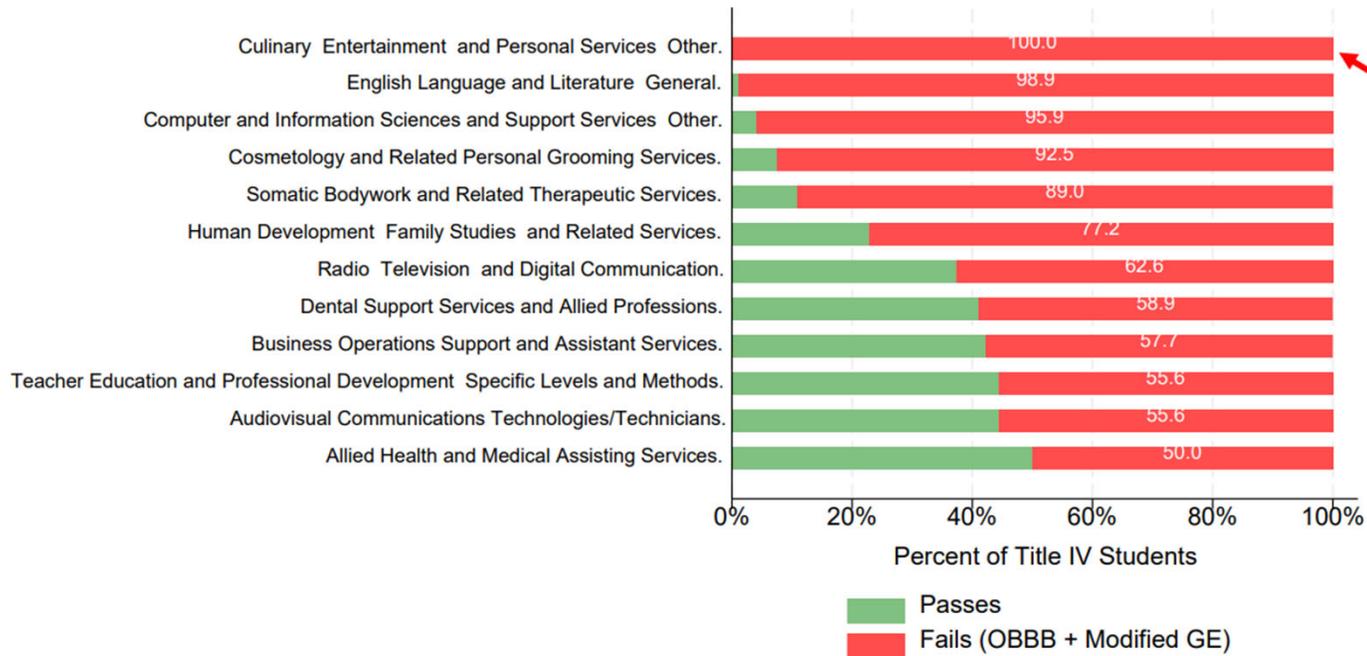


- Approximately **650K** Title IV students attend a failing program, across all sectors.
- Among those students, approximately half (**55%**) attend a for-profit institution.

Most Common Undergraduate Certificate Programs That Fail

Student-Weighted

Figure 10. Pass/Fail Rates by CIP4, OBBB Test + Modified GE Regs

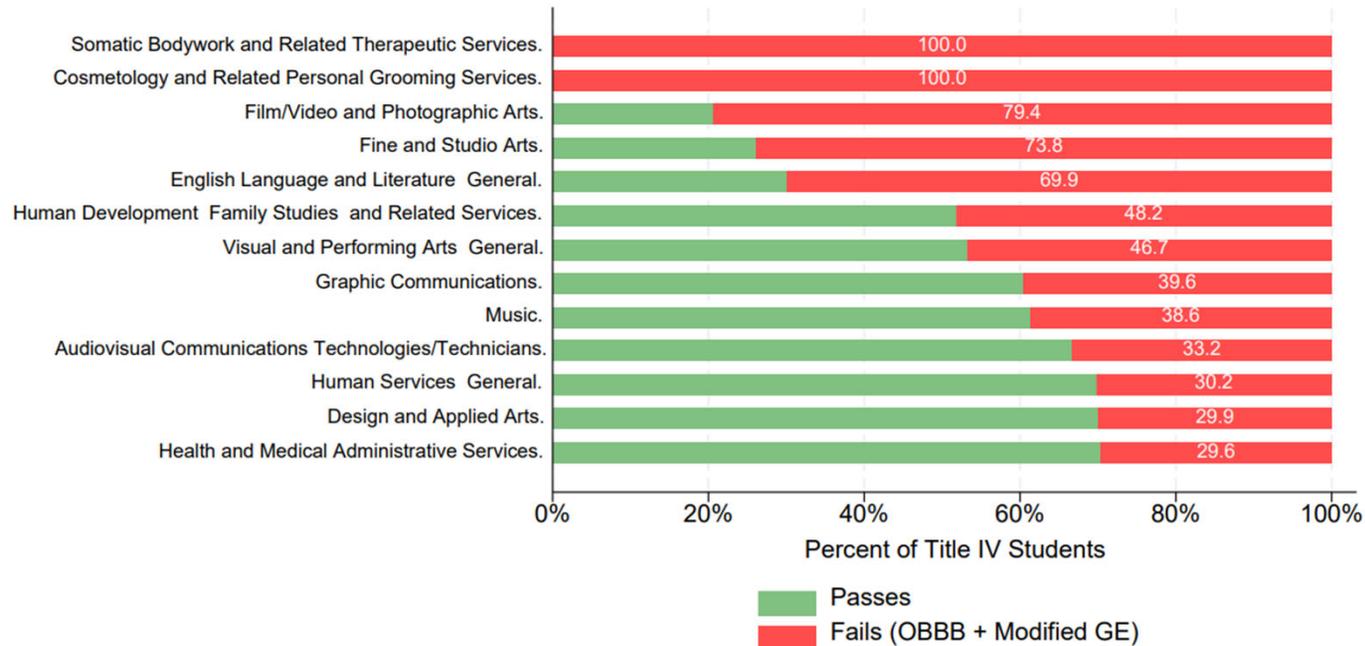


100% of Title IV students in undergraduate certificate programs in “Culinary Entertainment, Other” fail the proposed rule.

Most Common Associate Degree Programs That Fail

Student-Weighted

Figure 11. Pass/Fail Rates by CIP4, OBBS Test + Modified GE Regs

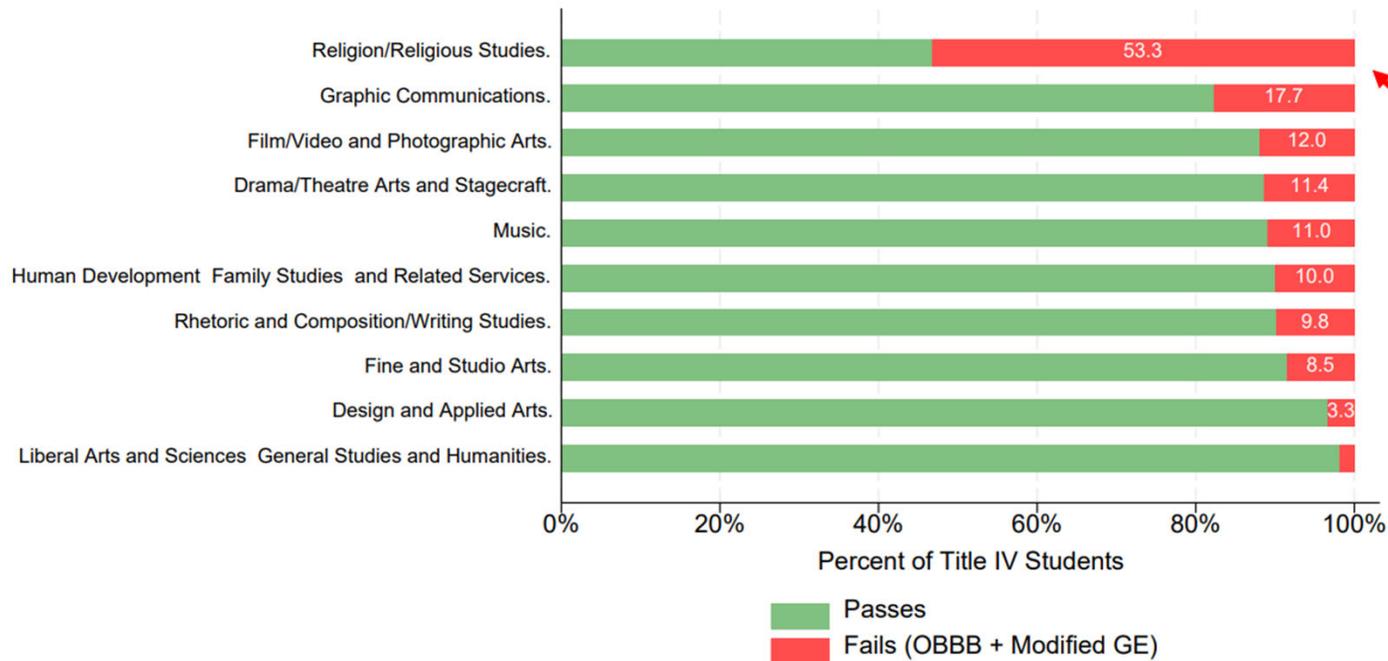


100% of Title IV students in associate degree programs in “Somatic Body Work & Related” and “Cosmetology & Related” fail the proposed rule.

Most Common Bachelor Degree Programs That Fail

Student-Weighted

Figure 12. Pass/Fail Rates by CIP4, OBBB Test + Modified GE Regs

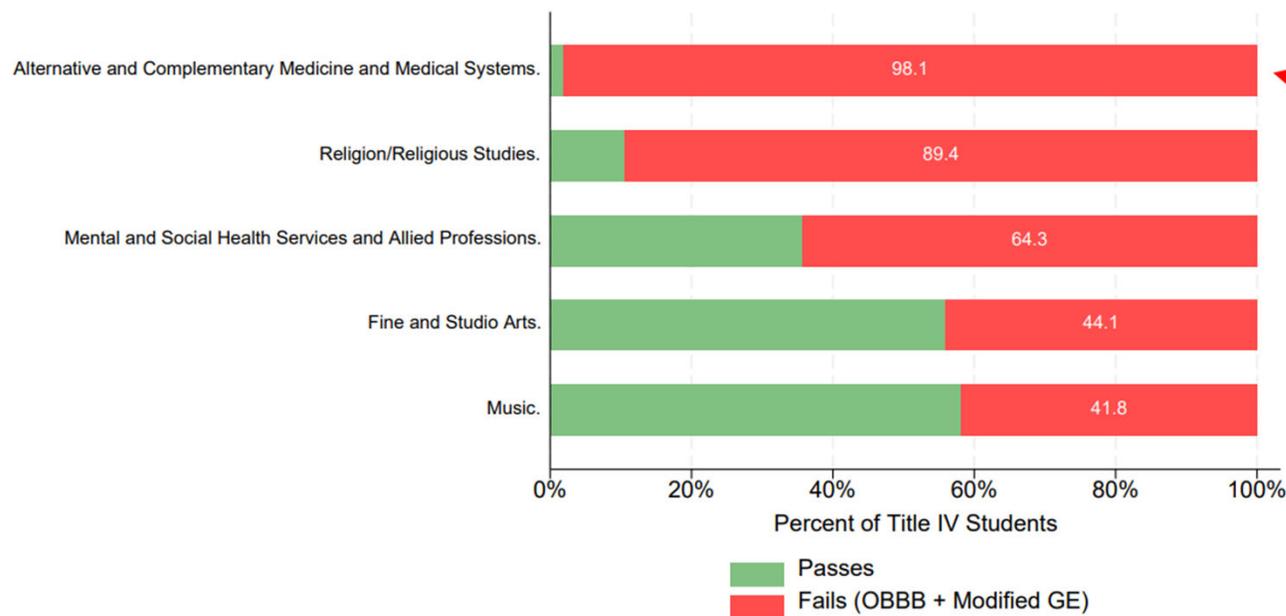


53% of Title IV students in bachelor degree programs in "Religion/Religious Studies" fail the proposed rule.

Most Common Master's Degree Programs That Fail

Student-Weighted

Figure 13. Pass/Fail Rates by CIP4, OBBB Test + Modified GE Regs



98% of Title IV students in master's degree programs in "Alternative & Complimentary Medicine" fail the proposed rule.

Where to find the PPD:26 Data Set

- Institutions can find the PPD: 26 data files on ED's "[Negotiated Rulemaking for Higher Education 2025](#)" website under the AHEAD section.
- Look under "Materials distributed by the Department Presession."
- The specific spreadsheet with the outcomes for programs can be downloaded by clicking this [link](#).

Session 2 - Dates and Times:

January 5-9, 2026, 9:00 a.m. to 12:00 p.m. and 1:00 p.m. to 4:00 p.m., Eastern

Materials distributed by the Department Presession:

- [Committee Agenda](#)*
- [AHEAD Session 2 Discussion Draft and Amendatory Text](#)*
- [AHEAD Session 2 Discussion Draft and Amendatory Text \(Annotated\)](#)*
- [AHEAD Session 2 Program Performance Data \(Institution Characteristics and Completions\)](#)*
- [AHEAD Session 2 Program Performance Data \(Enrollments\)](#)*
- [AHEAD Session 2 Program Performance Data \(Financial Aid Part 1\)](#)*
- [AHEAD Session 2 Program Performance Data \(Financial Aid Part 2\)](#)*
- [AHEAD Session 2 Program Performance Data \(Financial Aid Part 3\)](#)*
- [AHEAD Session 2 Program Performance Data \(Debt, Earnings, and Earnings Test Metrics\)](#)*
- [AHEAD Session 2 Program Performance Data Variable Codebook](#)*
- [AHEAD Session 2 Program Performance Data Fact Sheet](#)*
- [AHEAD Session 2 Program Performance Data Technical Appendix](#)*

Materials distributed by the Negotiators Presession:

- [OBBBA Accountability Framework and Licensed Professions \(Submitted by Jeff Arthur\)](#)*
- [Ensure Accurate Earnings Benchmarks and Methodology \(Submitted by Jeff Arthur\)](#)*
- [Policy Recommendations for an Undergraduate Certificate Program Accountability Framework \(Submitted by D Cariello\)](#)*
- [Military Affiliated Students Proposal Summary_02JAN26 \(Submitted by Matt Feehan\)](#)*
- [Memo_Requested Change to Variable Codebook \(Submitted by Eric Atchison\)](#)*
- [Memo_Proposal for Publishing Calendar Time to Complete a Program of Study \(Submitted by Eric Atchison\)](#)*

Materials distributed by the Department Day 1:

- [Explanation of Earnings Test and GE Changes](#)*
- [Process for Aggregating Small Programs](#)*
- [Definitions from ACS Data](#)*
- [Results of Earnings Test and GE Changes](#)*



The Earnings Premium

Annual Process: Overview

ED would compile for each program a list of all students who completed during the applicable cohort period (Completer List), removing any student satisfying certain exclusion criteria (e.g., total and permanent disability, deceased).

ED would provide the draft Completer List to the institution and affords it 60 days to “correct the information reported by the institution on which the list was based.”

The final Completer List is sent to a yet-to-be-named federal agency (Earnings Agency) to obtain the median annual earnings of the students on the list.

Once the earnings information is received, ED makes any needed adjustments calculates the **Earnings Premium** for the program and issues a Notice of Determination to the school.

The institution can accept the determination, appeal, or in some cases, initiate a voluntary teach out.

Earnings Premium Test: Overview

- ED would calculate an Earnings Premium for each Title IV program using the following formula:

$$\text{Earnings Premium} = \text{Median Annual Earnings} - \text{Earnings Threshold}$$

- A program passes the Earnings Premium test if its Median Annual Earnings equal or exceed the Earnings Threshold.

Earnings Premium: Undergrad & Non-Degree

- For Title IV Programs granting a **baccalaureate or lesser credential**.

Median Annual Earnings

Median annual earnings of working completers who graduated about 3-4 years before the determination year

vs.

Earnings Threshold

Median annual earnings of working adults aged 25-34 who only have a HS diploma or its recognized equivalent

Earnings Premium: Graduate Degree

- For Title IV Programs granting a **graduate or professional degree**.

Median Annual Earnings

Median annual earnings of working completers who graduated about 3-4 years before the determination year

vs.

Earnings Threshold

Median annual earnings of working adults aged 25-34 who have only a baccalaureate degree

Cohort Periods & Earnings Year(s)

AY for which Determination is Effective	2027-2028		2028-2029		2029-2030	
	Award Year (AY) of Completion	Calendar Year (CY) used for Earnings	Award Year (AY) of Completion used for Cost/Debt	Calendar Year (CY) used for Earnings	Award Year (AY) of Completion used for Cost/Debt	Calendar Year (CY) used for Earnings
Single-Year Cohort	2020-2021	2025	2021-2022	2026	2022-2023	2027
Sequentially Expanded / Aggregated Cohort	2019-2020 2018-2019 2017-2018 2016-2017	2024 2023 2022 2021	2020-2021 2019-2020 2018-2019 2017-2018	2025 2024 2023 2022	2021-2022 2020-2021 2019-2020 2018-2019	2026 2025 2024 2023

Earnings Premium Test: Overview

- If a program fails once in 3 years, the institution would be required to issue a **warning** to students in the program.
- If a program fails twice in 3 years, it would be a “low-earning outcome program” and students in the program would **lose access to Direct Loans**.

Earnings Premium Test: Overview

- If 50% or more of an institution's Title IV recipients are in, or 50% or more of an institution's Title IV funds are from, low-earning outcome programs, the institution would fail a new **administrative capability standard**.
- If an institution were to fail this new standard in 2 out of any 3 consecutive award years, the institution would be placed on provisional status and the institution's low-earning outcome programs would **lose access to all Title IV funds (including Pell grants)**.

The Consequences of Failure

Student Warnings

- An institution would be required to provide a warning to current and prospective students if its program could become ineligible in the next award year for which the Earnings Premium is calculated.
- As a practical matter, this means institutions would be required to provide the required warnings if a program fails a single year, because under the rule, after a single failure a program would be one year from potentially losing eligibility.
- ED would streamline the content of the student warnings and remove the alternate language requirement.

Student Warnings

- ED would preserve the requirement that an institution may not sign an enrollment agreement, complete registration, enter a financial commitment with, or disburse Title IV funds to a prospective student earlier than three business days after the institution delivers the warning and until the prospective student completes an acknowledgment.
- An institution would not be permitted to disburse Title IV funds to a current student until the student completes an acknowledgment.
- Specific content and direct distribution requirements for student warnings are located at 34 C.F.R. § 668.605.

Loss of Direct Loan Eligibility

- A Title IV program would become ineligible for Direct Loans of the program failed the Earnings Premium test in two out of any three consecutive award years for which the program's Earnings Premium is calculated.
 - If ED did not calculate or issue an Earnings Premium for a program for an award year, the program would receive a "no result" for that award year and remain in the same status as the previous award year.
- A program's participation in the Direct Loan program would end upon the completion of a termination action under subpart G.

Voluntary Program Closure

- Following its first failure, and provided ED agrees, an institution would have 120 days to sign a PPA amendment permitting it to voluntarily teach out the program.
- Among other requirements, the institution would have to immediately cease new enrollments. And the decision is not reversible.
- However, **it would permit continued access to Direct Loans** for the lesser of 3 years or the full-time normal duration of the program.
- Following the end of the teach out, the program would be subject to the period of ineligibility requirements.

Period of Ineligibility

- An institution may not seek to reestablish Direct Loan eligibility of a failing program that it discontinued voluntarily either before or after the earnings premium measure becomes effective for that program, or reestablish the Direct Loan eligibility of a program that is ineligible under the earnings premium measure, until two years following the earlier of the date the program loses eligibility or the date the institution voluntarily discontinued the failing program.

Scope of Ineligibility

- During the two-year period of ineligibility, an institution also may not seek to establish Direct Loan eligibility for a program sharing the same 4-digit CIP code and any overlapping SOC codes as the program that is ineligible.
- However, the institution may seek to establish eligibility for a program with the same CIP code if it is at a different credential level.

A Very Limited Appeal

- Institutions would be permitted to initiate an appeal under subpart G if they believe ED erred in the “calculation of the program’s earnings premium.”
- Institutions would not be permitted to dispute a program’s Direct Loan Program ineligibility based upon its earnings premium measure except as described in this paragraph.
- ED would not offer any form of alternate earnings appeal.

Institutional Action Plans

Institutional Action Plans

- Initiate conversations among institutional leadership, legal counsel, academics and others to begin developing a compliance plan for this rule.
- Determine which programs, if any, may fail the new earning premium test, and develop a plan for managing failing programs (replacement programs, institutional or private funding).
- Integrate earnings analysis into program development process.
- Comment on the proposed rule.

Crafting Comments

- It is important to raise concerns **and to express support** where appropriate.
- Be aware of the elements of the regulation that simply restate statute, as ED will have little ability to alter such language. ED will have more flexibility to revise elements of the proposed rule that are interpretive.
- When drafting the final rule, **ED may deviate from the draft consensus language** based on the comments received during the public comment period.

REGucation

(TC's Free Resources Platform)

REGucation | Free Resources Platform



As part of our ongoing commitment to the postsecondary community, Thompson Coburn's higher education practice routinely creates complimentary resources designed to assist institutions with navigating the legal complexities of the higher education sector. We have collected a number of these resources on this page, including our most recent webinars, training series, desk guides, whitepapers, blog posts, and litigation summaries. We hope you find these resources helpful, and if you have any questions, please contact a [member of our team](#).

Compliance Resources ↘

Webinars/Training Resources ↘

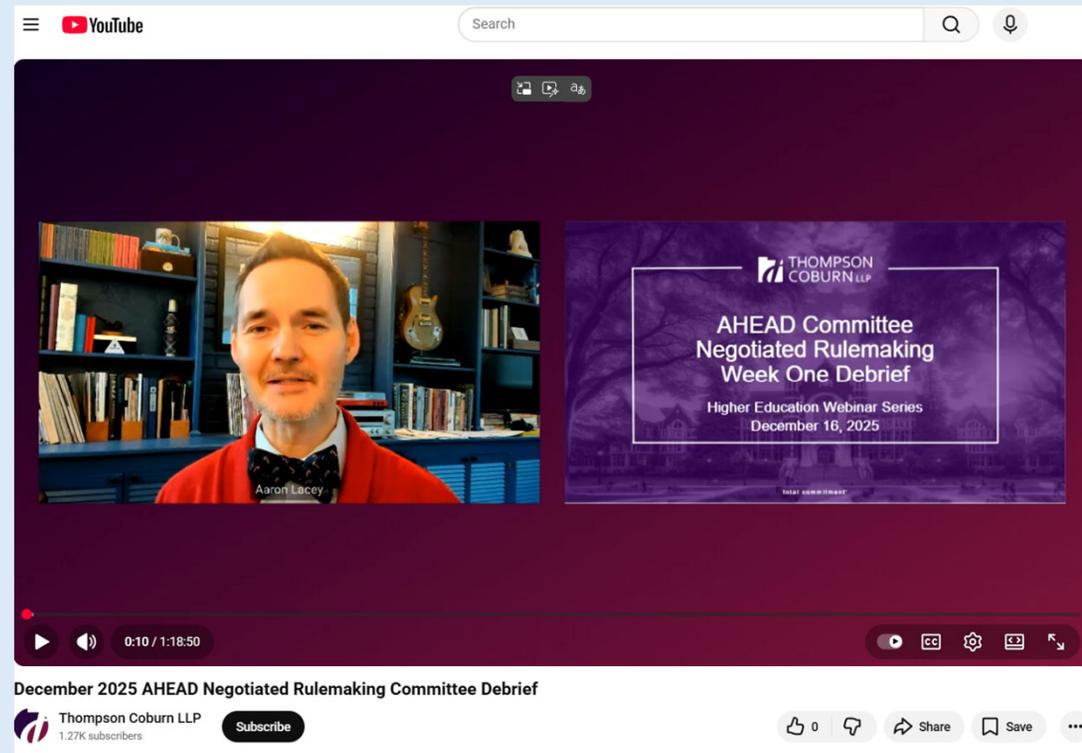
Blog Posts ↘

Litigation Summaries ↘



AHEAD: Debrief Webinar Series

- If you want to know more about the outcome of the Pell grant negotiations, check out our [week one debrief](#).
- For a detailed discussion of the accountability negotiations, tune in to our [week two debrief](#).
- Both are available free on our YouTube channel.



Appendix A: Median Annual Earnings

Working Completers

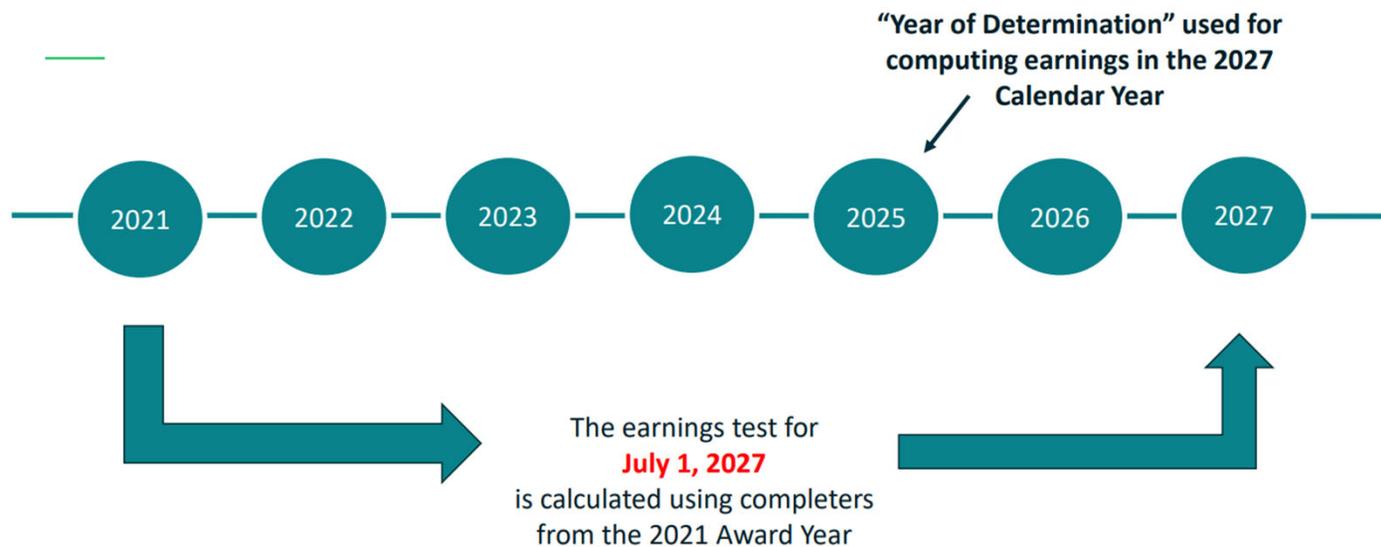
- For all Title IV programs, the median annual earnings would be based on the median earnings for working completers, which are students who:
 - completed the program during the applicable **cohort period**;
 - received some form of Title IV aid;
 - are **working**; and
 - do not otherwise fall into an **excluded category**.
- These are the students who would appear on a program's completer list.

Initial Cohort Period

- ED proposes to begin by only looking at the earnings of students who competed during a single award year. The initial, single-year cohort would be the fourth award year prior to the calendar year for which the most recent earnings data is available.
- This would mean that if the most recent year for which earnings data is available were CY 2025, the initial, single-year cohort would be made up of students who completed during the 2020-21 award year.

Initial Cohort Period

(2) Cohorts used for the Earnings Test

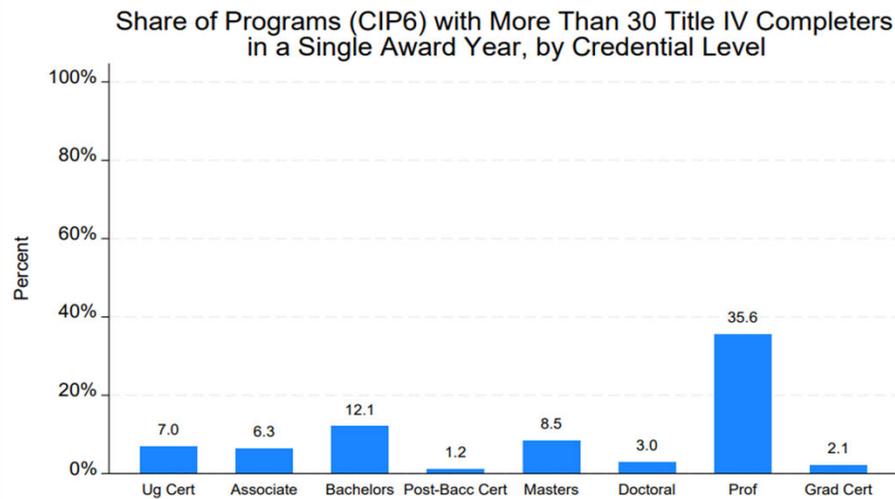


Expanded /Aggregated Cohort

- ED proposes to expand the cohort, as required, in accordance with the following schedule:
 - If the initial, single-year cohort (2020-21) has fewer than 30 completers, ED would expand the cohort for the program, one year at a time, until it reaches the 30 completer threshold. The agency would include up to four additional award years in this expansion.
 - If the cohort still includes fewer than 30 students, the ED would expand the cohort to include all programs within **the same 4-digit CIP code** and credential level, beginning with the initial, single-year cohort (2020-21) and expanding one year at a time through the eighth prior award year (2016-17).
 - If the cohort still includes fewer than 30 students, the ED would expand the cohort to include all programs at **the same 2-digit CIP code** and credential level, beginning once again with the initial, single-year cohort (2020-21) and expanding one year at a time through the eighth prior award year (2016-17).

Expanded /Aggregated Cohort

(2) Cohort Aggregation Will Be Common



U.S. Department of Education

- Overall, only **9%** of programs have greater than 30 Title IV completers in a single award year
- This means **91%** of programs will need to be aggregated with prior cohorts

Expanded /Aggregated Cohort

Sequentially Expanded / Aggregated Cohort					AY 2021-22	AY 2022-23	AY 2023-24	CY 2025	AY 2027-28
8 th Prior AY	7 th Prior AY	6 th Prior AY	5 th Prior AY	4 th Prior AY	3 rd Prior AY	2 nd Prior AY	1 st Prior AY	Most recent CY for which earnings are available	AY for which Determination is Effective

Earnings Year and Data

- For the students who completed the program during the cohort period, ED would always use the earnings for the fourth tax year following when they completed the program. This ensures a **consistent interval** between program completion and earnings measurement.
- ED does not specify the federal agency from which it would obtain earnings data for working completers, but indicates in its commentary that “the IRS is the agency most likely to serve as the Federal agency with earnings data...”

Cohort Periods & Earnings Year(s)

AY for which Determination is Effective	2027-2028		2028-2029		2029-2030	
	Award Year (AY) of Completion	Calendar Year (CY) used for Earnings	Award Year (AY) of Completion used for Cost/Debt	Calendar Year (CY) used for Earnings	Award Year (AY) of Completion used for Cost/Debt	Calendar Year (CY) used for Earnings
Single-Year Cohort	2020-2021	2025	2021-2022	2026	2022-2023	2027
Sequentially Expanded / Aggregated Cohort	2019-2020 2018-2019 2017-2018 2016-2017	2024 2023 2022 2021	2020-2021 2019-2020 2018-2019 2017-2018	2025 2024 2023 2022	2021-2022 2020-2021 2019-2020 2018-2019	2026 2025 2024 2023

ED's Proposed Implementation Timeline

Calendar Year	Colleges First Notified	Takes Effect	Completer Cohort Used	Earnings Period Measured	Aggregation Window
2026	N/A	N/A	N/A	N/A	N/A
2027	Early 2027	July 1, 2027	Award Year 2021	Jan. 1, 2025- Dec. 31, 2025	AY2017- AY2020
2028	Early 2028	July 1, 2028	Award Year 2022	Jan. 1, 2026- Dec. 31, 2026	AY2018- AY2021
2029	Early 2029	July 1, 2029	Award Year 2023	Jan. 1, 2027- Dec. 31, 2027	AY2019- AY2022
2030	Early 2030	July 1, 2030	Award Year 2024	Jan. 1, 2028- Dec. 31, 2028	AY2020- AY2023
[...]	[...]	[...]	[...]	[...]	[...]

The first year programs could lose eligibility for Federal student loans.



If cohort aggregation is needed, earnings for prior cohorts are measured at the same interval (the tax year corresponding to four years after that cohort exits).



“Earnings” and “Working”

- The draft text defines “earnings” as “wages, income as reported to the Internal Revenue Service, and other earned income, including from self-employment.”
- ED does not define “working” in the draft regulation but will look to align its treatment of “working” with the treatment of “working” in the Census Bureau’s data.

Excluded Completers

Students excluded from the completers list

- Students with loans discharged (or being considered for discharge) due to total and permanent disability.
- Students enrolled in another educational program at a Title IV institution during the earnings year.
- For undergraduate programs, students who completed a higher credentialed undergraduate program at the institution after completing the program as of the end of the most recently completed AY prior to the calculation of the earnings premium.
- For graduate programs, students who completed a higher credentialed graduate program at the institution after completing the program as of the end of the most recently completed AY prior to the calculation of the earnings premium.
- Students enrolled in an approved prison education program.
- Student is enrolled in a comprehensive transition and postsecondary program.
- Students who died.

When Earnings Premiums are not Issued

ED will not calculate an earnings premium in two instances.

- If after expanding the cohort fully and applying all exclusions, the fully expanded completer cohort has fewer than 30 students.
- If the Federal agency with earnings data does not provide the median earnings for the program or reports from records of earnings on 15 or fewer students.

Appendix B: Earnings Threshold

Working Adults: Undergrad and Non-Degree

- The earnings threshold for **undergraduate and non-degree programs** offered by a Title IV institution located in a State would be based on the median earnings for adults:
 - aged 25-34;
 - with only a high school diploma (or recognized equivalent);
 - who worked; and
 - who were not enrolled in a Title IV eligible institution during the earnings year.

Working Adults: Undergrad and Non-Degree

- For **undergraduate and non-degree programs**, ED would use the median earnings of working adults:
 - In the state in which the institution is located, or
 - Nationally, if fewer than 50% of the students enrolled in the institution during the award year for which calculations are made are from the state where the institution is located.

Working Adults: Graduate Degree

- The earnings threshold for **graduate degree programs** offered by a Title IV institution located in a State would be based on the median earnings for adults:
 - aged 25-34;
 - with only a baccalaureate degree;
 - who worked; and
 - who were not enrolled in a Title IV institution during the earnings year.

Working Adults: Graduate Degree

- For **graduate degree programs**, if 50% or more of the students enrolled in the institution during the award year for which calculations are made are from the state where the institution is located, ED would use **the lowest** of the median earnings of working adults:
 - Located in the state in which the institution is located;
 - Located in the state in which the institution is located **and** in the same field of study under the two-digit CIP or four-digit CIP code, as such data is available and statistically reliable; or
 - Nationally and in the same field of study under the two-digit CIP code or four-digit CIP code, as such data is available and statistically reliable.
- For **graduate degree programs**, if fewer than 50% of the students enrolled in the institution during the award year for which calculations are made are from the state where the institution is located, ED would use **the lowest** of the median earnings of working adults:
 - Nationally; or
 - Nationally in the same field of study under the two-digit CIP or four-digit CIP code, as such data is available and statistically reliable.

Earnings Data for Working Adults

- For working adults, ED indicates that it would use “data from the Census Bureau.”
- Specifically, ED will draw its data for working adults from the Census Bureau’s [American Community Survey \(ACS\)](#).
- The ACS is updated annually, and “collects detailed social, economic, housing, and demographic information from a sample of households across the 50 states, the District of Columbia, and Puerto Rico.”

The Definition of “Earnings” in PPD:26

“Earnings”

- The ACS provides two primary options for defining “earnings”:
 - 1) Personal income from wages and salary
 - 2) Personal income from wages, salary, and income through self-employment
- The 2026 Program Performance Data (PPD:26) defines earnings using option #2, personal income from wages, salary, and income from self-employment.



The Definition of “Working” in PPD:26

“Working”

- The ACS provides at least four different options to define “working”:
 - 1) Individuals in the labor force (includes both employed and unemployed individuals)
 - 2) Individuals the labor force and employed (excludes unemployed individuals)
 - 3) Individuals who are in the labor force, employed, and have a positive non-zero income (excludes employed individuals who have \$0 annual income)
 - 4) Individuals who are in the labor force, employed full-time, and have a positive non-zero income (excludes part-time workers & individuals who have \$0 annual income)
- PPD:26 defines working using option #3, individuals who are in the labor force, employed, and have a positive non-zero income



Impact of “Earnings” and “Working” Definitions

National Median Income of 25-34 Year Olds with only a High School Diploma under different definitions of “Earnings” & “Working”

	In Labor Force	Employed	Employed with Positive Income	Employed Full-Time with Positive Income
Wages & Salary	\$31,958	\$33,491	\$33,491	\$36,082
Wages, Salary, & Business Income	\$32,841	\$34,808	\$34,808	\$36,497

National Median Income of 25-34 Year Olds with only a Bachelor’s Degree under different definitions of “Earnings” & “Working”

	In Labor Force	Employed	Employed with Positive Income	Employed Full-Time with Positive Income
Wages & Salary	\$57,965	\$58,761	\$58,761	\$61,854
Wages, Salary, & Business Income	\$58,384	\$60,112	\$60,112	\$62,655

Appendix C: GE Program Certifications

Program Certifications

- As a condition of continued participation in the Title IV programs, an institution would be required to certify in its PPA that:
 - It agrees to comply with the requirements of subparts Q and S; and
 - Each Title IV program it offers is “approved by a recognized accrediting agency or is otherwise included in the institution’s accreditation by its recognized accrediting agency, or, if the institution is a public postsecondary vocational institution, the program is approved by a recognized State agency for the approval of public postsecondary vocational education in lieu of accreditation.”

Program Certifications

- To establish the eligibility of a program for Direct Loans, an institution would be required to update “the list of the institution's Direct Loan-eligible programs maintained by the Department to include that program...”
- On a go-forward basis, institutions would be required to update the certification within 10 days “if there are any changes in the approvals for a program, or other changes for a program that render an existing certification no longer accurate.”

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