LOAN ACT
Title-by-Title

TITLE I

Doubles Federal Pell Grants

- Increases the maximum award to $10,000 for the 2026-2027 award year, doubles the maximum Pell Grant over a period of five years thereafter (to $14,000), and indexes the maximum award to inflation, restoring the purchasing power of the Pell Grant. The bill also shifts the Pell Grant to fully mandatory funding.

- Allows students and families who receive a federal benefit program, such as SNAP or Medicaid, to automatically qualify for the maximum aid and receive an extra award of up to $1,500 in addition to the maximum Pell Grant ($15,500 in total).

- Extends Title IV eligibility to DREAMer students.

- Extends Pell eligibility from the current 12 semesters back to 18 semesters as it existed before 2011 eligibility cuts related to a Pell Grant funding shortfall.

- Requires institutions to provide academic progress warnings to students before they lose financial aid eligibility and resets Pell Grant eligibility two years after a student is enrolled at an institution of higher education.

- Allows students completing a graduate or professional degree to use any remaining Pell eligibility from their undergraduate studies.

TITLE II

Makes Loans Less Expensive

- Provides graduate and professional students attending public and non-profit institutions with access to subsidized loans at the same interest rate available to these students for unsubsidized loans.

- Repeals origination fees on all loans subject to collection of such fees – Direct Subsidized and Unsubsidized Loans and Direct PLUS Loans.

- Codifies a new income driven repayment plan (which are the major provisions from the Saving on a Valuable Education (SAVE) plan) making a truly affordable repayment option that cuts undergraduate loan payments in half, reinstates $0 repayments for low- and middle-income borrowers, ensures borrowers in repayment never see their loan balances increase, and provides early forgiveness for low-balance borrowers.

- Streamlines student loan repayment for new borrowers by offering two repayment plans (standard repayment plan and the new income driven repayment plan created under this bill), while allowing borrowers who are already in repayment to stay in the plan that works best for them and their families.

- Authorizes the Secretary to obtain income and family size information of a borrower who is 31 days delinquent and provides information to borrowers including the identification of the delinquent loans, monthly payment amounts applicable to the borrower's loans under income-driven repayment plans (IDR), and clear instructions on how to select a repayment plan.

- Requires the Secretary to place borrowers who are 80 days delinquent on a covered loan and not already enrolled in an IDR plan into the most affordable IDR plan.

- Authorizes the Secretary to obtain income and family size information of a borrower who is rehabilitating a covered loan and notify a borrower within 30 days of a borrower's sixth payment required for loan rehabilitation that unless they opt out upon making the ninth (and final) required payment, the borrower will be placed into the most affordable IDR plan.

Improves the Public Service Loan Forgiveness (PSLF) Program

- Strikes the requirement that a borrower must make 120 on-time payments to qualify for PSLF and reduces this requirement to 96 on-time payments.

- Defines "qualifying monthly payment" for the purposes of Public Service Loan Forgiveness (PSLF) and determines how prepayments and excess payments will be handled under PSLF.

- Codifies regulation which allows for the "buyback" process. This allows borrowers to "buyback" PSLF payments (make payments for periods where the loan was in forbearance or deferment if they otherwise have 96 months of qualifying employment).

- Implements hold harmless protection to ensure borrowers are protected so that their payments still count as qualifying under their original loan terms, even if the Secretary later changes terms.

- Codifies regulation which allows for a reconsideration process for borrowers who have their initial application for PSLF denied. Additionally, the SERVICE Act requires the Secretary of Education (Secretary) to notify the borrower of their final determination within six months of their request.

- Repeals the requirement that a borrower be employed in a public service job at the time of forgiveness and requires the Department of Education (ED) to provide forgiveness without further action by the borrower.

- Codifies regulation to expand PSLF to include certain independent contractors who are working public services jobs where that work cannot be completed by an employee.

- Requires the Secretary determines the formula that fulfills the requirements for full-time employment for nontenure track employees working at institutions of higher education as the equivalent of 30 hours per week.

- Requires the Department to maintain an online portal that provides borrowers with a variety of information to help them determine their eligibility for PSLF and submit any forms associated with the program.

- Requires the Department (in consultation with the Secretary of Labor) to establish and regularly update a database listing qualifying public service jobs.

- Codifies regulation that allows certain forbearances and deferments to count as qualifying payments, including cancer treatment deferment, Peace Corps service deferment, rehabilitation training program deferment, economic hardship deferment, military service deferment, post-active-duty student deferment, AmeriCorps forbearance, National Guard Duty forbearance, U.S. Department of Defense (DOD) Repayment Program forbearance, and administrative or mandatory forbearance.

- Requires that payments made prior to a borrower's receipt of a Federal Direct Consolidation Loan—during which time such borrower is employed in a qualifying public service job made on, or after, the date of enactment of this Act—shall be considered as qualifying payments for forgiveness. Payments shall be made attributable to the portion of the Direct Consolidation Loan that the Consolidation Loan discharged.

- Repeals the prohibition on receiving a reduction of loan obligation for the same service under PSLF and loan forgiveness for teachers.

TITLE III

Eliminates Loan Capitalization

- Eliminates capitalization and disclosure requirements relating to capitalization from the Higher Education Act.

TITLE IV

Lowers Interest Rates

- Ties the interest rates for all new Federal student loans on or after July 1, 2026, to the 10-year Treasury note, eliminates the added-on percentage currently in statute, and lowers the percentage points and caps in the formula for all loans to 5 percent, reminiscent of the interest rate for the Perkins loan. This will ensure that interest rates for these loans will never be more than 5 percent.

- Allows all borrowers to take advantage of these lower interest rates by giving them a chance to refinance their old debt at the same rates offered to new borrowers and provide this benefit for borrowers with private student loans.