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Higher Education Alert

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Education Dept. issues final rule on higher education accreditation

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The final rule largely tracks the August proposal, but several technical edits and a firm implementation timeline matter for institutions and accreditors.



What's the impact?

- Several technical edits in the final rule affect how accreditors review institutional spending, collect campus feedback, and respond when an institution closes without a teach-out plan.
- The rule generally takes effect July 1, 2027. Accreditors may begin implementing its provisions on January 1, 2027, but may not impose new requirements on institutions or programs before July 1, 2027.
- Institutions should monitor proposed accreditor revisions, review transfer credit policies and disclosures, and prepare to document the rationale behind significant financial and resource-allocation decisions.

Overview

On October 30, 2026, the US Department of Education (the Department) published its final rule, Accreditation, Innovation, and Modernization, amending the federal accreditation framework for colleges and universities under 34 C.F.R. Parts 600, 602, and 668.

The final rule follows the Notice of Proposed Rulemaking (NPRM) published on August 20, [which we discussed here](#), and the consensus reached by the Department's Accreditation, Innovation, and Modernization (AIM) negotiated rulemaking committee, [which we analyzed back in May](#).

The Department made no substantive changes to the proposed rule, retaining the negotiated rulemaking consensus text with only minor technical edits. Those edits address several practical questions, including which accreditation standards trigger cost/benefit review, how that review is conducted, and what accreditors must do when an institution closes without a teach-out plan. This alert focuses on those changes and the implementation timeline. Please see our prior alerts for analysis of the broader framework.

Implementation timeline

The rule generally takes effect July 1, 2027. The Department permits early implementation by accreditors for all provisions beginning January 1, 2027, provided that accreditors do not impose new requirements on institutions or programs before July 1, 2027.

The Department strongly encourages accreditors to begin revising their policies and procedures, and to start training staff and peer reviewers promptly. Those changes may require stakeholder notice-and-comment periods and formal adoption by an accreditor's authorized decision-making body. Institutions should therefore expect proposed revisions to accreditation standards and related opportunities to comment over the coming months.

The Department also established transition rules for its own review of accrediting agencies:

- / **Renewal applications submitted before July 1, 2026.** The Department will review these applications under the prior regulations. Final staff reports will be presented to the National Advisory Committee on Institutional Quality and Integrity (NACIQI) at its 2027 meetings and the proposed first meeting of 2028.
- / **Initial recognition applications submitted after July 1, 2026.** These applications must be reviewed under the new requirements.

Institutions should distinguish these transition rules for accreditor recognition from the general implementation date. The applicable timeline may depend on the accreditor's recognition status and the timing of its application.

Cost/benefit review (§ 602.17(a)(3))

The final rule retains the requirement that accreditors consider institutional cost/benefit analysis as part of the accreditation process. The analysis encompasses the institution's budget, resource utilization and allocation, any existing business or strategic plan or continuous-improvement strategic plan, and whether the institution considers the financial, administrative, and opportunity costs of its activities, including the effect of capital expenditures on future operating expenses.

Two technical edits affect how this requirement operates.

Which standards trigger the review. The NPRM required cost/benefit review when an accreditor applied its standards concerning facilities, equipment, and supplies, and student support services. The final rule instead ties the review to standards concerning facilities, equipment, and supplies, and fiscal and administrative capacity. The Department described the change as correcting a cross-reference to reflect its original intent.

Who conducts the analysis. The NPRM assigned the cost/benefit analysis to the accreditor. The final rule instead requires the accreditor to review any cost/benefit analysis performed by the institution.

The Department's explanation leaves an important practical question unresolved. The Department states that accreditors must review whether institutions have conducted a cost/benefit analysis and review any analysis performed. At the same time, it says the rule does not require an institution to conduct an analysis or take any particular action.

The rule does not prescribe a particular method or format. Institutions should not assume that a formal, standalone cost/benefit report is expressly required in every case. As a practical matter, however, institutions should be prepared to explain and document the reasoning behind significant spending and resource-allocation decisions, particularly major capital projects and decisions affecting future operating expenses.

Teach-outs and closed institutions (§ 602.24(d))

The final rule also clarifies accreditors' responsibilities when an institution closes without a teach-out plan. In that circumstance, the accreditor must work with the Department and the appropriate state agency, to the extent feasible, to help students find reasonable opportunities to complete their education without additional charges.

If a teach-out agreement cannot be arranged, the final rule requires the accreditor to work with institutions to secure transfer options. The NPRM had limited those options to institutions named in a teach-out plan, a restriction that would be unworkable where no such plan exists. Accreditors must also make teach-out and transfer options, the terms of those options, and information

about obtaining transcripts, loan discharges, and reimbursement publicly available on their websites. They must share that information with appropriate state agencies and, as applicable, other recognized accreditors.

The Department characterizes these provisions as expectations for coordinated student protection, not as requiring accreditors to act on behalf of a closed institution. Even so, institutions in good standing may be approached more frequently to serve as teach-out or transfer partners.

Independence from trade and professional associations

As we noted in May, the new independence and conflict-of-interest requirements may have significant implications for programmatic accreditors whose operations are closely intertwined with professional or trade associations.

Commenters asked the Department to rescind these requirements or allow additional time for compliance. The Department declined. It explains that the phase-in for applications for initial and renewed recognition submitted during the transition period gives agencies approximately 20 months, through **July 1, 2028**, to make necessary changes. An agency that cannot comply by that date because of existing lease obligations may contact the Department. The Department may consider documented, substantive progress toward compliance when deciding whether to maintain recognition and may require periodic progress reports. This is not an automatic extension or waiver.

Other technical edits

Student, staff, and faculty feedback (§ 602.23(l)). Accreditors must maintain at least one structured mechanism through which currently enrolled students and employed staff and faculty can communicate directly with the accreditor about its standards or an institution's or program's compliance. The final rule clarifies that agencies may use one or more of the listed mechanisms: sign-up meetings during site visits, randomized panels for confidential interviews or focus groups, or independently administered surveys. The list is nonexclusive; other mechanisms may also qualify.

Direct assessment programs (§ 602.30(a)(3)). Accreditors must document how they apply their standards to direct assessment programs, as they already do for distance education and correspondence courses.

Changing accreditors (§ 602.15(d)). Recognized accreditors must cooperate with one another and the Department to develop common templates and forms for institutions or programs seeking to change accreditors. The Department clarified that this cooperation does not require an accreditor to modify its own standards or procedures.

Additional clarifications in the preamble

The Department's responses to public comments also clarify several aspects of the new framework.

Proportionate review. Accreditors retain discretion to apply program-level review proportionately. The amount of documentation and review may reflect the scale of an institution's offerings; an institution with six programs need not face the same documentation burden as one with more than 120.

No federal student-achievement thresholds. The rule does not establish uniform federal numerical thresholds for student achievement. Each accreditor retains authority to set its own thresholds within the framework.

No sector-specific carve-outs. The Department declined exemption requests for religious, minority-serving, tribal, small, liberal arts, and specialized institutions, explaining that it intends to standardize how the accreditation framework is applied.

Transfer of credit. Institutions retain academic discretion to evaluate the comparability and applicability of coursework, but the final rule imposes specific requirements on transfer-credit policies and disclosures. Recognized accreditors must confirm that institutional policies do not deny transfer credit based on the sending institution or the accrediting agency, so long as that agency is recognized by the Secretary of Education. Accreditors must also confirm that institutional policies provide for the award of credit for successfully completed undergraduate coursework from another institution accredited by a Department-recognized agency when that coursework is comparable in content and learning outcomes to the receiving institution's own offerings. An institution may deny credit under the rule's academic-standards or curricular-requirements exception, but it must provide the written basis for denial. The comparable-credit award and related appeal provisions are expressly directed to undergraduate programs. The broader transfer policy and disclosure requirements should not be read as limited in the same way.

The rule also expands the information institutions must disclose about their transfer credit policies. These disclosures include the deadline for submitting transcripts for timely review, transfer credit criteria and any sources from which the institution will not accept credit, articulation agreements, criteria for awarding credit for prior learning, and whether the institution considers non-degree or non-credit coursework for transfer or articulation to a degree program.

When a student timely submits a transcript within the institution's published timeline, the institution must inform the student of the credit it will award, the credit it will decline to award, and the estimated time and, where applicable, courses needed to replace coursework for which credit is denied. These results must be provided by the earliest of the student signing an

enrollment agreement, completing registration, or making a nonrefundable financial commitment. For a denial under the undergraduate comparable-credit provision, the institution must provide a written rationale specific to each course that does not receive transfer credit, and the student must have an opportunity to appeal within 15 calendar days of receiving the institution's written notification.

The Department also confirmed that institutions may rely primarily on learning outcomes when assessing equivalency. The rule does not require institutions to accept coursework that fails to meet their applicable academic standards or curricular requirements.

What institutions should do now

With the rule finalized, colleges and universities should consider taking the following steps:

- / **Monitor accreditor revisions.** Track proposed changes to standards and procedures during 2027 and participate in comment periods where appropriate.
- / **Review transfer credit policies, disclosures, and workflows.** Ensure the published policy includes the required transcript submission timeline, transfer criteria, articulation agreements, prior learning criteria, and non-degree or non-credit transfer information. Establish a process for communicating credit awards, denials, and estimated replacement coursework to students who submit transcripts on time. Ensure course-specific written rationales and the opportunity to appeal within 15 calendar days are available where required.
- / **Document significant financial decisions.** Maintain a clear record of the rationale for major capital expenditures, budget decisions, resource allocation, and strategic investments, including expected benefits and future operating costs.
- / **Assess teach-out readiness.** Review plans for transcript access, student records, transfer arrangements, and the institution's capacity to assist students affected by a closure elsewhere. Institutions should also consider existing state requirements, where applicable. For example, [Massachusetts already requires](#) covered independent institutions of higher education to develop contingency closure plans when identified as being at risk of imminent closure.

The Department said it may provide technical assistance and guidance as appropriate, but declined to commit to specific guidance documents or a publication timeline.

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