GOP aims to shake up student loans, grants

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House Republicans are embarking on wholesale changes that could shake up the way students pay for college, advancing a conservative agenda to curtail the federal role in education financing.

If new proposals from the Republicans stand, the changes could make borrowing for college more expensive and limit who can get a Pell Grant, which delivers vital financial aid to lower-income households. The legislation would restrict access to college financial aid, lowering loan limits for parents and some students.

Republicans, who control both chambers with slim margins, are fleshing out plans to implement President Donald Trump's agenda on taxes, energy and immigration through budget reconciliation, a process that allows a bill to pass without any Democratic votes in the Senate. House committees are crafting the legislation, with a target of at least $1.5 trillion in spending cuts over 10 years.

The House Education and the Workforce Committee unveiled its contribution to the budget package Monday and scheduled an internal vote on the bill for Tuesday.

Proposed changes by Republicans could make borrowing for college more expensive and limit who can get a Pell Grant. Elizabeth Frantz / For The Washington Post

The 103-page legislation delivers on some long-standing promises to simplify and streamline federal education lending. It largely mirrors the College Cost Reduction Act that created a road map for remaking the federal student aid program. Yet, it goes further by curbing access to the largest federal grant program for low- and middleincome students: the Pell Grant.

The bill could face changes when Senate Republicans come to the negotiating table. It cuts more than $330 billion to support Trump's tax cuts but is full of sweeping policies that some higher education experts say are best suited for a reauthorization of the Higher Education Act.

Here are some highlights of the bill:

Loan program limits and terminations

The House GOP bill would end the Plus loan program for graduate students and get rid of subsidized loans that require the government to pay undergraduate borrowers' interest while they are in school on or after July 1, 2026. To mitigate the impact on current college students, Republicans include a three-year exception for borrowers enrolled as of June 30, 2026.

The legislation also increases the aggregate borrowing limit for dependent undergraduates from $31,000 to $50,000 and radically changes the annual cap. Instead of using one universal cap that increases from one school year to the next, the bill calls for annual borrowing limits to be based on the median cost of a student's academic program. That means an engineering major and an English major could have different annual loan limits.

The median cost would be determined annually by the education secretary using data on the same programs at all colleges and universities across the country.

“There is a lot of complexity being introduced here,” said Jill Desjean, the senior policy analyst at the National Association of Student Financial Aid Administrators. “It makes it harder for students to know what it's going to cost and to plan ahead."

The bill also imposes new aggregate loan limits for advanced degrees, while ending the Plus program that allows graduate students to borrow up to the full cost of attendance. People pursuing a master's degree could borrow no more than $100,000, while those seeking to become a doctor or lawyer could take out no more than $150,000 from the federal government.

Republicans say imposing borrowing limits on graduate programs could force institutions to lower their costs. But the restrictions may drive more students to the private lending markets, where there are fewer consumer protections, said Jon Fansmith, senior vice president for government relations at the American Council on Education.

While the legislation maintains the Parent Plus program, one of the only parts of the federal aid program that makes the government money, it adds new restrictions. Parents would only be able to take out federal loans for their children if their child borrows the maximum annual amount and still needs help to cover the remaining costs.

The bill imposes an aggregate limit of $50,000, instead of letting parents borrow up to the full cost of attendance.

Two repayment plans

Instead of continuing several repayment options for student loans, the GOP bill would whittle it down to two: one standard 10-year plan and one income-driven repayment plan.

Folding the four current IDR plans into one would effectively end President Joe Biden's Saving on a Valuable Education plan, which has been tied up in court since last year. Higher education experts say congressional Republicans want to end SAVE through reconciliation, rather than the courts, to use the savings to offset Trump's tax cuts. And with the case stalled in the courts, they might get their way.

The new standard plan will be tiered. Borrowers with an outstanding principal of less than $25,000 would repay the debt for no more than 10 years, those with between $25,000 and $50,000 for no more than 15 years, between $50,000 and $100,000 for no more than 20 years and those with more than $100,000 for no longer than 30 years.

Payments on the new incomedriven plan would be based on a borrower's total adjusted gross income, ranging from 1 to 10% depending on earnings, and include a $50 deduction per dependent child. Borrowers would have to make a minimum monthly payment of $10, ending the zero-dollar payment option for low-wage borrowers.

Enrollees in the IDR plan who stay on top of their monthly payments would have their unpaid interest waived to prevent negative amortization, which happens when payments are not enough to cover the principal and interest.

"You have people complaining about their loans right now that they feel like they've been paying forever and ever, and their balance just keeps going up. This plan fixes that," said Preston Cooper, a senior fellow at the American Enterprise Institute, a conservative think tank.

The plan, however, puts loan forgiveness further out of reach. Instead of forgiving the remaining balance after 20 or 25 years of payment, the new IDR option would extend the term to 30 years. It also ends policies that let struggling borrowers postpone their payments through economic hardship and unemployment deferments, but only for people who take out loans on or after July 1.

"Across the board, they are making repayment significantly more expensive and more difficult," said Jessica Thompson, senior vice president at the Institute for College Access & Success. "This could reduce the number of people who enroll."

Pell eligibility changes

Eligibility for the Pell Grant for undergraduates with exceptional financial need will be curtailed under the GOP legislation. Students can no longer receive the grant if they are taking less than six credit hours. That means a student who needs one class to graduate or can only afford to take one class a semester would be shut out of using Pell to cover the cost, said Desjean at NASFAA.

The proposal also increases the number of credits required for students to receive a maximum Pell Grant from 12 to 15 credits per semester. That would cut the maximum Pell Grant by $1,479, from $7,395 to $5,916, for those students only registered for 12 credit hours and impact about a quarter of Pell recipients, according to an analysis by the National College Attainment Network.

“While we support initiatives to reduce the time it takes for students to attain a degree, this approach may jeopardize time to completion for students who work part-time,” said Kim Cook, chief executive of the National College Attainment Network. “By increasing students' unmet financial need, this proposal will also drive up student borrowing for millions.”

The bill would also curb Pell access for families with lots of assets but who appear to have little income in the calculation of the Student Aid Index, or SAI, a figure used to determine a student's ability to pay for college and the amount of aid they receive.

As it stands, students can qualify for Pell even when their family has a lot of assets if their parents generate business losses that lower their adjusted gross income. The House bill would make students with an SAI that is equal to or exceeds twice the amount of the maximum Pell award ineligible, regardless of their adjusted gross income.

At the same time, the bill expands eligibility for Pell to students enrolling in short-term programs that range from 8 to 15 weeks in duration, a policy that has bipartisan support but also draws criticism from higher education experts who worry unscrupulous schools could take advantage.

House Republicans would also provide $10.5 billion to stave off a looming funding shortfall in the Pell Grant program.

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