Federal higher education update: loan rules, accountability, and accreditation in flux

By Frank M. Yamada

Federal higher education policy has moved fast this summer. Since our last update, several significant actions have taken place involving federal student aid, program accountability, and graduate student loan eligibility. More is still to come related to accreditation and civil rights. This update provides a high-level summary of what member schools need to know and why it matters for the work we do together.

While these federal developments warrant close attention, they are unfolding alongside broader challenges and opportunities that are reshaping theological education. Schools are navigating financial pressures, changing student demographics, evolving vocational pathways, and increasing regulatory complexity. Yet one truth remains clear: the value of theological education has not diminished. In many ways, it has become more urgent. ATS remains committed to supporting our member schools as they continue the important work of forming leaders for communities of faith and the broader public.

Professional program definition

One important development concerns the federal definition of a "professional program" for purposes of graduate student loan limits. On June 24, a federal district court temporarily halted the US Department of Education's new, narrower definition of a "professional program" for graduate loan-limit purposes, finding serious legal problems with the rule. The prior, broader definition applies for now while litigation continues.

What this means for member schools:

- The Department's interim guidance recognizes ***Master of Divinity (MDiv) and rabbinical studies*** programs as professional programs, preserving access to higher federal loan limits. These codes are:
  - 39.0602, Divinity/Ministry (M.Div.)
  - 39.0605, Rabbinical Studies (M.H.L.)
- The Department's interim list continues to distinguish between professional ministry degrees and other theological programs. While *Divinity/Ministry (MDiv) and rabbinical studies* are included as professional programs, the following CIP codes are not:
  - 39.0601, Theology/Theological Studies
  - 39.0604, Pre-Theology/Pre-Ministerial Studies
  - 39.0699, Theological and Ministerial Studies, Other

Legal experts caution that the interim guidance may not fully align with the court's order, and further changes are possible as the case proceeds.

For further reading:

- US Department of Education: Update to List of Professional Degree Programs Due to Court Order
- Inside Higher Ed: Judge Tosses 'Professional' Degree Definition
- NASFAA: US DOE Temporarily Removes and Adds CPT Codes

Earnings-based accountability and Title IV aid eligibility

The Department has also finalized new earnings-based accountability regulations that will help determine which academic programs keep access to federal student loans.

What's changing:

- ***Schools will face new annual reporting requirements through the Student Tuition and Transparency System (STATS).*** Beginning October 1, 2026, institutions must annually report program-level information, including CIP code, credential level, program length, cost of attendance, private education loan data, and completion or withdrawal status for students. The final rule also reduces certain existing reporting requirements by eliminating data elements already collected through other federal systems.
- ***Graduate programs will be judged partly on graduates' earnings.*** The federal government will compare the earnings of graduates from a master's or doctoral program to the earnings of a typical person whose highest credential is a bachelor's degree.
- ***Programs must demonstrate an "earnings premium."*** In practical terms, graduates must earn more than a bachelor's degree holder in the same or similar program subject to some geographic limitations. If they do not, the program may be considered a "low-earning outcome program."
- ***A graduate seminary could lose access to federal direct loans for a specific program.*** If a program fails the earnings test in ***two out of three consecutive award years,*** that program can lose eligibility for the federal direct loan program. This is the most immediate consequence. The first reporting year is 2027, and the earliest a program could potentially lose access would be summer 2028.
- ***Persistent failure could bring broader Title IV consequences.*** After three years of consistently failing the earnings measure, the Department could remove all Title IV eligibility for low-earning programs, potentially affecting access to federal student aid associated with those programs.
- ***Religious schools are not exempt simply because they are nonprofit or faith-based.*** One of the major changes is that accountability measures are being applied across nearly all sectors and credential levels. The rule is intended to create a common framework regardless of tax status.
- ***The Master of Divinity (MDiv) could face particular scrutiny.*** Many ministry graduates enter congregational, nonprofit, chaplaincy, or community-serving vocations that often have lower salaries than other graduate professions. Schools may therefore be concerned that earnings data will not fully capture the value of ministerial preparation.

What member schools can do now:

- Review graduate borrowing levels by program.
- Track alumni employment and earnings outcomes where possible.
- Evaluate which programs may be most vulnerable under the earnings benchmark.
- Strengthen communication about vocational outcomes that are not reflected in salary data.
- Monitor future Department guidance because implementation details and appeals processes could affect how graduate theological programs are evaluated.

Resources:

- US Department of Education: Final Earnings Rule
- US Department of Education: STATS Fact Sheet
- NASFAA: Summary of Earnings-Based Accountability
- Inside Higher Ed: How New Federal Earnings Test May Affect Higher Ed
- ATS Public Comment on Notice of Proposed Rule

Accreditation and institutional accountability

In May, the Department's Accreditation, Innovation, and Modernization (AIM) negotiated-rulemaking committee reached consensus on a broad package of proposed accreditation reforms. These changes would affect how accrediting agencies are recognized, governed, and reviewed by the federal government.

Among the proposed changes are provisions intended to encourage new accreditors to enter the field, streamline certain recognition processes, and place greater emphasis on academic freedom and viewpoint diversity. The consensus package would require accrediting agencies affiliated with membership associations to maintain separate governance, staffing, resources, and physical operations.

These developments primarily affect accrediting organizations like ATS rather than individual member schools. However, changes to federal recognition requirements may affect how accreditors conduct their work, which could in turn shape accreditation processes and expectations for member schools. ATS staff is closely monitoring these developments to ensure that the organization will be in compliance with the US Department of Education's final rule.

What happens next?

- The Department is expected to publish a Notice of Proposed Rulemaking in summer 2026.
- A public comment period, anticipated to last approximately 30 days, would likely extend into early fall, depending on the publication date.
- After reviewing public comments, the Department could publish a final rule in 2027.
- Any resulting regulatory changes would likely not take effect until mid-2027 or later.

For further reading:

- U.S. Department of Education: Department Reaches Consensus to Reform and Strengthen America's Higher Education Accreditation System
- CHEA: Negotiated Rulemaking on Accreditation (2026)

The Canadian context

Much of the above is US-specific, but our Canadian member schools are far from insulated. International study-permit caps have already reduced enrollment and revenue at several Canadian theological schools. These caps continue to affect enrollment planning across Canadian higher education. In 2026, Immigration, Refugees and Citizenship Canada announced a further reduction in study-permit issuance targets as part of broader efforts to reduce the temporary resident population to below five percent of the population by December 31, 2027.

At the same time, economic and political tensions between the United States and Canada continue to create uncertainty. On July 20, 2026, the White House announced additional duties on certain Canadian products in response to Canadian tariffs on US motor vehicles. The new duties, scheduled to take effect on August 19, 2026, represent another escalation in ongoing trade disputes between the two countries.

Combined with continued uncertainty surrounding cross-border travel, trade, and economic conditions, these developments contribute to a challenging environment for Canadian institutions. While US federal higher education regulations do not apply directly to Canadian schools, broader immigration, economic, and cross-border policy changes can still have meaningful effects on enrollment, finances, and institutional planning. We remain in close contact with our Canadian members and will continue sharing what we learn.

For further reading:

- Government of Canada: 2026 Provincial and Territorial Allocations
- US Presidential Action: Additional Duties on Canadian Products

Emerging US federal regulatory priorities

The US government has outlined the "2026 Unified Agenda of Regulatory and Deregulatory Actions." Full details are not available yet, but based on what has been released so far, we can expect changes in these areas:

- ***Civil rights enforcement:*** Anticipated rulemakings would revise Title IX regulations, change how the Office for Civil Rights handles discrimination complaints, and update federal civil rights enforcement procedures more broadly.
- ***Additional negotiated rulemaking:*** Expected topics include Title IV eligibility requirements, accreditation, student loan repayment programs, foreign-source gift and contract reporting under Section 117 of the Higher Education Act, and campus safety and security reporting requirements associated with implementation of the Stop Campus Hazing Act.

- **Institutional accountability and public confidence:** The Department is placing increased emphasis on institutional accountability beyond traditional compliance requirements. In an August 2026 letter to college and university leaders, Secretary Linda McMahon called on institutions to publicly outline steps they will take to strengthen admissions transparency, free expression, intellectual pluralism, affordability, student outcomes, academic rigor, and research integrity. Although the initiative is not currently a regulatory requirement, it reflects broader federal concerns about the public value of higher education and aligns with several areas already appearing in the Department's regulatory agenda.

None of this requires immediate action from member schools, but it underscores how quickly the regulatory landscape keeps shifting. ATS will track these initiatives and flag anything with real implications for member schools.

For further reading:

- US Office of Information and Regulatory Affairs: 2026 Regulatory Plan and the Unified Agenda
- US Department of Education: National Call to Action for Colleges and Universities

Keeping grounded in what matters

As always, we will continue to monitor these developments closely and provide updates as new information becomes available. In the meantime, let us keep our eyes fixed on the mission that unites us. Our commitment to promoting the improvement and enhancement of theological schools remains unwavering. We know that change brings uncertainty, but we also believe it presents an opportunity to reaffirm what makes theological education distinctive and essential. ATS member schools continue to form leaders who help communities navigate difficult questions, inspire hope, strengthen institutions, and serve the common good. That work matters deeply.

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