Loan Changes from the One Big Beautiful Bill Act: Brief for Campus Leadership

NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025, through the budget reconciliation process. This legislation contains provisions that reshape student financial aid, including significant changes to the federal student loan programs, most of which become effective for periods of enrollment beginning on or after July 1, 2026.

These changes include:

- **Graduate & Professional Students**
  - **Graduate PLUS Loan program eliminated**
    - Removes a longstanding federal funding option for graduate and professional students, who have historically been able to cover the full cost of attendance (both direct and indirect costs) through this program.
  - **Direct Unsubsidized Loan limits changed**
    - Graduate student Direct Unsubsidized Loan annual limit unchanged ($20,500); new aggregate limit of $100,000 (not including undergraduate loans). The previous aggregate limit was $138,500, including undergraduate loans.
    - New professional student Direct Unsubsidized annual limit of $50,000; new aggregate limit of $200,000.
    - Additional Direct Unsubsidized Loan limits for certain health professions programs have been eliminated.

> While the underlying concept of a professional program is not new, the creation of loan limits based on whether a program is professional versus graduate level is new. The law and accompanying regulations define what is considered professional for these new loan limits. Professional degrees are largely limited to: Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), Clinical Psychology (Psy.D. or Ph.D.), and Theology (M.Div., or M.H.L.)

- **Undergraduate Students**
  - **New limits for Parent Loan for Undergraduate Students (PLUS)**
    - New borrowers will have an annual limit of $20,000 and an aggregate limit of $65,000 per dependent student. Historically, borrowers have been able to cover the full cost of attendance (both direct and indirect costs) through this program, as there was no specific limit.
- **All Students**
  - New lifetime maximum of $257,500 for all federal student loans combined, excluding Parent PLUS Loans.
  - New ability for institutions to impose a lower loan limit by program of study, creating an opportunity to address high loan default rates or high debt programs.
  - New requirement for institutions to adjust the annual loan limit for students enrolled less than full-time.
  - Major overhaul to the student loan repayment system.
    - Repayment options will be streamlined into only two plans: a new tiered standard repayment plan and a new income-driven repayment plan, called the Repayment Assistance Plan (RAP).
    - Existing income-contingent repayment plans will sunset in 2028.

> While many of the provisions become effective for periods of enrollment beginning on or after July 1, 2026, the impacts of the loan limit changes will be phased in over several years, as those provisions allow exceptions for current borrowers to continue to borrow under the current limits.

Institutional challenges resulting from OBBBA loan changes:

- Students and parents can no longer rely on federal funding to cover the full cost of attendance (direct institutional costs and living expenses).
  - May force students and families to explore private loan options, which typically have more stringent credit requirements and fewer borrower protections.
    - Not all borrowers will qualify, even with a cosigner.
    - Borrowers may qualify in the first year(s) of the program and not qualify in subsequent years, raising persistence and completion concerns.
    - Private loan credit decision timing may not align with enrollment deposit deadlines, forcing students to commit to the institution before they have secured financing.
  - Potential access and enrollment challenges, especially for high-cost programs.
  - Increased need for institutional aid or alternative funding options.
  - Importance of advising and financial literacy for current and new students.
- Short implementation runway necessitates prompt institutional action.
  - Communication plan to advise students of upcoming changes so they can plan accordingly.
  - Institutional policy change decisions.
  - Additional financial aid office staffing needs for training, communication, and cross-departmental collaboration should be examined.
  - Contingency plans are necessary in case institutional or federal systems are not updated in time, and manual work is needed.

Resources

- NASFAA One Big Beautiful Bill Act web center
  - NASFAA Chart: Federal Student Aid Changes from the One Big Beautiful Bill Act
  - NASFAA Flowchart: 2026-27 & Beyond Graduate/Professional Student Loan Borrowing Limits
  - NASFAA article: Trump Signs Sprawling Reconciliation Package Into Law, Here's How it Impacts Higher Ed
- Urban Institute article: How New Federal Student Loan Limits Could Affect Borrowers
- Department of Education press release: Myth vs. Fact: The Definition of Professional Degrees

All information provided here is based on NASFAA's understanding of the One Big Beautiful Bill Act's implementation by the Department of Education based on draft regulatory text. All is subject to change pending final regulatory text, which is expected in the first half of 2026.