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The Department of Education Is Being Restructured Without a Vote in Congress. Here's What It Means for Your Student Loans.

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No bill has passed abolishing the U.S. Department of Education. No vote has been held. Piece by piece, however, the agency that has administered federal financial aid since 1980 is shifting core functions to other federal agencies through executive action — and the $1.7 trillion in loans owed by more than 40 million Americans stands to be affected as that shift continues. So far, that has meant the roughly 10 million borrowers in default or serious delinquency; the administration has described full transfer of loan management as its eventual goal.

Here is what has actually happened, what it means for borrowers, and why members of Congress are asking government watchdogs to step in.

A department restructured by agreement, not by law

Dismantling a cabinet agency requires an act of Congress. The Trump administration cannot eliminate the Department of Education on its own. What it can do — and has been doing since early 2025 — is move the department's core functions to other federal agencies through interagency agreements and reduce its staff through layoffs. The administration has framed this as returning education policy to the states and cutting what Education Secretary Linda McMahon has called wasteful bureaucracy. Congressional Democrats and independent government watchdogs describe the same set of facts differently: as a reorganization that is outpacing Congress's ability to oversee it.

The numbers at the center of the dispute: Senator Elizabeth Warren's office has said staffing at the Department's Office of Federal Student Aid — which oversees Pell Grants and Direct Loans — has fallen by roughly 46 percent, a figure that has not been independently verified against the Department's own personnel data. What is independently documented is that some grant programs have been handed to agencies with no background in education policy, including the Department of Labor, and that in March 2026 the administration announced its most significant move yet: transferring management of the federal student loan portfolio to the Treasury Department, beginning with borrowers in default or serious delinquency. The Department has also confirmed, for the first time, that it is weighing an outright sale of the federal student loan portfolio to private buyers — a step that would move decisions about tens of millions of borrowers' debt outside direct government administration.

The Department, for its part, has said it will continue to directly administer Pell Grants, Title I funding for low-income schools, and support for students with disabilities even as other functions move elsewhere.

Congress has pushed back through two separate channels of oversight. A group of senators asked the Government Accountability Office (GAO), the nonpartisan federal watchdog, to investigate the

interagency transfer agreements; GAO agreed and opened that investigation around March 2026, focused on program costs, borrowers' timely access to funding and services, and program quality. A second, narrower GAO investigation was opened in July 2026 at Senator Warren's request, focused specifically on whether the reorganization is undermining the Department's ability to detect waste, fraud, and abuse of federal financial aid funds. Separately, Senator Warren and colleagues have called the transfer arrangement itself unlawful — a legal opinion those senators hold, and one that neither GAO investigation is designed to resolve on its own.

Where your loan went, and why the handoff has been rocky

For the roughly 10 million borrowers who were behind on payments when the transfer began, day-to-day management of their debt now sits with the Treasury Department instead of the Education Department. Treasury has taken over collections on defaulted loans and is supporting efforts to bring borrowers back into repayment.

The early results have drawn scrutiny. Senators overseeing the transition have documented weeks-long delays in the disbursement of grant funding tied to the reorganization. Loan servicer MOHELA is currently the subject of a Senate inquiry after borrowers reported receiving false delinquency notices. And at a Senate Finance Committee hearing in July 2026, the Treasury official nominated to help oversee the newly inherited loan portfolio was unable to answer basic questions about the scale of the default crisis he had just taken responsibility for, or its potential effects on the Social Security benefits of older borrowers whose defaulted loans could trigger garnishment.

> *Federal law allows the government to garnish Social Security benefits to collect on defaulted federal student debt. That authority isn't new, but it is now being administered by an agency that, by its own nominee's admission, does not yet have a clear picture of who is affected.*

New rules, higher stakes: what changed for borrowers on July 1

Independent of the agency reorganization, the rules governing how federal student loans are repaid changed substantially this year under the Working Families Tax Cuts Act, the reconciliation law signed in July 2025. The most significant repayment changes took effect on July 1, 2026.

The law phased out most existing income-driven repayment plans for new borrowing, including the Saving on a Valuable Education (SAVE) plan, Pay As You Earn, and Income-Contingent Repayment. For anyone taking out a new federal loan on or after July 1, 2026, the only choices are a new Tiered Standard repayment plan, with fixed terms of 10 to 25 years, and a new income-driven option called the Repayment Assistance Plan, or RAP. Borrowers who already have loans and do not take out any new ones generally keep access to Income-Based Repayment (IBR), which was not eliminated by the law — an important distinction the reform is sometimes described as erasing entirely.

RAP is being marketed by the administration as a simpler, more predictable alternative to the plans it replaced, and independent analyses back up some of that framing: payments are capped as a share of income, and the plan is structured to prevent a borrower's balance from growing indefinitely through unpaid interest, a problem that affected some older plans. But independent financial analysts, including

at Fidelity, SoFi, and the Brookings Institution, have documented real trade-offs. RAP calculates family size using a flat $50-per-month deduction per dependent, regardless of actual family expenses — markedly less generous than the plans it replaces, and hardest on multigenerational and larger households. RAP's forgiveness timeline is also fixed at 360 monthly payments, or 30 years, for every borrower, compared with 20 to 25 years under the plans it replaces. And because forgiven balances remain subject to being taxed as income once discharged, financial advisers are warning some borrowers of a “tax bomb” awaiting them at the end of repayment.

The law also eliminated the Graduate PLUS loan program entirely and placed new caps on Parent PLUS loans, meaning graduate students and parents of undergraduates can no longer borrow federal dollars up to the full cost of attendance. For many families, that gap will need to be filled by private lenders — a shift that an analysis released by Senator Warren's office found stands to directly benefit private student loan companies.

Existing borrowers are not required to switch to the new plans immediately. But the window to preserve access to income-driven forgiveness under the older, statutory terms closes on July 1, 2028, after which remaining borrowers on legacy plans will be moved to RAP by default. Borrowers who take out any new loan on or after July 1, 2026, however, are moved onto the new system immediately, for all of their loans, old and new alike.

The through-line

Two things are happening to federal education policy at the same time, and they compound each other. The agency responsible for administering student aid is shifting core functions to departments with no prior expertise in the work, right as the rules borrowers must navigate are becoming more complex and, for many households, less forgiving. Neither change went before voters. Neither was put to a vote in Congress in its final, current form. Both are being carried out through executive agreements, agency reorganizations, and regulatory rulemaking — the kind of process that rarely makes headlines but reliably reshapes millions of people's financial lives.

This is precisely the kind of story that belongs in the space between a shared headline and a forgotten news cycle. The people most affected — working families sending a first kid to college, parents co-signing loans, borrowers already behind on payments — deserve a clear-eyed account of what changed, who is accountable, and what oversight currently exists, including the parts of the administration's own case for these changes. Right now, active oversight is coming from a handful of senators and two separate GAO investigations, not from the department that used to do this work alone.

What you can do

- **Check which repayment plan you are on before July 1, 2028.** Borrowers currently on SAVE, PAYE, or ICR have a window to switch to a plan that preserves forgiveness eligibility; waiting means being moved automatically to RAP. If you don't plan to borrow again, ask your servicer whether IBR remains available to you.

- **If you or a family member is in default, don't assume Treasury has your correct information.** Given the documented delays and servicer errors during this transition, borrowers in or near default should confirm their account status directly rather than waiting for a notice.
- **If you have an aging parent with defaulted student debt, understand the Social Security garnishment risk now,** not after a benefit check arrives short.
- **Contact your member of Congress** and ask whether they support the ongoing GAO investigations into the Education Department's transfer agreements, and whether they will act to require congressional approval before any sale of the federal loan portfolio moves forward.

Sources: U.S. Department of Education press releases (July 2026); Federal Register, "Reimagining and Improving Student Education" final rule (May 1, 2026); Office of Senator Elizabeth Warren, press releases (Feb.–July 2026); Office of Senator Jeff Merkley, press release (Aug. 2026); ABC News; Forbes Advisor; Federal News Network; AP/KSL Newsradio; Citizens Bank Learning Center; Fidelity Learning Center; SoFi; Congress.gov CRS In Focus IF13075; Brookings Institution.