

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

**From:** Tamar Hoffman and Zoe Kemmerling, representing legal assistance organizations that represent students and borrowers, consumer advocates, and civil rights groups that represent students

**Re:** Proposed language to exclude institutions from extending private loans to students in Workforce Pell Grant eligible programs or entering into preferred lender arrangements with entities offering loans for those programs.

**Date:** December 9, 2025

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Below, we propose language ensuring that students are protected from incurring unnecessary and overly burdensome loans after using their Workforce Pell Grant funds to pay for part of a short-term program.

**Background:**

Some institutions offering 8-14 week programs are likely to charge a higher tuition than what will be covered by the Workforce Pell Grants. As discussed during the first day of negotiated rulemaking, the maximum amount of Pell Grant funds a student could potentially receive for a 14-week program is slightly less than \$4,000. Because Title IV loans cannot be disbursed to students in these programs, students will need to identify other ways to cover tuition gaps.

There is a possibility that unscrupulous schools could offer expensive private loans or enter into arrangements to steer students to [riskier and/or more expensive private or institutional loans](#) or similar credit products. To reduce this risk, institutions that choose to seek eligibility for their students to obtain Workforce Pell Grants should be prevented from extending private loans or entering into preferred lender arrangements that could create incentives for schools to steer students into private loans or related credit products in place of federal loans.

We are proposing new language to implement these necessary safeguards, as is aligned with the Department of Education's authority under the Higher Education Act, as well as prescribed by the policy objectives of the OBBB. In particular, we propose that to reduce the risk of exploitation of students who are seeking training for workforce skills, that institutions that qualify for Workforce Pell Grants should be prevented from entering into arrangements, such as preferred lender arrangements, that could create incentives for schools to steer students into private loans or related credit products in place of federal loans.

The Department of Education's authority to implement this proposal is derived from the Higher Education Act, specifically 20 U.S.C. §§ 1019-1019d, 1021, 1094(a)(25) and (e) and 34 CFR 601.10.

### **Suggested Regulatory Text**

#### **§ 690.94 Components determined by the Secretary**

(a) After the Governor determines that the program meets the requirements under 34 CFR § 690.93, the institution must submit to the Secretary documentation that—

(1) The program has been in existence for at least one year from the date that the Governor determines that the program met the regulatory requirements. The Secretary considers a program to have been in existence for at least one year if the eligible workforce program has met the conditions under 34 CFR § 690.92(a) and (b) and 34 CFR § 690.93(a) for at least one year.

(2) The program meets placement and completion rate requirements—

[...]

**(3) The institution does not:**

(a) Offer institutional loans including a private loan termed an Income Share Agreement, or similar institutional credit products to students enrolled in the Workforce Pell Grant programs;

(b)(1) Enter into any arrangements, contracts, partnerships, or affiliations that financially benefits the institution, including but not limited to a preferred lender arrangement (as defined in 20 U.S.C. § 1019(8)), with any person that offers financing for the institution's Workforce Pell Grant programs through a loan, including a private loan termed an Income Share Agreement, or similar credit product.

(2) The term "Financial benefit" includes payment of any funds by the person to the institution, any guaranty by the institution of the private loan or other credit product, or any institutional right to payment of any kind from the private loan or credit product.