

DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION
NEGOTIATED RULEMAKING
REIMAGINING AND IMPROVING STUDENT EDUCATION (RISE)
SESSION 2, DAY 2, MORNING
November 4, 2025

On the 4th day of November, 2025, the following meeting was held in-person, from 9:00 a.m. to 12:00 p.m.

P R O C E E D I N G S

MS. WEISMAN: Good morning, everyone, and welcome back to day two of week two of the 2025 Reimagining and Improving Student Education or RISE Committee Negotiated Rulemaking session. We are going to start right in with taking attendance. To make that a little easier, I will do a roll call. We'll start with legal assistance organizations that represent students and borrowers, consumer advocates, and civil rights groups that represent students. Primary?

MS. NAPORLEE: Ashley Naporlee.

MS. WEISMAN: Alternate?

MS. HOFFMAN: Tamar Hoffman.

MS. WEISMAN: Thank you. Student loan servicers, collection agencies, lenders, and guaranty agencies. Primary?

MR. RICCI: Alex Ricci.

MS. WEISMAN: Alternate?

MS. HARTUNG: Lori Hartung.

MS. WEISMAN: Organizations representing taxpayers in the public interest. Primary?

MR. HOLT: Alex Holt.

MS. WEISMAN: Alternate?

DR. GILLEN: Andrew Gillen.

MS. WEISMAN: Private, nonprofit

institutions of higher education, including a number of groups. We'll say a number of minority serving institutions are included in there as well. Primary?

MS. COLVIN: Jenna Colvin.

MS. WEISMAN: Alternate?

MS. KOHLER: Patti Kohler.

MS. WEISMAN: Proprietary

institutions. Primary?

MR. VAUGHN: Andy Vahghn.

MS. WEISMAN: Alternate?

MR. BODIMER: Jeffrey Bodimer.

MS. WEISMAN: Public institutions, also including minority serving institutions. Primary?

MR. KING: Timothy King.

MS. WEISMAN: Alternate? Alternate

Matthew Ellsworth is absent this week and participating by live stream where possible. State officials?

MR. KEMP: Scott Kemp.

MS. WEISMAN: Alternate?

MR. BOGGS: Bennett Boggs.

MS. WEISMAN: Student loan borrowers.

Primary?

MS. LILLY: Deborah Lilly.

MS. WEISMAN: And the alternate Emeka

Oguh is unable to be here this week. Student loan

borrowers who are veterans, military service members or groups representing them. The primary, Faisal Sulman, is absent this week, and the alternate is currently not present. And then on the Federal side?

MS. ABERNATHY: Tamy Abernathy,
Federal negotiator.

MR. LALLO: Jake Lallo, Office of
General Counsel.

MS. WEISMAN: Thank you very much. Do
any negotiators have any questions before we get started?
Alex Holt?

MR. HOLT: I have a comment following
up on something from yesterday. Would now be the
appropriate time to do that? All right. So I just wanted
to clarify something I said yesterday about the proration
proposal from Legal Aid that I was mistaken on the
proposal that they had given. So it is, in my opinion,
the intent of Congress that in certain circumstances, the
calculation for income for a jointly married couple may
be doubled, but it is not the intention for their
payments to be doubled. So just a quick example with
numbers for the record. So if two borrowers both make
\$51,000, if they file separately, they would both be
charged 5% of their income. So they would pay \$2,550 per
year. If they filed jointly, they would be charged 10% of

their joint income. And so they would be charged \$10,200 a year. So that is doubled. But what you don't want to do is make each borrower pay \$10,200, because that would be \$20,400, and that would be 20% of their take home income, which was never the intention.

MR. LALLO: Okay.

MS. WEISMAN: Jacob?

MR. LALLO: Yeah. Alex, thank you for your comment and input. We, we are definitely aware of that problem. We're really carefully looking at the proration issue. We started in on it last night realized that that was not something we were going to be able to put an answer together.

MS. ABERNATHY: Still working on it from last night.

MR. LALLO: Yeah. Yeah, exactly. It's a big issue. We recognize the potential impact to borrowers. We have a clear legislative text that tells us how to approach how the calculation for adjusted gross income works. We can't just divine the intent of Congress that carefully, though. So, we need to very carefully look at the overall statutory scheme and previous ways that we've handled this in regards to the adjustments made regarding pay and IDR. And so we wanted to look at that really carefully. And so we're hoping to have an

answer tomorrow. But that is a big impact to borrowers. And so we want to be very careful and deliberate with how that decision is made. So we anticipate having an answer for you tomorrow. But again, thank you for your input on that.

MS. WEISMAN: Tamy?

MS. ABERNATHY: We really need to take the time to get this right. And so part of what we're doing right now is several individuals who are not in this room that are normally in this room are up there fleshing things out. And so when we're not prepared to show you what our solution is to the things that you bring to us, that's one of those situations. And while we started it late last night, we still have to go all the way up to get exactly where we need to be. But your points are well taken, and we really appreciate the fact that you brought this up, because it's very easy to combine things and end up putting borrowers in a position that is not where we expected to put them. And so we really appreciate you continuing to flesh these things out for us, push us to continue to look, and make sure that we're getting it right. And that's what we're doing right now. They're getting it right when we sit down here, and we're just going to let those brilliant minds up there flesh it out, and then when we're prepared,

hopefully it will be by tomorrow, we can share that with you guys. But as a result of all of those proposals, in reference to the proration, we'll call the proration of or we'll call it a married borrowers penalty. We're looking at that. And so rest assured, we don't need any more proposals on it. Thank you very much. We have them. We have everything that we need to -- no, seriously, we have everything that we need to look at. So thank you for doing that and pushing back a little bit so that we can get this right. I guess it's still me. All right, so let's go through some -- sir? Excuse me. Hold on.

MS. WEISMAN: Jacob?

MR. LALLO: Yeah. So, in the copy of 285.209 that you received today of the discussion draft, it may include some language regarding proration. That is not finalized language. That was draft language that OPE worked up in the possibility that we do include proration within the calculation. It's not finalized. Don't treat it as finalized or a Department proposal in that regard. It's just working language that we were working with in anticipation that we may have to include proration within that calculation.

MS. ABERNATHY: Tamy?

MS. ABERNATHY: I need you to pretend that you're not even seeing it. Please do not share that.

Please do not go external with it.

MS. WEISMAN: They don't have it yet.

MS. ABERNATHY: Well then, we're not sorry we sent something to you that we didn't send to you. Well, you're going to be okay today. I think more coffee is definitely in order. I really think you guys are playing a game of stump the fed, but I'm not so sure it's not my own team trying to stump the fed at the moment, so.

MR. LALLO: Thank you for leaving the copies on the table.

MS. ABERNATHY: I'm going to start so that we can get out of the rabbit hole that we've just dug ourselves into twice. All right, so, Alex, we do have your proposal. We're not going to do much with it at the moment, but rest assured, we are reviewing it. And that is the proposal on the proration that we talked about. Sir? Did you not send one in about the proration? Right. Okay. That's what I'm talking about. Thank you. So on your other issues, I believe we've covered everything from the expected time to credential an institution. And we're still evaluating the monthly payment -- the minimum monthly payment. We still don't think we have the authority to do such. And then the authority of ICR. So those particular pieces that you referenced on your email

from last week, we have those in there. And we did talk about this. I just want to reiterate on 682.215 from Ashley. This is about the borrower may elect to have their aggregate monthly payment recalculated, not to exceed. And you have several things. We have made some changes to clarify that pay is 10%. And IBR, you'll see the reg text changes a little bit earlier. So I think that gets to quite what you were thinking about at one point in time. And we're not going to take the other changes. I wanted to get a clarification from you because I am confused about one of the pieces on 685.209. The OBBA allows borrowers who have consolidated Parent PLUS Loans before July 1, 2026, and repaid using an IDR plan to enroll in IBR, and the Department has previously made clear that it interprets this language to allow such borrowers to enroll in IBR as soon as they've made at least one payment in an IDR Plan. We are concerned that the language in 685.209(c)(5) romanette three capital A may restrict such borrowers from switching from IBR to -- from ICR to IBR before July 1, 2028, contrary to the OB language and the Department's prior interpretations, we recommend the Department amend that section to clarify that such borrowers may switch from ICR or other IDR plans. I believe when we get to this, that we have fixed that, but if we have not fixed it where you think we've

gotten it right at that point in time, please circle back and let us know, because we are trying to do an interpretation of what we thought we heard you say. And right now, I don't think any of us should just trust that. We want to make sure that we're getting it right. We already know about the proposal, about the marriage. We already know that we're accepting the changes from Alex Ricci. Alex, I believe you sent this in again, correct? But you said you sent an official request, and we just want to make sure that we have made that change. Yes, sir. We've already talked a lot about the AWG and the things that we are going to address in the preamble versus what we're going to try to do in, in specific reg text. Okay. So for Fresh Start, what we've decided to do. A rehab, a borrower, will have rehabilitation, an opportunity to rehabilitate their loans twice, not three times. So as a result of Fresh Start, even though that may have been one time that they received a rehabilitation, they will still have one extra time per the new statutory changes. They'll get twice. We cannot give them a third. There's no authority to give them a third. So they got that rehabilitation through Fresh Start without having to make any payments. So we're not going to give a third opportunity for rehabilitation. It's not in the statute. We can only go up to the two.

MS. WEISMAN: Alex Holt? We need to make sure when we're speaking that we are on the microphone so that the live stream can pick that up.

MR. HOLT: I yield my time to Alex Ricci and Ashley, and then I'll go after.

MS. WEISMAN: Okay, Alex Ricci, then Ashley, then Alex Holt.

MR. RICCI: I understand that Fresh Start was an initiative of the previous administration, but can the Department elaborate on how a rehabilitation with zero payments required is a rehabilitation?

MS. WEISMAN: Jacob?

MR. LALLO: Yeah. So I think that was essentially how they worked it through. Right? The statute only allowed one rehab at the time, but the logic that underpinned Fresh Start was that there's not really a payment going into it. What we read this as different as we've now increased the threshold -- OBB increased the threshold to two, you get two rehabs. So we read that as codifying a general benefit to all borrowers, you know, you get two rehabs, period. We realize Fresh Start did not count as a rehab for the purposes of that first limitation. So if you'd already had a rehab, you got a second one. But we don't read that as creating the opportunity to have a third bite at the apple. If, say,

you rehabbed once, you rehabbed again under Fresh Start, and you're rehabbing again now, that's just allowing borrowers to continue rehabbing. And it defeats the logic of a rehab. A rehab is to bring somebody into repayment and compliance with their debt obligations rather than, you know, continued chances, basically.

MS. WEISMAN: Tamy, did you want to add something?

MS. ABERNATHY: I would. I believe, Eric, correct me if -- is Batman over there? Yes, he is. I see you. Hi, Eric. I believe that one of the reasons that the Fresh Start, there were a lot of different reasons that the administration chose to look at that particular provision and Fresh Start. And I believe that I can't remember off the top of my head, and Eric, hold me accountable here, I believe that because some borrowers may have already completed a rehab and there was no authority to grant them another rehab, the way that they allowed borrowers to get a fresh start was to allow them to have the term the rehabilitation and get the fresh start. So I think that was one of the considerations, but Eric can correct me if I'm wrong on that.

MR. LALLO: Also, there's, if I can jump in real quick, Eric, sorry, not to preempt Batman.

There's a little bit of a nuance there, too, with Fresh Start. But Fresh Start isn't a rehab, because if you look at the way that pamphlet that you guys sent to us is worded, it provides for both rehabs during the COVID pause and Fresh Start. Those are different things. So if you just went through Fresh Start, that's not a rehab. But the rehab during the COVID pause is a rehab for the purpose of this. It still counts towards your two time limit. Fresh Start is a different bucket. So because that's a, again, a fresh start, so to speak, right?

MS. WEISMAN: Ashley?

MS. NAPORLEE: Yeah, I think we're maybe talking past each other. So the point of us providing that informational handout about Fresh Start, we're not saying that Fresh Start is rehab; we're saying borrowers who could have taken advantage of Fresh Start, but instead rehabbed and made payments into the rehabilitation process, should not be penalized by having that count against the number of rehabs they're entitled to. That's what this says. So we're not saying Fresh Start is rehab. We're saying borrowers who could have used Fresh Start but didn't, and rehab should not now not be able to rehab again in the future. So that -- according to this, this was not supposed to count against them. And now you're saying it is just because OBBB

allows them to rehab one more time.

MS. ABERNATHY: Let's let Eric jump in here.

MR. HARDY: So yeah, if I can. Eric Hardy, FSA. Operationally, once the Fresh Start program was in place, we did not rehab any loans, so we would solely direct those borrowers only through the Fresh Start program, not through the rehab program. Now, to Jacob's point, if they rehabbed prior to us starting the Fresh Start agreement, but after the COVID pause began, those potentially could have. But those were real rehabs, and they took advantage of it, and they were not Fresh Start, so.

MR. LALLO: And to that point, again, OBBB says two rehabs. It's very explicit in that regard. So I don't think there's a way that we can word that around that to not, you know, treat that as a rehab when looking at the rehab limit.

MS. ABERNATHY: Also, we are going to have clarifying language go up on the website. We're going to take down the Fresh Start pamphlet, and they're going to be prompted to go to the OBBB website for additional information. Our hands are tied. The statute says two. There's nothing we can do about it.

MS. WEISMAN: Alex Holt, we were going

to return to you.

MR. HOLT: I'll let Alex go one more time.

MS. WEISMAN: Alex Ricci?

MR. RICCI: Thank you for your generosity. So I just want to make sure that I understand the Department's position because this has operational consequences for some of my constituencies. If, and I'm just going to use an example, and if I need to follow up in writing, please let me know. If I'm a borrower who entered default for the first time, and the pandemic hit, and I took use of Fresh Start, the Department's position is that that is not a rehabilitation, and I still have as a borrower two times that I can go through rehabilitation.

MS. ABERNATHY: Mm-hmm.

MR. RICCI: Okay. Thank you.

MS. ABERNATHY: That is exactly what we're saying. I think the question was for those borrowers that did not take advantage of Fresh Start, but actually rehabbed, they want to get a third, the ability to do it twice. We're not going to do that. We are locked into having two. So, unfortunately, or despite the fact that they took advantage of what was already available to them and rehabilitated their loans and did not go through

Fresh Start, we cannot, there's no provision in the statute that allows us to waive what Fresh Start was and give them a third opportunity to rehab. This is the second opportunity to rehab; they still have that opportunity, like all borrowers, have two opportunities to rehab. And you heard Batman say that once they started there, there were none of those that were going through. So at least the universe of that is at least relatively contained.

MR. RICCI: Yeah. I appreciate that we're talking about a relatively small pool in the grand scheme of things, but it does matter to those borrowers. So much appreciated. Thank you.

MS. WEISMAN: Alex Holt?

MR. HOLT: Thank you. Yeah. So Tamy, I just wanted to flag that one thing you didn't mention in the email was that I sent that you had covered was the Parent PLUS question related to program study.

MS. ABERNATHY: Are we playing stump the fed again? All right, let me -- I need to go back and look. Is that the undergraduate --?

MR. HOLT: Yeah, yeah.

MS. ABERNATHY: Okay. I think we clarified this already.

MR. HOLT: Okay.

MS. ABERNATHY: We did fix that.

Let's, when we go through the reg text, let's make sure that did the fix that it was supposed to.

MR. HOLT: Great. Thank you.

MS. ABERNATHY: We are going to skip over Patti and Jenna's example for just a second, but I did want to mention we have not sent to you the scenarios and the supporting documentation that we said we were going to send to you, because once we got this, this couple of questions in with additional scenarios, we decided that we would add that to the existing scenarios and send those out to you once we finalize everything so that everything looks the same. We certainly don't want a bunch of different things going out and about and not having it match. The team did a really good job with trying to create a document for those, so that you would have that as a resource going back, and you could use that if you needed to, at your institutions or with your constituencies. So we want to make sure that you have all of the scenarios so that you can take that back. You're welcome. Okay. We already know about the third or clarifying proposal. Clarifying payment plan availability for FFEL borrowers who take out new loans. So I think we're not changing anything here. Borrowers have the ability to consolidate. So you have to consolidate in

order to take advantage of this. So there's really nothing that we can change here on that. So, unless we're missing something on your particular request, there's not really anything that we can do here because there are ways that borrowers can maneuver into those plans. But those are specific. Yes, ma'am.

MS. WEISMAN: Ashley?

MS. NAPORLEE: I just wanted to clarify. So we were seeking confirmation from the Department that for borrowers who have FFEL loans that don't require to be consolidated to be eligible for IBR pre July 1, 2026, and if they take out a loan after July 1 of 2026, and it's a direct loan that the loans can still be repaid in IBR, while the direct loans can be repaid in RAP. We just wanted confirmation of that from the Department.

MS. ABERNATHY: That is correct.

MS. NAPORLEE: Okay. Is it possible to get that in writing? Because I feel like this is going to be a big issue for a lot of borrowers, and having that clarified and clear would be really helpful and transparent.

MS. ABERNATHY: It's already understood. But we'll take that back and see what we can do to make sure.

MS. NAPORLEE: Okay. Thank you.

MS. ABERNATHY: But overall, I mean, it's already what is said in the regulations.

MS. NAPORLEE: I know, but we're just getting a lot of confusion from the constituency.

MS. ABERNATHY: Okay. Yeah. Let us take a look at that.

MS. NAPORLEE: Thank you. I appreciate that.

MS. ABERNATHY: If one of my team would make a note of that, please. Okay. Those are the proposals. And then I think we did all of the ones that came in. And I think, Alex, you sent another clarification this morning or yesterday about, so we're good with that. Okay. Let's talk about reg text. I believe there's a summary document that we're going to share on the screen. As I mentioned yesterday, when we start to go over the reg provisions, we'll go over the full reg provision here. But on your document, the summary document, you're just going to see what changes happened in 685.102. Okay? So here in 685.102 subparagraph B romanette one, under expected time to credential from July 1, 2026, the expected time for a student to complete a program that is equal to or the lesser of three academic years. We have removed the

comma, we have deleted its equivalent, and we have added, as defined in 34 CFR 668.3. That was a recommendation from Alex, I believe.

MS. NAPORLEE: Tamy. I apologize for interrupting you. For those of us who are having a little trouble following on the screen, can we ask that this also get sent around just so that we can follow while you're reading? Apologies to interrupt you.

MS. ABERNATHY: You just need it in an email?

MS. NAPORLEE: That would be great. Just because sometimes it's hard to follow on the screen.

MS. ABERNATHY: Absolutely.

MS. NAPORLEE: Thank you, thank you.

MS. ABERNATHY: Absolutely. I think it was just sent. So could you refresh and make sure, and then we'll give you a second to get that, get that pulled up. Thank you for flagging that. You got it? Yep. Okay. No, no, it's fine. I'd rather you all have what you need to see than to go over this and have to do it again, because you can't see it. That red is a little hard to see, isn't it? Can we make that screen a little bit bigger, Linnea? Is that possible? It's a little bit better. Thank you. Okay, so it did come out of our discussions. And so we just wanted to point out that we

have made that change. I think that is the only change that we are going to discuss at the moment. We expect to get to professional student. Don't worry. I know you all are waiting with bated breath to get to that, but we're just not quite ready because we have all these other reg provisions to go through. All right. Let's switch our attention to 685.203, please. I believe the first change that we come to is paragraph E. I'm sorry. Excuse me. Yes, (e)(4) romanette one and romanette two. We talked about this already where we've changed to an institution in both of those provisions, we think that that was the intent. We had gone back and forth on that yesterday. We finalized that it isn't an institution. The next change, I believe, is in romanette four of -- (f)(4). Excuse me, (f)(2) romanette four. And this is one that was also at the request of one of our negotiators. For the purposes of this paragraph F, excuse me, subparagraph F, a program of study means a program that confers an associate's or a baccalaureate degree. So we have clarified at this point that what a program of study means. This is what we mean under this respective subparagraph F, which is about Direct PLUS Loan annual limit. Okay?

MS. WEISMAN: While we have a minute in between, I wanted to have Bob introduce himself since we had already taken role and he's arrived.

MR. CAREY: Bob Carey, military veteran. Sorry for being late. I've had a friend that's entered hospice care, and so I had to take care of that.

MS. WEISMAN: Thank you.

MS. ABERNATHY: I just want to go on the official record of saying thank you, team. You guys are rocking it, getting everything ready for everybody. We really appreciate it. This really is real-time live every minute changes. So it really does take a village to get all that ready. So thank you guys, I appreciate it.

MS. WEISMAN: Ashley?

MS. NAPORLEE: Sorry Tamy, can you just repeat what you said? This definition is just for Parent PLUS Loans is an annual limit. Is that what you said?

MS. ABERNATHY: Yes. It's under subparagraph F, which is the Direct PLUS loan annual limits. We talked a little bit earlier about Alex's proposal. And this is our way to handle that. And I think Jake wants to chime in here as well. But yes, this is for Direct PLUS annual loan limit provisions in subparagraph F.

MS. WEISMAN: Jacob?

MR. LALLO: Yeah, I did just want to add a point of clarification here. We accepted Alex's

proposal basically as is for the purposes of this reg text, that it's basically within degree type for the purposes of Parent PLUS loans. We think that this is probably an incredibly permissive way of reading program of study. It could be read much more narrowly to even basically restricted to changing your major or moving really in any way that would disrupt the quote unquote narrow program of study that a student is under. Program of study is not defined within the HEA itself and is not defined for the purposes of this section, so we think it could be read much more narrowly based on the plain language definition. So, for right now, we have the broad definition proposed by Alex Holt in there, that it is basically within the degree type. But we do believe that this could also be read much more narrowly. So if you have input on that, we are happy to hear it. But this is the working definition that we have.

MS. WEISMAN: Scott and then Jenna.

MR. KEMP: Thank you. I think you clarified it, but just want to make sure. So if somebody starts as an undeclared major and then becomes a business major, they're still within a program of study, or changes from English to engineer or engineering to English, it's still considered within this program of study.

MR. LALLO: Yeah. We had substantial conversation about that. We really worked this through every permutation. Like I said, we believe that we would be justified in restricting this to a single major. I think the point that you brought up there the undeclared major who then declares a major, how do you handle that? And or the engineering English switch or something like that. And I think they're all slightly different permutations, because some schools admit students as undeclared majors and then they declare a major. That's a little bit different than somebody straight up switching from one major to another. But we wanted to basically take the broad approach for now. We think that this is a fair way of doing this. It's in line with what Alex is doing. But we do believe it would be permissible for us to go to the very narrow read of if you change majors, period, it's a change in program of study. So I wanted that point of clarification in there as we discussed this in case negotiators have feedback on that. Because I think it's a salient thing that's worth discussing. But I thought it was helpful to explain our logic a little bit.

MS. ABERNATHY: And if I may --

MS. WEISMAN: Go ahead.

MS. ABERNATHY: If I may interject.

That also so we have some schools that put their

students, their incoming freshman class, into undeclared or undecided majors for two years. That was one of the considerations that we were looking at. I mean, that is something that a school is permitted to do. And so how would we account for that? We certainly don't want to penalize borrowers with the ability to get the education. So the best way for us to do this is to be as broad strokes as we possibly can be. And Timothy mentioned yesterday, it's not always undeclared majors. It's undecided as well. And so we know the fluctuations between our little Johnny's and Susie's and Samantha's and everybody else that go into school. We don't know -- they change a lot. They don't really know and, and the schools that force them to choose something right as an entering freshman may not be where they end up in their junior year. So we do want to give the flexibility, but we don't want to take it too far. We feel like we've done that. But again, we don't want to hamstring the Secretary with her discretion.

MR. LALLO: And because, as Tamy said, we don't want to take it too far. Again, we want input from you guys on whether or not it should be restricted and tighter than that. And because we think that there are situations that do call for it. We don't want to necessarily provide for the possibility that students can

stay in school forever.

MS. WEISMAN: Jenna?

MS. COLVIN: I just want to say thank you. I think that this is really good for students. I think a lot of them show up and get exposed to things they haven't seen in their life and may change their program of study. And this allows them to do that. We know that changing programs of study can lead to longer time in college, which leads to more expense. And so not also punishing them on the loan side is, is important. So thank you.

MS. WEISMAN: Alex Holt?

MR. HOLT: Thank you for the change. Two things. First, I wanted to just clarify for the record why it's associates in baccalaureate, and it doesn't include certificate. To be clear, I don't think it should include certificate. And if you don't have a justification, I do. But I was wondering if you, if you had thought through why certificate wouldn't be included.

MR. LALLO: We did talk this through, but I'm very curious to hear your reasoning before I answer that question.

MR. HOLT: So, a certificate, typically, I would argue that if a student is getting a certificate, they are choosing a specific program of

study as opposed to an associate or a bachelor's degree. And so it shouldn't be included in here.

MR. LALLO: Yeah, that was our read as well. That's dead on. That basically, if you're getting a certificate, you're getting a certificate to do a specific thing. There's not really a good way to switch between them. So we didn't think it needed to be added in here.

MR. HOLT: Okay. Great. Thank you. And I also just want to state for the record, because probably sometimes it doesn't look like on the Taxpayer Advocate, but I really am. And I just want to note for the record that Parent PLUS loans generate revenue for the Federal government. And so this more expansive definition does not actually cost money.

MS. WEISMAN: Ashley?

MS. NAPORLEE: Well, Alex took the question out of -- right out of my mouth. I was going to ask why certificate programs were excluded from this definition.

MS. WEISMAN: Bob?

MR. CAREY: If someone enters -- is currently in a bachelor's program and then halfway through school, gets accepted to a combined bachelor's master's program. How does that impact this? Not at all

is fine, but.

MS. WEISMAN: Jacob?

MR. LALLO: That's a great question. We're going to take that one back. The combined bachelor's and master's programs have some kind of fun rules with, you know, how they interplay with loans, PELL, all that stuff. So I think we need to take that back and look at that more carefully.

MR. CAREY: That is a very very popular option for veteran students who may be older. And then going back to the certificate. So --

MS. ABERNATHY: Hold on, hold on.

MR. CAREY: Go ahead.

MS. ABERNATHY: These are PLUS loans. So veteran students that may be older by definition if they're a veteran they're already independent, so they wouldn't be getting a PLUS loan.

MR. CAREY: Probably unless they're disabled.

MR. LALLO: There are permutations but it's possible.

MS. ABERNATHY: Yeah, but.

MR. CAREY: Okay.

MS. WEISMAN: Alex Ricci?

MR. RICCI: I was hoping that the

Department of Education -- it sounds like you put a lot of thought into constructing a very specific definition of program of study for this particular instance, as it relates to PLUS loans. But program of study, while not defined in the Higher Education Act, is sprinkled throughout a number of times. And in the moment, I'm struggling to think through potential second-order consequences, because once you establish -- and I know it's narrowly defined for just this paragraph, but it's usually in terms of study abroad, or it's in the HEA right now, it references a lot of study abroad when referencing programs of study. But there's a number of grant programs, competitive grant programs in the HEA, where program of study based on sort of like a plain reading because I'm not a lawyer. Reading of the law would suggest that program of study isn't a level of degree type, but a specific learning pathway, like a major. So could you just give us a little bit more insight into why you're comfortable being this broad in this specific case, and how this would or would not impact the Department's thinking as we proceed?

MS. ABERNATHY: So one of the things is because, exactly for what you said, there are a lot of differences in what a program of study is, all across our programs. We did not want to create a definition of

program of study in a definition section that it was applicable to all across the board. So we chose under this respective subsection F to hone in on these, based on the proposal that we received, to hone in on this very specific instance here and not do it across the board for a program of study in other areas. And I appreciate the question. We can take that back and circle back, and let Jake jump in in case he has something additional to add. But I did want to clarify, yes, we did specifically put it under this subsection so that we did not have to define program of study somewhere else that would impede what program of study is for those respective other subsections and sections of the regulations.

MS. WEISMAN: Jacob?

MR. LALLO: Yeah, just to add to that, I think, Alex, you hit the nail on the head when you said second-order consequences. it's used throughout the HEA, and it's used sometimes in ways that are different depending on context. And we did not feel that it was appropriate to define program of study overall, when the usage in this paragraph is pretty narrow. We thought it was much more appropriate to just create a narrow definition for this purpose. I don't disagree with your second read. As I noted, I think that this could be read much more restrictively than the way we're reading it

here. If you have any proposals on that, we welcome them. But we thought that this is a permissible read within this specific paragraph, that it encapsulates the full degree type rather than just a specific major. But likewise, we also think that the more restrictive reading is just as appropriate and could also be justified.

MS. WEISMAN: Timothy?

MR. KING: Thank you. I agree with Jenna. I appreciate this language, which has been included, and I think the onus is going to be on higher ED to ensure that our students are given the correct or applicable career resources to make that decision sooner. 80% of students change at least once. About 30 to 40% change twice. And beyond that, it's the danger of some serious stop-outs. So that costs everybody. But I do want to kind of reflect on what Alex said with certificate programs. At least at the four-year level, they're increasing. I know my institution is looking into offering certificate programs, and the other four years in our state are doing that as well. Anywhere from what, it could be three months, a week, it depends on what kind of certificate you're looking into. But if you can use PELL for certificates, shouldn't we also be addressing that a little bit more with language? Just an ask.

MR. LALLO: Yeah, I think that's a

good point. I appreciate the comment. We can take that back and consider it a little bit. Like I said, I think Alex's point was generally how we looked at this, that generally, you get a certificate for a specific purpose. So there's not generally a lot of changing, but I appreciate your comment about how the increase of certificate programs within four-year degrees. And I think that is salient. So it's worth considering, especially in regards to the fact that PELL incorporates it.

MS. WEISMAN: Scott?

MR. KEMP: Thank you. I want to piggyback on what Bob said. A classic example for students would be starting in a bachelor's degree program and then going into education and getting a master's degree in teaching or, master's in education. Those are classic five-year programs that, to give you an example. But I had from my own, I just wanted to clarify, and I may be reading too much into it because you said we talked about certificates, but because you said associate's and bachelor's degrees. In a Commonwealth like Virginia, where we have a very robust associate's degree program and encourage people to transfer, if they get the associate's degree transfer into a bachelor's degree program. I want to make sure that the impact on

the Parent PLUS loan eligibility and again, realizing the community college degree programs are not as expensive. And we're not necessarily talking about annual limits, so in other words, they would still be able to borrow after -- in other words, this wouldn't impact anybody who's transferring from associate's degree to bachelor's degree.

MR. LALLO: Yeah, we considered that pretty heavily. So I think the difference is whether or not they graduate with an associate's degree versus whether or not they're transferring into -- like all the credit is going towards a bachelor's degree, right? There are transfer institutions. So all your credit feeds into the ultimate degree because we discussed this pretty heavily. So, if you're doing two years at a community college and that credit all counts towards that bachelor's degree, I think we would consider that all within the same program of study, because it ultimately leads to the bachelor's degree, right? But if you're getting an associate's degree and then later on you go and get a bachelor's degree, and there are two standalone things that aren't, the associate's degree is not contributing to the bachelor's degree or resulting in credit awarded to that bachelor's degree. I don't think we would count that as the same program of study, because

then they're two standalone things.

MR. KEMP: Okay. So then, ergo, at that point, if they start a new bachelor's program and none of their credits transferred, they're no longer eligible for Parent PLUS loans?

MS. ABERNATHY: I'm sorry, I was reading so that I could clarify something else. So if you want to ask your question.

MR. KEMP: Sure. Well, in Jacob's example there are when you look at how the community college systems are set up. Typically you have the transfer degree programs, which are designed to transfer all the credits into a four-year institution. And you also have the career path or terminal. I don't like that term. Where you start in a path that's supposed to lead to a career, but maybe you change your mind and decide to go on to a four-year college. So what I understand from what Jacob was saying is that if they do a career degree, then --

MR. LALLO: I think we need to take it back.

MS. ABERNATHY: So one thing I'd like to point out is, we are in the section of loan limits. And so we are now morphing into all these permutations and something that we're talking about, the loan limits

here, and where we are concerned about the program of study, we're talking about this limited time where the limitation for annual loan limits described in (f)(2) romanette one of this section, shall not be applicable to parent borrowers who borrowed a loan on behalf of a dependent student during the period the student's expected time to credential, if the student enrolled in a program of study at an institution as of June 30, 2026, and a direct loan was made to the parent borrower for such program of study on behalf of the dependent student or direct loan was made to the dependent student for such program of study. We're not taking on all of the program of study. So let's make sure that we're specifically relating to the loan limit provisions so that we understand. Because I feel like we're getting a little ahead of ourselves with all of the different things. If you do have proposals for us on this language for us to consider, please put that in, and we can take it back. But I think we have heard what we need to hear on this respective position, unless there's anything new that you guys are saying about it.

MR. KEMP: You asked me to repeat the question. I didn't go all the way back to the beginning of it, and the beginning of it was, what impact would this have on the loan limits for Parent PLUS loan limits

for a student that goes to an associate's degree program, either graduates from that or transfers before they complete it, go on to a bachelor's degree. What impact would that have on the Parent PLUS loan limits? So that is the context of the question or discussion.

MR. LALLO: Okay. So we're going to take that back and look at it more carefully. I do want to clarify, I think we have to be careful with the chain of eligibility, right? So, like what I was trying to get at, and perhaps I explained it poorly, is that there are schools that have feeder schools that feed into a larger school. You do a couple of years, and then you move into another institution. There is an argument that basically all of that is within the same thing, because you're leading to a baccalaureate degree, right? Whereas if you're getting an associate's degree from school A and then you go to school B later, those are two completely separate things. There's no -- there's a complete break in the chain. So I think we need to be very careful with how we define program of study within this context that like we can't just sum the degrees up, it's gotta lead somewhere. So we'll look at it more carefully.

MS. ABERNATHY: I think I have an answer on this. So this particular provision we are giving annual loan limits before July 1, 2026. We're

giving annual loan limits after July 1, 2026. So for periods of enrollment beginning on or after July 1, 2026, the total amount of all Direct PLUS loans, all parents may borrow on behalf of each dependent student for an academic year of study, may not exceed 20,000 minus other financial assistance as described, as defined in section 480 romanette or I think it's 480 I of the act for the student. So what that means right there is that eligibility is still there. And then the the limitation is for parent borrowers who borrowed a loan on behalf of a dependent student during the period, the student's expected time to credential if. And then if the student withdraws, and then we're clarifying. So in a case where what you're describing is not the limitation. Is that your understanding as well?

MR. KEMP: No, I'm just making sure because, because in the definition now of program study where you differentiate and break out between associates. And initially the concern was program of study meant major. So going from undeclared to a declared major would make you ineligible to continue on with the Parent PLUS program. Now that you put associate's degree or bachelor's degree, I'm just trying to confirm that going from associate's degree program to a bachelor's degree program does not impact the eligibility on loan limits.

So the definition that you came up with helped with the major issue. I'm just trying to make sure it doesn't create a problem with the transfer issue. And anybody else jump in, please, if I'm not making sense.

MS. WEISMAN: We have a number of cards up. And I know Tamy, you thought maybe you had enough, but. Jacob, do you want to step in first before we get to the cards? Okay, we have Alex Holt, then Alex Ricci, then Ashley, then Andy, and then Timothy. Now, some cards may go down once they hear what the others say. Thank you. So we'll start now with Alex Holt.

MR. HOLT: It's not about this fun discussion. I want to go back to something that Alex Ricci said about the concern about sort of opening up the floodgates with program of study. And Jake, based on your point that it really is contextual because we have so many different times and ways that it's used within the HEA. It might be prudent to also define program of study when it comes to graduate degrees. So, in the graduate loan limits section, then if we're saying it's defined here, we should define it there, partially just to protect from a future Department to mess with it.

MS. WEISMAN: Jacob. Okay. We'll move on to Alex Ricci.

MR. RICCI: So I was able to gather my

thoughts and listen to this conversation. I think it's interesting and it's a bad pun, but let's engage in a little bit of an academic exercise here. Here's my concern. It's not just so, I think Alex raised a really good point about consistency across different parts, but specific to this rulemaking and what we're trying to do here with implementing HR1, Congress gave institutions a new authority to lower loan limits by program of study. So by I don't say flippantly, but by trying to, and I'm very sympathetic to the plight of students and families trying to figure out and navigate this transition. I want to underscore that. But by defining program of study so broadly in this particular section of Parent PLUS limits as associates and baccalaureate degree, what are we doing then for institutions that want to lower loan limits for, let's say, history major, but not lower at the baccalaureate degree level, but not lower loan limits for their engineer? -ow we're just picking and choosing how we at this level want program of study to mean when Congress used the same words. I'm very worried about that as we move forward. Because for my constituency, we need consistency, we need that clarity. And I think institutions would want that too.

MS. ABERNATHY: Thank you for sharing that. We're going to listen to the rest of the comments,

and we will take that back. Thank you.

MS. WEISMAN: Ashley?

MS. NAPORLEE: I just want to reiterate that I share the concerns that Timothy raised and also that Scott raised with regards to certificate programs and especially to students who are earning an associate's degree and then transferring to a university, a four-year university. I feel like they're going to be especially harmed by this definition. So I would encourage the Department to just take this back and just think about it even more than they already have, which I appreciate that you already have. And I also wanted to ask a follow-up question to Jacob when you mentioned that, in coming up with this definition, you carefully considered that students enrolled in certificate programs don't switch between programs. I was wondering if there are specific data that you relied upon, and if so, if you could share that with us.

MS. WEISMAN: Jacob, did you want to respond?

MR. LALLO: Yeah. As I said, this is essentially a working definition. I think -- we've heard some good points with certificate programs writ large about four-year programs and how those interplay with certificates. I think the general understanding of

certificate, we're generally treating it as you earn this to do a specific task. It's a little bit different than when somebody enrolls in an associate's degree or a bachelor's degree, where they may be expected to change, as Timothy said, quite frequently, 70% of the time. So, I think that was the reason that we didn't include that as a baseline level in the working definition. We're open to including it and talking it through more. If you have data on certificate programs that you'd like us to consider or anything else, please submit them. We're happy to take a look at them.

MS. WEISMAN: Next to Andy.

MR. VAUGHN: When you take that back, Jacob, the transfer credit process is very messy or fluid. It was kind of an all or nothing proposition that you mentioned, and it rarely works that way. So if a student completes an associate's degree, that should not be a punishment to not allow that to change into a bachelor's program. Community colleges have their mission of mostly transfer, but sometimes students want to finish the associate's to have that win. And that shouldn't punish them for the program change or continuation of study for the funds. And also, not every credit does count in transfer because you're kind of saying all or nothing if it all transfers in. But the word all would be

problematic in that case, and I'm sure you're going to flesh that out a little bit more on the exact terminology. But there are a lot of students that major in dabbling, and those credits don't all transfer. And just keep that in mind when you come up with a reg text. Thanks.

MS. WEISMAN: Timothy?

MR. KING: I'll throw a wrench into it. So we're talking about transfer. Okay. And in Alabama, if a student earns an associate's degree and transfers to a four-year, it has to be accepted. Bottom line. But one of our issues that we face is when students transfer out of an institution, 15 of the 20 institutions that are most popular are community colleges. So they're going from a four-year to a two-year. And so how does that come into play with this discussion?

MS. ABERNATHY: I think we just need to hear the rest of the comments and take this back, because I think there's some confusion around this, and I want to go back to our team and flesh this out a little bit more, and we're getting more and more information that tells us we need to take this back and take a good look at it. So it's just super helpful. So thank you.

MR. LALLO: And just to add to that, we thought you could take a narrow read of this or a

broad read of this. You guys are pointing out why sometimes a simple, broad read doesn't necessarily get you to address all the specifics. So thank you for pointing out all the little nuances here and helping us figure out how we want to address this.

MS. WEISMAN: Jenna?

MS. COLVIN: Thank you. So, to my point earlier, not harming students who are currently enrolled and trying to pursue their degree, I know as an outcome that you're interested in. In trying to be helpful in this particular context, my question is, as it relates to the statute, is program of study language required? Because it does feel a bit like we're contorting the definition of program of study to develop eligibility for the legacy program. Whereas with the Grad PLUS Loan, the language was clear that you just had to have any loan. Is the statute helpful on this? Is program of study required, or credential (inaudible) or something similar?

MS. ABERNATHY: It is in the statute. So what we'll do is we'll just take that back. We'll get clarification in the statutory language and go from there. Thank you.

MS. WEISMAN: Deborah. And then Bob.

MS. LILLY: Thank you. I want to tag

on to something Alex Holt shared earlier about reconsidering the program of study for graduate programs. Certificates come into play in that as well. Oftentimes, graduate students will pursue certificates, and they may or may not be within their particular discipline or program of study. And so that may be something you want to consider as well as you're reviewing that.

MS. WEISMAN: Bob?

MR. CAREY: Follow up on what Mr. King was talking about. The concern that we have is that there seems to be a bias, that's too strong of a word, a -- I'll use that, for lack of a better one. A bias towards traditional four-year educational models. When, especially in the military and veteran community, we're seeing a pursuit of something much different. And so to the extent that we need to comply with the statutory requirement, fine. But the initial view from here is that it appears that this is an additional restriction that may not be mandated by the statute. And then with Mr. Ricci, if you seem to have an idea in the back of your head of how this should look, I'd be interested to know what that is if you have that idea in the back of your head.

MS. WEISMAN: Alex Ricci?

MR. RICCI: I'm being put on the spot,

Bob, but I appreciate it. Look, I think this comes from not taking a lawyerly read to the statute. So I apologize for nuances that I'm missing in technicalities. But the, the common usage of program of study when I read through it is, is specific to a major for using parlance here around the table. I'm struggling to read in program of study, meaning anything but a specific CIP code that you're engaged in, because when you open it up to different degree levels, the permutations of what that does throughout the HEA is, is something that we should be worried about. So that's my concern.

MS. WEISMAN: Jenna?

MS. COLVIN: Last comment for me. I think there's a huge difference, though, between graduate and undergraduate, right? In graduate programs, you're going in for something on purpose. Whereas in undergraduate there's an element of exploration that is usually part of the exercise.

MS. ABERNATHY: Okay. So I want to wrap this up, and this is what I'm going to say. Annual loan limits before July 1, 2026. That is about Grad PLUS and PLUS loans. Annual loan limits after July 1, 2026. Let's remember, Graduate PLUS Loans are no longer available. It doesn't matter if they graduate and go into a master's program. Graduate PLUS Loans are not available

for those borrowers. Now, there is the exception here in this very limited thing. And that's where we're honing in on the definition of program of study. We have heard everything that you have said. We are going to take this back. We are going to look at it. There are system limitations that we also have to account for. It may very well be something that is a brilliant idea, but if our system cannot do that, we are not able to look at designing something in that respective way. So as we pointed out from the beginning, we thought, we thought broad was good. We thought we were on the right track, and I think we're on the right track. I'm not sure that we're still on the same track that we were when we started this conversation, or we're on the track that we're going to end up. We need to take this back. You've given us so much to think about, but the people that are not in this room are the very people that we need to have this conversation with. So thank you. We're going to move on because I think we could probably stay here for a really long time because there's so much to this. We can't get there without you guys. So we appreciate that. But we've heard that we need to take this one back. We just didn't get this quite where we think we should get it. So let us just table this piece, and we will take it back.

MS. WEISMAN: Deborah, do you have something separate from this?

MS. LILLY: No, the same, but it's just a point of clarification for my own edification on what this may or may not apply to. Is it okay for me to ask?

MS. ABERNATHY: Yes, ma'am.

MS. LILLY: Thank you. So for the program of study definition, understanding that it's for Direct PLUS loans and the annual limits for annual limits on or after July 1, 2026. The working definition here refers to program of study that confers an associate's or bachelor's degree. Does this also apply to students who are pursuing a post-bacc degree?

MS. ABERNATHY: All right, wait a minute. I have to think about that.

MS. LILLY: I wasn't trying to play stump the fed.

MS. ABERNATHY: You are playing stump the fed. I thought I liked you. No, I'm just kidding. I'm just teasing. Let us take that one back, because I think what I'm sensing is perhaps we need to look a little bit more at our reg text for clarification purposes, because I think that there is some confusion around this. I want to make sure that when we draft reg text and we have, we

add a provision thinking that it's going to solve for problem x, and we create additional problems with y, z. I want to take back and look at the reg text in general, and not just this respective provision of program of study, to make sure that we're providing the clarification needed in the regulations for you to be able to do what you're supposed to do for your students. So this is a great question. Let us take that piece back as well to make sure that, how we have designed this respective subsection, we may need to tweak it ever so slightly. And I don't want to lock us into getting down into all of the different ways that this could, could continue to not be where we want it to be. So we'll take that piece back as well. We'll come back after we've had a chance to flesh out many of the comments. We need to meet with our senior leadership, and we need to make sure that we've got this reg provision correct and clear, and it's understandable for all of us because I think it is a little confusing at the moment.

MS. LILLY: Thank you.

MS. ABERNATHY: Yes, ma'am. And I'm really excited about moving on to aggregate limits. So in this -- I'll have Linnea put on the screen, provision (g) (2). There it is. So we removed this yesterday based on hearing what you said for an enrollment in an eligible

program of study. Thank the Lord, we have removed program of study from here, and for the entire period of enrollment. So nice, nice hindsight on that one. Thanks so much. And then we added for the purpose, oh well, I spoke too soon. We added number five, which is for the purposes, the program again with associate's degree and baccalaureate degree for aggregate limits as well. So let us take those two provisions back, and we'll circle back after we've had some time on that one. I think one of the other things that we did, if we could go to subsection M, please. We noticed if you look at the screen, we noticed that we had, and this could have created some of the confusion from yesterday, that we had the wrong formula up. I'm not sure why that would have caused any kind of confusion, I could not figure out why you guys were taking the whole academic year for that one period of enrollment. But now I see that we did not have the correct formula up there. So for the period of time for a borrower who is a one-term borrower and transfers to another institution, or only attends one institution, or in the case, I believe this is still applicable to what you were talking about with the borrower in their last period of attendance. You know you have to prorate that period of time. So if you take the same concept of number of credit hours enrolled for the term, you define the

term. And in that case, that proration is that term. Right? We're taking liberties here. But you get the idea. That, that proration for less than a full academic year could just immediately be put right in there. So whatever you decide, the number of credit hours enrolled for that respective period of time for that borrower or for a transfer student would be one semester of your standard academic year. And then you take that over the number of hours considered full-time for that term. So what you're doing now is you're taking the universe of a full year, and you're taking it down to the period of time that that student is at your institution. Or in the case that you were talking about, Patti, where it's this period of time, what do you define full-time as for that period of time, and what is the borrower taking as full-time for that -- taking in hours for that period of time. If it's less than what you define as full-time -- half -- at least half-time obviously, and three-quarter time, then you would figure it out that way. If you try to take it over the whole year of 24, you would double-dip. But the minute you don't take it over 24 and you take it where you decide the period, excuse me, I'm having trouble with this mic today, you decide what is full-time for that period of time, and then you base it on what the borrower is actually enrolled in that period of time. So it

changes the calculation where you're not double-dipping. It's a universe. You have to define the period of time first. So yes, they are getting true prorations, but does it harm them? Not in the way it would if you considered it for the full 24. So now I get why you were confused. No, I at first because I was like, what is wrong with this? If this is a simple math and I am not your math expert, let me tell you, even though I've been in financial aid for 40 years. And so I couldn't understand what the breakdown was. And when I saw it, I was like, oh, now I know. And when I saw your scenario, I was like, why is she doing over the full academic? You know what would be considered for the full period? So that's why. Does that help? And we'll get you answers to your scenarios. But I think based on that, and we'll go over them in just a second. Based on that, I think it provides the clarification and at least gives you the right formula to look at if it's just one period of time of enrollment. Hopefully that'll help.

MS. WEISMAN: Jenna?

MS. COLVIN: So it sounds like Patti understood all that, which is awesome. I have just a technical question on the paper. When I look at the 10-27-2005 definition, the words in the formula are the same as the words in the formula you just shared with us.

MS. ABERNATHY: I need you to look at the 11/3 definition and not 10/27. We have change. So what you got initially was what we had at 10/3. Then what you got was at 10/27. So the week before negotiations were required to give you the reg text. We had it wrong there, which is what we're correcting here. And so for 11/3, excuse me, 11/4 now, we think we finally got it right for you. So please look at the most recent reg text that we sent to you, and hopefully that will help clarify. And that's for everything because it is very easy. I've done it. I was on the wrong reg provision when we were talking through some things yesterday afternoon. And it really will confuse you. So every day that we hand you new stuff, make sure that's the new stuff that you're looking at when you're talking about, because we've made changes based on your concerns and your questions, and forcing us to rethink things. Yes, ma'am. New 203 as of 11/3, well, Linnea's screen is 11/4. We did also correct two corresponding cross-references in romanette two and romanette four. We had L as in Larry, and it's M in romanette two and romanette three. It's on the screen if you need to take a look at it. So now we at least have our cross-references correct as well. Okay. Those are all the changes, thank the Lord, in 203 loan limits. We will look at what you guys have given us so much to think

about, and we appreciate that. Let me find my reg text here. The other provision that I would like for us to go through is a new -- so we started with 16 proposed regulatory provisions that we were changing as a result of OBBB. If we will go to 685.30, excuse me, 303. We now have the 17th reg provision that we are changing. We have added as a result of this schedule of reductions, and making sure that we have it correct, and not -- this came out of a proposal. I want to say it was from Tamar and Ashley that we needed to look at the substantially equal provision dispersing and substantially equal amounts. And when you look at the schedule of reductions, if a borrower is full-time and wants one part of the award year, you're going to have this issue if they're part-time or three-quarter time in, in whatever, if they started pre three-quarter time or half-time, or if they the second term that they enrolled are three-quarter half-time. This is where you're going to have a substantially unequal disbursement. And that would have gone against the very regs that were already in play in 685.303, where you must disperse in substantially equal amounts. So we have added a provision in, in 685.303 that says the school must disburse loan -- we've added to the already existing provision that says the school must disburse loan proceeds in substantially equal

installments, and no installment may exceed one-half of the loan. We have added, except when borrowers are subject to the award year loan limit for less than full-time enrollment, as described in 34 CFR 685.209, lowercase m, the institution will disperse in accordance with such schedule of reductions. So that takes care of your concern about the schedule of reductions not being subject to that provision.

MS. NAPORLEE: Tamy, I appreciate you taking the time to explain this. I just wanted to flag that. I don't think that we have the provision that you're reading from. Does everybody else have it except for me?

MS. ABERNATHY: Isn't it on the summary?

MS. NAPORLEE: You're right. Apologies.

MS. ABERNATHY: No. That's okay. So, the summary is what we're going to try to give you daily when we make changes, so that we don't have to print these very long reg provisions. So I'll make sure that hopefully we'll have it earlier tomorrow. But there's no telling. We change things right up to the last minute. Okay. Any questions about the schedule of reductions? Let's take a second. If this goes south, we're doing a

caucus. I'm just telling you because I do not want to confuse everybody. I need to get to your proposal. So give me just a second, Patti and Jenna. Okay. Linnea, is it possible for you to switch screens and pull up Jenna's email, or would that take too much time? Okay, I'm going to start talking. If Linnea is able to find that quickly, we'll go ahead and we'll add it. If not, we'll just talk it through. Okay. In regards to what appears to be a double adjustment to less than full-time enrollment for students at the end of their program, or that will not attend a full academic year, and loans are prorated. I suggest that schools are required to calculate on two factors (inaudible). So I think we've addressed that now, but let's go to the example. A dependent fourth-year bachelor's degree student has one final semester of half-time enrollment remaining to complete their program of study in a credit hour program where full-time enrollment is considered 24 credits. The institution has defined their academic year as 32 weeks, and the student is eligible for 7500 as based on full-time enrollment for a full academic year. So current end of program proration required attending less than full academic year, the proration is on credit hours, so the current proration formula will be six credits over 24. No, it will be six over whatever you considered the one term to be. So

that's 12. It would be 12. That fixes the issue. That's when I saw the light bulb moment for me. And I'm like, that's not right. Where did she get that? And we realized where. That we didn't quite have the reg text right. We had changed it. But for whatever happened in one of the iterations, it didn't get accepted. So, okay? So that should clarify. We'll keep going. I like clarification, yes, for one. On your second, new less than full-time enrollment yields the same result, six over 24, which we know is now six over 12.

MS. COLVIN: So you're still working through the same scenario?

MS. ABERNATHY: I went to the second one, the new less -- so the first one, the current end of program, the probation, and you said six over 12. And I said, I mean six over 24. I said six over 12. The second new less than full-time enrollment yields the same result. Six over 12. I'm clarifying what you sent to us as the formula.

MS. COLVIN: Okay.

MS. ABERNATHY: Yes? Okay.

MS. WEISMAN: Apologies. Jenna, I saw your card was up, and Tamy was already speaking. Were you trying to switch for this topic? Yes, you can, if Patti would like to come to the table for this topic. Thank

you.

MS. ABERNATHY: Announce yourself.

Announce yourself.

MS. COLVIN: Patti Kohler.

MS. WEISMAN: If you could say your constituency, please.

MS. COLVIN: Private nonprofit.

MS. WEISMAN: Thank you.

MS. ABERNATHY: So, Patti, in your second, if both adjustments are required, the new less than full-time enrollment would yield eligibility of 1875, then is a second calculation required for the end of the program. There are two calculations here for a borrower who is in their last term that is less than a full academic year. But because you define what that full-time is for that period of enrollment. So if you are saying that would be 12 hours, then 12 hours would be full-time, the hours that that student enrolls in, you would figure the calculation. You would not take a full academic year's full-time status for the respective borrower who is in a single term their last term. It would be the one term. Like, it would be treated like a transfer, but it's not transfer. And we're not going to write additional language because the concept is still the same. So you, you just have to make sure that we're

comparing apples to apples and not apples to oranges. The apples are full-time enrollment for the period that they're enrolled, and the hours that they are taking in that period that they are enrolled, and that would always give you the right calculation. So in this case, if it is a true preparation for a less than full academic year at their last term, you do have to figure out what the parameters are of that period of enrollment and what you consider full-time for that period of enrollment. Because it may not be the full 24, it may be considerably less. So those two provisions there before you, I mean, you can -- however you do it, we figured it out, you really do come with the same answer if the formula is right. And in this case, using the period of time that they're enrolled as the full-time. That's the number of hours that you would use. You would not use the full academic year hours, but the period of enrollment hours that is considered full-time and get the reduction based on the number of hours they're taking compared to what is defined as full-time for that period of enrollment.

MS. WEISMAN: Patti?

MS. COLVIN: So I think I get it.

MS. ABERNATHY: Good. I'm glad.

MS. COLVIN: I think it would be extremely helpful to walk through an example. And if we

want to do that in a caucus, that would be fine.

MS. ABERNATHY: Let's do that in a caucus.

MS. COLVIN: Okay.

MS. WEISMAN: Okay. We are also at almost 10:30. So let's take a break.

MS. ABERNATHY: Let's take a break. And when Annmarie tells us we can come back because this is her show, not mine, sorry, and then we'll caucus after that.

MS. WEISMAN: We'll come back at 10:40. So it's a 12-minute break. If you could please be timely. I'd appreciate that.

MS. ABERNATHY: Thank you, everyone.

MS. WEISMAN: Welcome back from the break, everyone. We have no cards up around the table, so I'm going to turn it back over to Tamy.

MS. ABERNATHY: We would like to have a caucus with the institutions we're going to go into the little back room. Just the institutions, please. Anyone who's impacted by the schedule of reductions. You might want to come because of your interaction with them. Okay?

MS. WEISMAN: We need to get the constituency groups then. So we have state agencies, private nonprofit, public, and proprietary institutions.

Anyone else?

MS. ABERNATHY: That should be it. And then the Ed team. My Ed team and anyone else who wants to join this fun conversation.

MS. WEISMAN: Thank you. And about how long?

MS. ABERNATHY: I hope ten minutes, but no more than 15.

MS. WEISMAN: Ten minutes, no more than 15. Okay. Thank you. Welcome back everyone. We just concluded a caucus with the Ed team and then the primary and alternate from four constituency state agencies, private nonprofit institutions, proprietary institutions and public institutions. Tamy, would you like to do a report out?

MS. ABERNATHY: Absolutely.

MS. WEISMAN: Thank you.

MS. ABERNATHY: We had received schedule of reduction questions, scenarios related to specific instances when a borrower attends enrollment less than a full-time status. We had indicated on our proposed regulatory text for a transfer student, which in essence is a one period of enrollment versus a full academic year. We have decided to change our language in instead of saying transfer students to include for any

period less than a full academic year. This would be the calculation, and of course, by correcting the formula from what was there, because we did not realize we had kept the old formula instead of the new formula. That, of course, did exactly what I expected it to do. To clarify, the actual reduction would be on the number of hours considered full-time for that less than full-time enrollment, less than a year enrollment, and then the hours that would be enrolled. We walked through a couple of different scenarios, and then we had a whiteboard and some markers, and Patti got to play teacher, and we drilled her on her knowledge on as to how this would work. We also discussed the order of operations, and we made sure that the institutions were aware that we still have to look at all eligibility criteria first. You have to get the universe of what is the borrower eligible to receive, and none of that gets thrown out of the window. And so you have to make sure that when you're looking at the schedule of reductions, the first thing you're going to do is look at the cost of education. What is that cost of attendance going to be? And then if it's multiple loans, you have to apply the schedule of reductions to both loans, or however many loans they have. So sub, unsub, and/or PLUS, Grad PLUS, whatever the case may be. And then you continue down to build out the award

package, accounting for the period of enrollment less than full-time, what the school determines to be that full-time status. You would get that calculation for the reduction. You'd get that schedule of reductions. You'd apply it to each of the loan programs. You would add those remaining eligibility to that, and you would make sure that it stays under the cost of education. So we have full clarity. Everyone in the room really appreciated us adjusting the language. I'm not speaking for you all, but they seem to be happy with the way that we adjusted it and the way that we gave the actual formula, so that there's other utter clarity now. So thank you guys.

MS. WEISMAN: Does anyone who was not in the caucus have any questions?

MS. ABERNATHY: I think we're done with schedule reductions. I know I'm as happy as you are, I assure you. So is my team. So we can go on, Annmarie, if you're ready.

MS. WEISMAN: Then let's go on.

MS. ABERNATHY: All right, so if we will pull up 685.209, we can go through the amendatory text there that we have provided based on all conversations and everything else we've talked about all morning. I'll give you guys a chance to get there and

your summary of changes. It's somewhere in there. It would be --

MS. WEISMAN: Page four.

MS. ABERNATHY: Page four. Thank you.

All right. So, are we ready? You guys good? Okay. So here we are talking about subparagraph (b)(1). For purposes of this section, the following terms apply applicable amount means. And we have struck through our existing language, and we have a romanette one, a romanette two, and a romanette three. Romanette one, for a borrower who is not a borrower under the IBR plan, 15% of the result obtained by calculating on at least an annual basis the amount of the borrower's adjusted gross income and the borrower's spouse's adjusted gross income, if married filing jointly, that exceeds 150% of the poverty guideline. For a new borrower under the IBR plan, 10% of the result obtained by calculating on at least an annual basis, the amount of the borrower's adjusted gross income and the borrower's spouse's adjusted gross income if married filing jointly, that exceeds 150% of the poverty guideline, or for any borrower under the PAYE Plan, 10% of the result obtained by calculating on at least an annual basis, the amount of the borrower's adjusted gross income and borrower's spouse's adjusted gross income if married, filing jointly that exceeds 150% of the poverty

guideline. We didn't touch anything on two. And so that's where we landed, that as a result of several of the proposals that we received to make sure that there was utter clarity that the PAYE Plan is not 15% but 10%, and that the new IBR plan is not really the new IBR, it's the new borrowers, remember my red, white, and blue, it's the 10%. The next provision that we changed is under, right before I, so that would be H before -- it would be H4, I believe. I'm sorry, I thought we had one before this. We had one --

MR. LALLO: Nope.

MS. ABERNATHY: Didn't we have this right here for new hours under an IBR Plan? 10%. Except that the borrower must be in excess of ten years.

MR. LALLO: I don't think we added that.

MS. ABERNATHY: Okay. All right. They're saying it's not new. I'm going to go on. They were emphatic, too. Stop. Okay. Okay, I'm going to go to the summary because I can't find where we are right here. So we are in (h) (4) romanette one under the Repayment Assistance Plan during all periods of repayment on all loans being repaid under the Repayment Assistance Plan, the Secretary does not charge the borrower's account for any accrued interest that is not covered by the

borrower's on-time payment of the amount due for that month. If a borrower's payment is credited to a future monthly payment and the payment equals or exceeds the on-time monthly payment amount made under the Repayment Assistance Plan under subparagraph (f) (5) romanette one of this section, the Secretary charges the borrower's account any accrued interest that is not covered by the borrower's on-time payment of the amount due for that month, in accordance with paragraph H subparagraph, that should be subparagraph (h) (4) romanette one of this section. So please insert the word subparagraph. Here we are talking about the provisions where there's interest subsidy. And right before we get to matchable principle. Under the Repayment Assistance Plan, the key terms here are on-time, full monthly payments, right. The amount of the payment due for that month. So under the Repayment Assistance Plan, the baseline that we have to understand right now, is that it requires a monthly amount due for that month on-time. If a borrower prepays, prepays in advance, gives a lump sum, what happens to that payment is it is first applied to the interest and the fees, and then the rest goes to principal. We are required by regulations to advance the due date. But what happens with the amount of money that is left over after the monthly amount due for that month is left over? That gets

applied to principal. It advances the due date. Under the Repayment Assistance Plan, you have to have monthly on-time payments. When that additional amount of money gets applied to the principal, what happens is, it advances the due date, but interest accrues in month -- so say you had a payment for three months. Interest accrues in month two. Interest accrues in month three. They are not -- you did not make an on-time monthly payment. You made a payment for the period of time that it was due, and the additional has gone to principle. You will not get the interest subsidy on month two and month three because you did not make an on-time, fully scheduled amount due for that month payment in the subsequent months.

MS. WEISMAN: Ashley?

MS. NAPORLEE: Okay. I'm trying to follow your explanation, and I definitely listened intently. You're saying that an early payment is not an on-time payment, and instead of applying to the next month two, it's a principal reduction, so they're not entitled to interest subsidy?

MS. ABERNATHY: No. So, I'm going to say it my way, again, just because if we both get confused, we're going to be in a whole lot of trouble. So paying early you are paying an amount of money that exceeds what you would owe for that month. That

additional that exceeds what you owe for that month, we advance the due date. So say you've made a payment of \$300 on a payment that's \$100. You apply the \$100 for month one, that includes the interest and the fee, all that \$100. That extra \$200 goes towards principal. We advance your due date from January, February to March. So, April, you're due in April. April 1st comes around, month two and month three, you've accrued interest on that loan. And so that is due. So you did not make a monthly payment in February and March. You made a payment in January that included money that went to principal, and that would advance your due date. So you get the interest subsidy for the month that you paid on-time. Under RAP, you have to pay monthly on-time payments for the full scheduled amount due for that month. You paid more. Goes towards principal. You would not get interest subsidy for month two and month three.

MS. NAPORLEE: I guess it's hard for me to wrap my head around paying in advance, or early is not considered on-time.

MS. ABERNATHY: We're sorry. I'm not being funny there. The reason, and I'm very intentional in what I'm saying here, is we advance the due date per our regulations. Right? So we're advancing the due date. It's not satisfying month one, two, and three. It's not.

It's going towards principal. So you're not making a prepayment for month two and three. You are making an additional payment that is applied to principal. You may pay it early all you want, but that's going towards principal. It is not a monthly payment. Under RAP monthly on-time scheduled, scheduled amount due for that month payments in order for the interest subsidy to happen.

MS. WEISMAN: Alex Holt.

MR. HOLT: Yes. I just wanted to say that this is a really complicated one, and I think so far, from what I understand, I think the Department has struck the right balance here and got it right statutorily. We wouldn't, so first of all, I think just textually you have it right. But also from an incentive point of view the interest forgiveness is really meant as something to help the borrower along. You don't want to have a situation where the borrower is sort of gaming by paying forward the entire year and getting an interest subsidy that they don't necessarily need because they can pay it all at once. And there's also rules around how you have to charge, the Secretary has to charge interest before a principal. So I think you've struck the right balance here. This makes sense to me.

MS. ABERNATHY: And think of it in terms where if borrowers are struggling to pay their

loans, and there are reasons that they could have extra money, mommy and daddy could have given them money, Grandma, I mean, there's lots of reasons why they could have extra money laying around, and they're doing such a great job of taking that extra money and applying it to their loans. But, for the most part, for borrowers who are struggling, are they going to have a lot of extra money to pay towards future payment? I mean, so, you know, we're trying, again, as Alex points out, we're trying to strike the balance here. We've got to do what the statute tells us to do. And that statute tells us monthly, on-time, scheduled amount due payments. In our practices are regulations already tell us that any advanced or prepayment changes the future due date. It advances the future due date.

MS. WEISMAN: Bob?

MR. CAREY: So does the statute say you can't pay early?

MS. ABERNATHY: The statute says on-time payment.

MR. CAREY: Okay. Is it the Department's opinion that current general understanding of law is that payments that are early are not quote on-time?

MS. WEISMAN: Jacob?

MR. LALLO: Point of clarification.

You can pay as much as you want on your loan at any time. We want you to pay off your loans. We want that principle paid. There's no prepayment penalty. I think that's an important point here. What we're saying is, for the purposes of qualifying for the interest subsidy, on-time means every month. You can't stack it. So you can get the scheduled amount due. You can't stack it to basically try to game the interest subsidy or, you know, beyond just gaming it, you know, we don't want to also encourage an unsustainable approach to this. The entire idea of RAP is to basically make scheduled monthly payments that are always the same and reward borrowers for doing that. You don't want to create a situation where borrowers are either trying to game the system or stacking payments ahead of time to try to get an interest subsidy and setting themselves up for failure by disrupting the overall purpose of RAP, which is consistent monthly payments.

MS. ABERNATHY: On-time monthly payments for the scheduled amount due.

MS. WEISMAN: Alex Ricci? Ashley?

MS. NAPORLEE: Thank you. I'm sorry, I take exception to the term gaming the system for borrowers who are simply paying ahead. And I also think

paying ahead is on-time. It's still very confusing how your rationale behind that. But I guess what I'm talking about more is like a borrower who has a, let's say, \$10 monthly payment, who makes an early payment of \$120, which would be their annual payment. Not a borrower who's paying like \$5,000 upfront or something like that. You're kind of disincentivizing early payments or full payments in advance, and I don't see how that is in the public interest at all.

MS. ABERNATHY: I don't believe we're not incentivizing. We're not asking for that. What we're saying is for you to get the interest subsidy, you have to pay on-time, monthly, full scheduled amount. In our regulations, currently not related to RAP, but includes RAP, any whether it's early prepayment, whatever the terminology you want to use is that advances a due date. If I am a borrower and I am paying my mortgage and I pay advance I don't expect to pay my mortgage for three months and get a bill for interest after that. I've paid three months ahead. That's not what we do. We advance the due date and we apply it to principal. So I understand that you take exception to it. I understand that you feel that we are not incentivizing borrowers. We're not telling them that they cannot pay. We're saying, sure, if you want to do that, great. It's going to pay down your

principal. That is wonderful. That is going to help you in the long run anyway. Congratulations. What we are saying is you will not get an additional interest subsidy for the months where that payment amount has advanced the due date because you did not make it on-time. I mean, and that's, that's what the RAP says. On-time monthly payments for the full scheduled amount in order for you to get the interest subsidy.

MR. LALLO: And just to tack on to that, an early payment pays off principal, which reduces accrued interest. It's still in a borrower's interest to pay early and pay as much as they can to reduce the total principal amount. So again, I apologize if it came off as glib but we want borrowers to pay and we want borrowers to pay early, but we don't want them to set themselves up for failure and create some system where they're able to basically draw out the interest subsidy, because that doesn't help borrowers. It helps borrowers to pay off their principal and pay off their loans.

MS. ABERNATHY: We are not accusing borrowers of gaming the system, but let's be clear. Any borrower because it's interest subsidy, can apply to anyone, right? If, if you have a borrower who's going to pay large amounts on it and then get the interest subsidy tacked onto -- attached onto that, that's considerably

more than what you would get in a normal month-to-month. So you have to look at it from the perspective of, no, we're not trying to penalize anybody for paying ahead, but we're not going to give credit when the payments are supposed to be on-time due for that month, the scheduled amount. In order for you to get the interest subsidy, that's what the, that's what the statute says. That's what the intent is for on-time payments. So that you again, I'm going to say this, we do have the statute was written as I believe it was, I can't remember if it was (inaudible) the but it was written for distressed borrowers. Right? (inaudible) So at this point, if you want the interest subsidy, then you make your payments monthly on-time for the full scheduled amount. And then you get the interest subsidy.

MS. WEISMAN: We're going to go to Alex Ricci, then Alex Holt, and then back to Ashley.

MR. RICCI: I yield to Alex Holt because he has something relevant to this point. And then I've got another question.

MR. HOLT: I thank the gentleman from Maryland. Virginia? Oh, okay. It's one out of, it's close. I mean, I had a 50% chance. First of all, I don't think it's a disincentive because you are paying down principal with no prepayment penalty, which I think is a

pretty unique benefit to the Federal Student Loan program. But I also just want to say, as a matter of law, like the Secretary, my understanding is, and Jake, you can correct me if I'm wrong here, but my understanding is that the Secretary must apply the payment first to interest. Even separate from all these on-time things they're talking about, I don't really understand how the Secretary could not apply it to principle. Because if the Secretary is allowing the principal subsidy in the next month, then the Secretary isn't applying the payment to interest first, because the Secretary is waiving some of the interest in applying the part of the payment to principal. So I just don't think it would be legal, like separate from even the sort of statutory stuff they're talking about here.

MS. WEISMAN: Jacob, did you want to comment?

MR. LALLO: No notes. He can come up and take my position. That was good.

MS. WEISMAN: So, back to Alex Ricci and then Ashley.

MR. RICCI: Yeah, reclaiming my time. So I understand that paragraph h here is discussing interest. But my question, this just came out of the blue, Tamy, as you were going through your hypothetical.

So I want to revisit that. For the borrower in January who paid for three months' worth of payments. So covered February and March. So the next payment is due in April. Right? But because of that advancement, does the borrower get credit towards the forgiveness time period for February and March?

MS. ABERNATHY: My Batman says we don't know. Let me clarify that before we answer that.

MR. RICCI: Thank you.

MS. ABERNATHY: That's a great question.

MS. NAPORLEE: Can you repeat that question?

MR. RICCI: Yeah. So, taking it out of this specific example, let's say you have a borrower who on-time pays for that month and two additional months. So the way that this works, then their next payment is due that third month out. I'm wondering if they get credit towards forgiveness because you have to make 30 years' worth of on-time payments. I'm wondering if they get credit for forgiveness towards that 30-year window for, in this case, that Tamy brought up, it was February and March, and their next payment was due in April.

MS. ABERNATHY: So we need two minutes from the Department to clarify that answer. If we can't

get it within the two minutes, we'll take it back and give it back after lunch.

MS. NAPORLEE: You're going to take two minutes right now. Is that what you said?

MS. ABERNATHY: Yeah. You guys can continue talking. I'm just saying Jake is going to try to flesh out the answer while you guys are talking.

MS. NAPORLEE: I'm now thinking PSLF, and you can make lump sum payments for FSLF. Why is that any different?

MS. ABERNATHY: I would encourage you at this moment to not reference PSLF. This is separate and apart from PSLF right now. This is about RAP, and this is about this particular interest subsidy, and PSLF does not get an interest subsidy, and it does not get a principal matching. So this is about a repayment plan, not a loan program that offers forgiveness. And so, you do get forgiveness under these repayment plans, I want to keep it in the confines of this repayment plan. Talk about it in the confines of this repayment plan. So under RAP, the question on the table is, if you make a prepayment, which is really not a prepayment because the interest is still not, we've got to look at this under the Repayment Assistance Plan, does an additional payment over that exceeds the monthly amount that is due is

submitted to the Department on-time for month one, do the months that the other amounts of the payment apply to, which it really doesn't because it goes towards principal. So we need to get clarification if that would be considered a qualifying time toward forgiveness as a prepayment that advances the due date. Separate and apart from the interest subsidy.

MR. HOLT: Separate from PSLF, do we know how it works with IBR right now, if you make a lump sum payment that counts towards forgiveness?

MS. ABERNATHY: Eric, for IBR, if you make a lump sum payment, don't the regs allow it to -- what do we allow it to do for IBR? We're not talking about PSLF right now.

MR. HARDY: So under the enjoined regs.

MS. ABERNATHY: Oh, here we go. Right. No, you're right. Exactly.

MR. HARDY: No. Under the enjoined regs, right, that changed how we apply payments, and it allowed for delinquent -- Renee, I'm going to use the term catch up -- if a borrower is delinquent and is catching up on their delinquency with the lump sum payment, then those prior months under the enjoined regs would count towards IBR forgiveness. If they're paying in

advance, those would also count as, as the month is achieved up through the next certification date.

MR. HOLT: Eric, is that second part is separate from the enjoined regs, correct? That was already the case before the enjoined regs, that if you make a prepayment under IBR?

MR. HARDY: Sort of. I have to be a little careful with, with the PSLF rules around -- I just want to be careful.

MS. ABERNATHY: Yeah. Not PSLF. Non PSLF.

MR. HARDY: I know, but we've made a concerted effort to not treat either program differently from a patient perspective. So now with part of the rules being enjoined, some of them not being enjoined, us negotiating these, and there's a lot to parse out. In fact, even Renee will tell you, I was a little short with him earlier. I don't know how to answer some of these questions until we start parsing out where all these payments are going to apply and not apply.

MS. ABERNATHY: The moral of the story is stay tuned. We're going to take it back. We're going to flesh it out with everybody and come back with the answers. Again, I just want to level set expectations that this is separate and apart from the interest

subsidy. This is a separate -- it's something that has morphed into questions about counting toward time to forgiveness. But this is separate and apart from getting the interest subsidy, because we know that has to be an on-time monthly payment for RAP. I think we can go on, oh, I'm sorry, another.

MS. WEISMAN: Deborah?

MS. LILLY: Apologies. I do have a question about the interest subsidy. So, extending upon your example, where the student has a \$100 monthly payment, they pay \$300, understanding they would not get credit for months two and three because they did not make a monthly payment. What if they do make a monthly payment during months two and three? Does the subsidy then apply?

MS. ABERNATHY: That depends on if it's the on-time monthly payment for the amount due for, for that month. So if they make it on the when it's due for that month, that's separate and apart from them giving a \$300 payment in month one. So if they pay month two, they pay month three --

MS. LILLY: But then they would get the interest subsidy for months two and three if they make an additional on-time monthly payment during those months.

MS. ABERNATHY: Well, it's not an

additional if they make their on-time monthly payment for the scheduled amount on month two and month three is due date. Yes. It doesn't take away, it doesn't take away from them making payments on month two and month three. It advanced the due date, but they still are making that scheduled monthly payment for, say, February 5th. They make it on February 5th. They make it on March 5th. I believe that payment would be looking at the interest that is due, because it would apply to interest first, and it would apply the interest subsidy for those subsequent months -- for the month that they're making the payment on because they're making another payment. So the first month they give \$300, they owe \$100. \$200 has gone towards principal, it's advanced the due date. But it didn't really change the amount due for February and March. Is that not right?

MS. LILLY: That was my understanding. I just wanted to clarify and make sure that I understood.

MS. ABERNATHY: Eric, do I have that right, or am I wrong on that? Eric, do you want to come sit up here?

MR. HARDY: Not with that name plate in front of me. So I think, depending on the daily interest accrual, right, that the payment amount wouldn't change, just more would go to principal unless would go

to interest if they've paid down the principal for the future interest accrual. Yeah. Sorry. I had to say that out loud to --

MR. HOLT: So I just want to clarify what you said. So basically, we should think of that then as a lump sum payment that reduced the principal. And, and then the new interest accrual is recalculated. The monthly payment hasn't changed because it's set based on the year. Now a separate question about what happens if the following month you've recertified and you have a new payment. But I think that's treated differently, right?

MR. HARDY: Right, we would never allow you to achieve credit beyond the certification date. everything would just be a principal reduction. And then for forgiveness purposes, we would not give you any credit until we recalculate. And then you have to make another lump sum payment in order for future (inaudible)

MR. HOLT: So then my final question related to this, related to what Deborah asked, is if you've made the lump sum payment, you advance the due date by two months, right? But then you make the on-time payments. Is your due date still advanced by two months?

MR. HARDY: The borrower can request that the due date is not advanced. If the borrower, in my understanding, based upon what we're talking about, is if

the borrower requests for the -- they make that principal only payment, they request for the due date not to advance, then they make their next regular payment, then they would be entitled to the principal matching or interest subsidy. But regulations say that we default to advancing. So the borrower has to actually request that we not advance.

MS. ABERNATHY: Okay. All right. So we are going to move on because it is getting close to lunchtime. Okay. We'll do that in a second because it's going to come up again. All right. So in (k)(8) romanette one (c)(5). Oh, can we put our reg text back up? Thank you. We have removed, we say, prior to July 1, 2028, a monthly payment under, we have put the authority of an income contingent repayment plan under this section of not less than monthly payment required under the applicable plan, including the minimum payment permitted under such plan. So we have made sure that we did not inappropriately identify that it was the authority of an Income Contingent Repayment Plan. Now we go to (o)(2) romanette one, matching principle. And I'm sure you guys know where we're going here. Under the Repayment Assistance Plan, when the borrower is not in a period of deferment under 685.204, or forbearance under section 685.205, for each month, the borrower makes an on-time

monthly payment as applied in paragraph (f)(5) romanette one of this section, and the outstanding principal is reduced by less than \$50, the Secretary reduces such total outstanding principal of the borrower by an amount that is equal to. And we have restructured the paragraphs from romanette one to capital A, romanette Arabic one two, and capital B. And then romanette two, if a borrower's payment is credited to a future monthly payment and the payment equals or exceeds the monthly repayment amount made under (f)(5) romanette one of this section, the Secretary, does not provide the borrower a matching principal payment in accordance with paragraph two romanette one of this section. And Jake had something to say.

MR. LALLO: Yeah. For the forgiveness question, I apologize, sorry. Before you allow us to take a quick break to look at that. We think we have the answer, but we want to circle a little bit over lunch and give a more complete explanation of it. We've looked at the statute we've got, you know, there, but we want to fully be able to present that to you if you'll indulge us.

MS. WEISMAN: Ashley?

MS. NAPORLEE: So just so we're clear, you're applying the same quote-unquote logic to the

interest subsidy as you are the principle of matching? So a borrower who makes an early or advanced payment does not get the interest subsidy or the principal matching reduction. Is that correct?

MS. ABERNATHY: One second.

MS. NAPORLEE: Okay.

MS. ABERNATHY: Ashley, I apologize. Would you please ask your question again?

MS. NAPORLEE: Yep, sure. I'm just trying to make sure I understand this. So in this section, the borrower who makes an advanced payment, so an early payment, does not get the benefit of the principal reduction.

MS. ABERNATHY: Right. If you look at romanette two, if a borrower's payment is credited to a future monthly payment, and the payment equals or exceeds the monthly repayment amount, they would not get the principal matching. And I believe we are going to check with one of our other attorneys to see if we need to add the exact same language that we added under interest subsidy, where we say for each month the on-time payment amount due for that month. So we might be tweaking this

MS. NAPORLEE: Okay.

MS. ABERNATHY: We can still talk about this until we get confirmation on that. The same,

the same philosophy applies here as did with interest subsidy. It advances the due date, we know that an extra payment goes towards principal, and so they would not get principal matching for a payment amount that is credited or that exceeds the amount that they do that is due for that month. It's the same concept.

MS. NAPORLEE: Okay.

MS. ABERNATHY: And if we can't get that clarification prior to lunch, we'll circle back after. Okay. I think if we don't have any additional questions, that we are ready for --

MS. WEISMAN: I believe Ashley has one more question.

MS. NAPORLEE: Can I have one minute, please? Okay. I kind of have a hypothetical to pose if, if the Department is willing to consider this.

MS. ABERNATHY: Yes, ma'am.

MS. NAPORLEE: Okay.

MS. ABERNATHY: Hold on. Can you wait for Jake?

MS. NAPORLEE: Yes, absolutely.

MS. ABERNATHY: Sorry. I need his ears.

MS. NAPORLEE: Jacob, I need your law school hypothetical ears.

MR. LALLO: Please don't do that to me.

MS. NAPORLEE: Okay, so here's a situation that I would like clarity on. So if a borrower owes \$100 a month. In January, they make a \$300 payment, and by default, the next payment due date is advanced to April, and the extra \$200 is applied to principal and to any outstanding interest or fees. The borrower doesn't realize the payment due date has been advanced or doesn't understand this, and makes otherwise on-time monthly \$100 payments in February and March. Does the borrower not get any interest subsidy for February, March, despite having both made prepayments to cover those months and made additional full-time payments in each of those months?

MS. ABERNATHY: So the interest subsidy is only for on-time monthly payments that are for the full scheduled amount. You said interest subsidy. So I'm answering that specific question is no, they would not. We just discussed the interest of well, wait a minute, they made the --

MS. NAPORLEE: Yeah.

MS. ABERNATHY: Based on what we answered the last time that, that is considered an on-time monthly payment, it's not considered -- okay, hold on.

MR. LALLO: It -- so, yeah. This isn't -- we want to let Eric answer this one.

MS. ABERNATHY: We want to let Batman answer this one.

MR. HARDY: Yeah, we might want to chat some -- about this in the room.

MS. ABERNATHY: Why don't we not answer that until we come back. Because I'd like for all of us to be on the same page, and I don't feel like we are. And I'd rather us have a unified voice and position on this. Sure. Thanks.

MR. LALLO: That would be very helpful. Any, any technical hypotheticals, please put it in an email. We would like to be able to go through them in detail, and we don't want to ever appear scattered or have to go take back anything that we say to offer corrections. So if you guys can write them out for us, especially if they involve some nuance, it's very, very helpful for us.

MS. ABERNATHY: I think at this point we can go ahead and conclude for lunch, if that's okay. And if you could give us an extra 15 minutes at lunch, because I understand it's going to take us a few minutes to discuss some of these things.

MS. WEISMAN: Yes.

MS. ABERNATHY: Thank you.

MS. WEISMAN: So we will break for lunch. We will return at 1:15.