

**To:** RISE Rulemaking Committee  
**From:** Ashley Naporlee and Tamar Hoffman (legal assistance organizations that represent students and borrowers, consumer advocates, and civil rights groups that represent students)  
**Date:** October 10, 2025  
**Memo:** Proration of Loans for Less-Than-Full-Time Students

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## **1. The Department Should Align the Phase-In of All Loan Limits with Those for Graduate and Parent Borrowers**

The One Big Beautiful Bill Act (OBBBA) includes reference to a host of new loan limitations for borrowers, including limits for graduate student borrowers, parent borrowers, and borrowers who are enrolled at less than a full time status. In the interest of aligning the implementation of those limits for all borrowers (both to prevent throwing an additional wrench into current borrowers' academic experiences and financial aid eligibility, and to ease the implementation of the changes for financial aid administrators), we propose **phasing in the changes for part-time students in the same way they are phased in for other types of borrowers.**<sup>1</sup>

We note wide public support for a change like this. Beth Akers, Senior Fellow at the American Enterprise Institute, [wrote recently](#) about the changes (emphasis added):

While [the proration of loans for part-time students is] a step in the right direction, we don't want to rush it into place. Students who enrolled with the idea that they'd be able to borrow at the previous limits should be allowed to continue their borrowing under those rules and not be constrained by the new lower limits.

**If we don't make this accommodation, we risk pushing already-enrolled students out of the system. Possibly leaving them with debt and no degree**—which we know is among the greatest indications of hardship in repaying debt.

**For simplicity's sake, I recommend that the Department of Education move, through rulemaking, to implement a transitional period for these new part time loan limits that matches the plan for graduate and professional loan limits.** Allowing institutions to send a clear message to all students about their maintained eligibility for borrowing will minimize the administrative burden of implementation, give students an easier message to internalize, and

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<sup>1</sup> We note that the phase-in periods for graduate and parent borrowers also warrant some expansion to reflect the statutory intent, including by enabling current students to continue their loan eligibility if they transfer across institutions or programs after July 1, 2026. If the RISE Committee adopts those changes for graduate and parent borrowers, we would expect to make conforming changes to this language.

minimize political opposition to the changes. The OBBB will ultimately be disruptive to higher education in a number of beneficial ways. But while we are disputing the business of institutions for the better of the system, **we should also work to minimize disruption to students who are often on a precarious march to graduation.** With only a slight and maybe even a negligible cost, this change would amplify the good changes coming from this new legislation.

## **2. The Department Should Clarify How Institutions Assess Part-Time Loan Eligibility Across an Academic Year**

Additionally, we propose to **clarify *when during an award year institutions assess part-time eligibility.*** Our proposed changes would codify what we believe was the Department's intent with respect to this provision. Specifically, we recommend that the language note that the institution checks eligibility for the purposes of implementing this loan limit each term at the time the loan is disbursed, consistent with the existing regulations at 34 CFR 668.164(b)(3), which reads as follows (in relevant part, with emphasis added):

### **668.164 Disbursing funds.**

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#### **(b) *Disbursements by payment period.***

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**(3) At the time a disbursement is made to a student for a payment period, an institution must confirm that the student is eligible for the type and amount of title IV, HEA program funds identified by that disbursement. A third-party servicer is also responsible for confirming the student's eligibility if the institution engages the servicer to perform activities or transactions that lead to or support that disbursement. Those activities and transactions include but are not limited to—**

- (i) Determining the type and amount of title IV, HEA program funds that a student is eligible to receive;
- (ii) Requesting funds under a payment method described in [§ 668.162](#); or
- (iii) Accounting for funds that are originated, requested, or disbursed, in reports or data submissions to the Secretary.

## **3. The Department Should Clarify for the RISE Committee How Institutions Comply with the Requirement for Substantially Equal Disbursements in the Context of Proration for Part-Time Students**

Finally, while we are not currently proposing language on this requirement, we seek clarity (preferably in writing before the second session) as to how the Department would apply the requirement for institutions to make substantially equal disbursements of Title IV aid in the context of loan amounts that may need to differ across terms due to the requirement for prorated loans. This requirement says that “[t]he school must disburse loan proceeds in substantially equal installments, and no installment may exceed one-half of the loan.” (34 CFR 685.303(d)(5).) However, in some cases – for instance, when a student is enrolled full-time during one semester and part-time the next – this will not be possible to comply with.

To be clear, we believe that the “substantially equal disbursements” requirement is generally an important one, because it helps to ensure that institutions do not charge students more, or capture more federal financial aid, upfront, leaving students to fend for themselves later. We do not wish to see it significantly altered. But we believe that a **narrow, limited exception that specifies the installments may be unequal if dictated by the loan proration requirements** would be necessary and appropriate.

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Our proposed language begins below and is based on redline text from Session 1, Loan Limit Provisions and Definitions. Text in the red is from the Department’s original proposal; text in the yellow highlight is submitted by the negotiators for legal assistance organizations that represent students and borrowers, consumer advocates, and civil rights groups that represent students.

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§ 685.203 Loan limits.

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(m) Additional Rules for Loan Limits.

(1) Less Than Full-Time Enrollment.

(A) Notwithstanding any provision of 34 CFR parts 682 or 685, beginning on July 1, 2026, in any case in which a student is enrolled in an eligible program at an institution on a less than a full-time basis during any academic year, the amount of any Direct Loan that student may borrow for an academic year or its equivalent shall be reduced in direct proportion to the degree to which that student is not so enrolled on a full-time basis, rounded to the nearest whole percentage point, as follows:

$$\left( \frac{\text{number of hours enrolled for academic year}}{\text{full time hour load for program of study}} \right) \times 100 = \text{reduced annual loan limit percentage}$$

(B) The institution confirms the student's enrollment intensity, as required for paragraph (m) (1) (A), prior to each disbursement of title IV, HEA program funds, consistent with the requirements in 34 CFR § 668.164(b) (3).

(C) The limitations in effect on July 1, 2026, for less-than-full-time enrollment annual loan limits as described in paragraph (m) (1) (A) of this section shall not be applicable to student borrowers during the period of the student's expected time to credential if the student—

(1) is enrolled in a program of study at an institution as of June 30, 2026; and

(2) received a Direct Loan prior to July 1, 2026, for such a program of study.

(D) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (m) (1) (B) of this section, the limitations under paragraph (m) (1) (A) shall apply.