

NASFAA's "Off the Cuff" Podcast – Episode 360 Transcript

OTC AskRegs Experts: Graduate PLUS Loans Will Now Count Toward New Lifetime Borrowing Limit and Other OBBBA Updates

Maria Carrasco:

This episode of Off the Cuff is brought to you by our NASFAA 2026 National Conference. Registration is now open for the NASFAA 2026 National Conference taking place on June 29th through July 2nd in National Harbor, Maryland. This conference will bring together thousands of aid professionals for in-depth training on regulatory updates, implementation strategies, and emerging best practices. Register online at NASSFA.org/conference by May 1st to take advantage of early bird discounts. Hello, and welcome to another episode of Off the Cuff. I'm Maria Carrasco with our communications team.

Jill Desjean:

I'm Jill Desjean with NASFAA's policy team.

Sarah Austin:

And I'm Sarah Austin, also with the policy team.

Maria Carrasco:

Thanks so much for joining me, Jill and Sarah. Our agenda is pretty packed this week, so I think we should just jump right into it. Jill, can you walk us through some of the latest OB3 updates, including breaking news we had on Monday that really shook the financial aid community?

Jill Desjean:

I sure can, Maria. Yeah, it's funny how we always start the week with, what are we going to talk about on Thursday? And then, by Monday afternoon, we had more than we could possibly ever talk about. So to get right to it, some big news from the Department of Education on Monday. This has not yet been officially announced but has been communicated through some unofficial channels, including with NASFAA, and has made its way through the Facebook groups and the select communities and the Grad [inaudible 00:01:32] Listserv, and all the other places where you all connect with one another.

That the new \$257,500 lifetime borrowing limit, for that limit that is part of OB3, that becomes effective July one, Graduate PLUS Loans do in fact count toward that limit. We were under the impression, really before Friday when the Department kind of gave two different answers to this question in a webinar that they held. We were under the impression that Grad PLUS was exempt from that \$257,500 lifetime limit. Now we understand that Grad PLUS does count toward that limit.

The Department's proposed regulatory language they put out a couple of months ago does appear to exempt it, so hence the confusion. The Department also has been consistently saying that this is the case, that Grad PLUS loans were exempt. They said it at the FSA training conference. They have it on Studentaid.gov. They said it as recently as last Friday in a webinar. So I don't think anyone was wrong for having believed that that was the case, but they corrected themselves in that webinar on Friday and then led to this clarification on Monday.

So we're not totally sure when or how the Department plans to officially announce this clarification. We know they added a note to their webinar slides from Friday. So if you go and pull up those slides, you'll

see, on the first slide there's a new caveat. I think it's in blue, all caps language that says, "Graduate PLUS loans do count toward the \$257,500 lifetime maximum eligibility limit."

So they've updated the slides in the sense that they added this caveat. As far as, I know, as of this morning, the FSA training conference slides still reflected the old information, as did Studentaid.gov. So presumably the Department will be cleaning up all the places where that information is no longer accurate. And of course we know that we're waiting on a final rule. The Department, the last we've heard is that they're still planning to issue that final rule around May First. We've not heard anything different, so we're still working off that assumption. Not totally sure how they're going to address that in the final rule, so we will wait until we see that.

So that's the backstory, how we got here. And what I'd like to use this time for is just to clarify who this impacts, because it's not crystal clear until you sit with it for a minute. So I've seen a lot of questions about this in yesterday's Grad Prof Webinar of course, and through email and other places. A lot of people are still thinking it through. And I definitely had to whip out a notepad and some pen and paper and, what if? What if? What if?

So here, for all of you, are all of my what-ifs, and the answers to that. What I've heard people ask is, why does this matter for students who don't qualify for Grad PLUS loans? If you don't qualify for the limited exception and you're no longer eligible for Grad PLUS, if you don't have a Grad PLUS, why does this matter? I've heard the flip side. Why does this matter for people who do qualify for the Grad PLUS loan under the limited exception? Because they qualify under the old loan limits, and so this doesn't impact them. But there's some nuance here, so let's get to it.

And I just want to... Obviously this should be clear, but this doesn't impact every graduate and professional student, or even every graduate and professional student who has a Grad PLUS loan. It's a big deal for the people it does impact, but it certainly doesn't impact everyone. So it's really good to have a sense of who the scope of that impacted population is. So first thing's first: It obviously does not impact undergraduate students, for the most part, because this is about Graduate PLUS loans.

I will say, if you have an undergraduate student who has ever been a graduate professional student, it's not common but it's not impossible for that to happen. If they borrowed a Grad PLUS loan, this actually would apply to them. But not going to get too involved in that since that's probably a very, very small population of students.

But in terms of grad prof students, another population you don't have to worry about is anyone who's not going to bump up against that limit. It's a pretty high limit, \$257,500. A lot of graduate professional students don't get anywhere near that limit, even with a combination of their subsidized loans, unsubsidized loans, and grad prof loans from all levels of study. It's a big number.

Some certain populations of grad and professional students who are in high-cost and longer-length programs do borrow that much though. So if you've got someone who's never going to borrow that much, you don't have to worry about them at all. Whether they're legacy, whether they're not, if they're not going to borrow \$257,500, not a problem. Your new students to your campus, your students who are starting enrollment on or after July One, who are going to be subject to these new loan terms and conditions, are likely not impacted.

They are not qualifying for that limited exception to the new loan terms and conditions, so they can't even borrow a Grad PLUS loan anyway. So whether it counts toward their lifetime limit or not, there's nothing to count, so not a big deal unless, of course, they borrowed before. If they attended grad school at some other school in the past so they're new to you but they're not new to grad prof education and they have borrowed Grad PLUS loans, those old Grad PLUS loans will count toward this new lifetime loan limit.

So people getting subsequent graduate and professional degrees could get caught up in this change to this interpretation about what types of loans count toward the new lifetime limit.

I just noted that this new lifetime limit only applies to students who don't qualify for the limited exception. So you might think, great, all my current students are fine because they do qualify for the limited exception, but this is really important. This applies while they qualify for the limited exception. Remember that the limited exception is limited. And just to clarify, because I did get this question during the webinar yesterday and I was like, "Good question." Someone said, "Is the limited exception the same as the interim exception?" And David and I kind of had a moment because we said, "Yeah, we do call this a lot of different things." So when I'm saying, "Limited exception," which I think I'm going to use pretty consistently throughout here, I mean interim exception, I mean legacy, I mean what the Department calls grandfathering. They're all the same thing.

It's the people who meet those criteria to qualify for the old loan limits as opposed to the people who are starting a new program after July One, or new borrowers to our program after July One and are subject to these new limits. So coming back to that and the idea that this limited exception is limited, I want to give sort of an illustrative example of a person in a scenario that could bump up against this \$257,500 limit. I've got a third year medical student and they have borrowed \$150,000 in combined subsidized and unsubsidized loans throughout their lifetime. Undergrad, maybe a grad program, grad school, whatever it might be. \$150,000 combined sub and unsub.

\$150,000 in Grad PLUS. Nice, neat numbers. \$150,000 plus \$150,000 is \$300,000 in total debt. Say this student is enrolled in my med school as a third year med student as of June 30th, 2026. They've obviously borrowed a loan for this program of study. They've racked up \$300,000 in debt already and they're continuing into that program of study. They're a third year med student. They're going to presumably enroll into their fourth year of med school for next year, for '26, '27. Those students qualify for the limited exceptions, so they will continue to be able to access the Graduate PLUS loan. They'll continue to be subject to the \$224,000 aggregate combined sub and unsub limit, which applies to health profession students. They will not be subject to this new lifetime limit. And of course there's no current aggregate or lifetime limit for Graduate PLUS loans.

So they should be fine for their fourth year, to continue to borrow unsubsidized loans and Graduate PLUS loans just like they did for their first three years of med school. But what if this student withdraws tomorrow and doesn't plan to re-enroll until, say January? Just some point after July First.

They're not eligible for the limited exception because they're not enrolled as of June 30th. So when they return to school, they're suddenly subject to all of those new loan terms and loan conditions. They can't get any more Grad PLUS loan because it's been eliminated, so that's off the table. They also can't borrow an unsubsidized loan at all when they come back because they're now subject to that \$257,500 lifetime limit, which applies to not just all of their prior sub and unsub borrowing but all of their Grad PLUS borrowing as well. That's what changed on Monday.

\$300,000 is obviously more than \$257,500, so this student has no direct loan eligibility left at all. Even though they didn't bump up against their professional student aggregate limit... If you think about that, the aggregate limit is unsub only. It's \$200,000 for a professional student. Student's only borrowed \$150,000 toward that aggregate limit but they've bumped up against their lifetime limit, so the aggregate doesn't matter anymore. They've borrowed over their limit.

So the day they return to school after taking that break enrollment, after breaking the grandfathering or losing eligibility for that limited exception, they have no direct loan eligibility remaining at all. So these are the people I'm talking about when I say, "It doesn't impact a lot of people but the people it impacts, it impacts really significantly." Because when they left school they were operating under a different set of limits and would've been under the impression that they could come back and get more unsub and

more Grad PLUS. And they are in for a really rude awakening when they come back and they find out that they can't.

Sarah Austin:

Just worth reiterating, I think that people are calling it like a cliff.

Jill Desjean:

Yeah.

Sarah Austin:

But I think in the grad professional community, we got past the, oh, this is terrible that Grad PLUS is going away. But it's not just that Grad PLUS is going away now. Now it could potentially, in this scenario... This is a perfect example. It's not just that students don't have access to Grad PLUS. It's all direct loans, which just seems like so much more of a cliff, which is why I've seen people saying that. It's just a much bigger deal for these specific situations than even we had realized through all of our talks about the changes of OB3.

Jill Desjean:

No, it's a really hard hit and I think it's going to be a really hard thing to explain to students who have already borrowed Grad PLUS loans, who've already understood those to have no lifetime or aggregate limits. You're suddenly imposing a lifetime limit on a loan program that never had one. And so, yeah, it's going to be hard to deal with but also, first off, hard to explain to students. That's a great point, Sarah. Yeah. Coming back to this, I just wanted to mention, the example I gave there was a student who withdrew before June 30th, but this would also be the case if they qualified for the limited exception and then they did something later, after July First, that caused them to lose their limited exception eligibility or "Break the grandfathering," like if they attended next fall and then withdrew for next spring, took like the spring off or something like that. As soon as they cease enrollment, that ends their limited exception eligibility. No more Grad PLUS loan and, in this student's case, no unsub eligibility when they come back for those same reasons that we just talked about.

The other people impacted are your students who don't finish within three years because the limited exception is capped at three years. So your students in longer programs or your students who are enrolled part-time who are just taking longer than a full-time student would take to complete a normally shorter program, they're not taking any action like the student I talked about before. They're not doing anything like withdrawing or ceasing enrollment, not taking any time off. They're not doing anything. They're just taking too long to finish their degree. Either longer than the expected time to credential, or they're taking longer than those three years, which is the absolute cap on the amount of time students can get that limited exception. At that point, once those three years go past or once they've gone past their maximum expected time to credential, that's when they become subject to this \$257,500 lifetime limit and their Grad PLUS loans begin to count toward that limit. And they could experience that cliff that Sarah just mentioned again.

So hopefully this gives you a sense of which of your grad prof students you need to be proactively identifying on your campus. I would definitely recommend that in terms of trying to communicate with them this new information. Your new students who have prior Grad PLUS debt... So if you've got... There are certain types of programs. Medicine is actually one of them where a lot of people might get a master's degree first. So you might be working in a grad prof program where people are coming in with significant amounts of debt already, before they even start your program. And if that includes Grad PLUS

debt, do that math and figure out, is this person going to bump up against the \$257,500 lifetime limit before we would expect them to finish their degree? And make sure that you're communicating with them as proactively as you can to make sure that they understand what's going on and that they have another plan to be able to complete their degree without access to those federal loans.

Any of your continuing students who won't be enrolled as of June 30th, so if you've got anyone who's taking time off now and you know they're not coming back until July One, when they get back, this new limit applies. They could end up again facing that cliff. Faced with these new lifetime and aggregate loan limits when they didn't expect them. And so if you have a way of communicating with the students to warn them, if there's any way that you can get them to come back before June 30th so that they can be brought back into the fold of people who qualify for the limited exception, that could be a solution for this population. Your students you know or you think will have some event that's going to break the grandfathering after July First, anyone that you are expecting is going to be taking...

Like if it was a research year that you would treat as a withdrawal or a cease in enrollment. Anyone that had already taken time off that you expect maybe might take some other breaks in enrollment, and your students who are going to take longer than the expected time to credential or longer than three years to complete. If you can pull lists of those students and figure out who's still going to be here beyond when we expected them to graduate if they were enrolled full time, or who's still going to be here after three years, and making sure that they're prepared as well for these changes. And I just want to include a final note about this lifetime limit because this is also really important. We're all very used to this environment where aggregate limits, people can get some of their eligibility back if they, say, got some loans forgiven through PSLF, or got a discharge, or repaid some portion. Someone might go to school, get a job, pay off \$20,000, \$30,000 worth of their debt. When they come back to school, they can kind of re-borrow that money under the aggregate limits.

That is not an option under these lifetime limits. These lifetime limits don't just include what you have outstanding. They include any amounts that have been repaid, canceled, discharged, or forgiven. The only exception there on the canceled is if the loan amount was returned by the student or the school. I don't really know what other kinds of cancellation exist, but that's sort of the broad umbrella. And then there's this carve-out for just amounts returned by the student or the school. So if the student or school returns money within a certain amount of time after having borrowed, and it's basically their origination fee gets refunded, their accrued interest gets backed off, it's as if they never had the loan. In those cases, those loans don't count toward the lifetime limit. But really, everything else does. This is obviously very new news. Kind of a late-breaking story. We're still very much digging in. I hope I understand it all well. I hope everything I said was accurate today.

If anything changes, we will let you know. NASFAA's talking to the Department of Education about the possibility for any kind of flexibilities to try to mitigate the impact of having learned this information. So late in the implementation process. We will let you know as soon as we know if there's any flexibility that is going to be offered there.

We know that a lot of our OBBA, OBBBA documents are out of date now. They say that Grad PLUS loans are not included in this lifetime limit. So I know, on Monday, a lot of people, I love how much you all trust us when this news was coming out and people were saying, "That's not what NASSFA said." And I love that you trust our voice. We try to be as accurate as we can, but our stuff doesn't get updated like that. And so we had just found out. Our stuff still is not updated. So we're in the process right now of having all of our documents on our website updated. We'll have the dates that they were updated on them so you'll be able to see that... If you see an update that was made after April, whatever Monday was. April 20th. You'll know that that's new information. And of course just read today's news and follow Off the Cuff for more information as it becomes available.

Maria Carrasco:

Thanks so much, Jill, for walking us through that. It's so confusing, and it's kind of crazy to think that July First is less than 10 weeks away.

Jill Desjean:

Yeah. That is a little overwhelming.

Maria Carrasco:

Yeah. And I guess a plug for our webinar yesterday, on Wednesday. It's available on demand if people want to watch that. Moving to Sarah, we had some more OB3 updates, but this time from the AHEAD Committee that reached consensus. We have a new notice of proposed rulemaking. Can you walk us through?

Sarah Austin:

Yeah. This also came out Monday, I believe, which got instantly overshadowed by the lifetime limit changes. So understandably, if no one's tuned into this yet, I know we've had other stuff going on. So like Maria said, we had a notice of proposed rulemaking come out on Monday. Just kind of some background, if you'll remember, the OB3 rules have kind of been split up into three different pieces. We had negotiated rulemaking that had really two different sessions, all the loan stuff, and then everything else in those two groups. But even within the AHEAD Committee, which was the everything else, everything other than loans, they kind of split that into two pieces as well where we had all the Pell provisions like the Workforce Pell, all of that, and then we had the institutional accountability piece. So this is really that chunk of the OB3 rules.

We, on Monday, did get the proposed rules for that accountability framework. And just to maybe remind you of what OB3 did for institutional accountability: This is related to gainful employment, financial value transparency, but it is a little different. So if you'll remember, our most recent gainful employment rules were really the GE FVT framework, but we've had four iterations of gainful employment frameworks at this point now so it's kind of been this regulatory whiplash of, we have GE rules and then we don't. And then we have GE rules that are a little different, and then we don't. And the most recent is of course the GE FVT rules that schools have been working under the last couple years.

Now, OB3 did not actually change gainful employment financial value transparency. There was actually no part of the law that changed that. However, and this is a big however, negotiated rulemaking and the rulemaking process did change GE FVT. So I'll talk about that today. But what OB3 did was introduced a new institutional accountability framework. So again, separate from GE FVT. It introduced a whole new framework. And so back when we had negotiated a rulemaking committee in January for the AHEAD provisions, what the Department did, and this is their terminology: They harmonized the GE FVT rules that we have currently with this new institutional accountability framework from OB3.

They harmonized those two so that what came out of rulemaking was one single framework instead of having these two separate frameworks that then would apply to certain programs and not other programs. That would be awful, honestly. So what they did is harmonized into one single framework, took the part from OB3, and then also revised the existing GE and FVT rules. And like Maria said, consensus was reached. So we knew, really, that the proposed regulations would basically match what the negotiators agreed to in that neg reg session.

So that is some background. But what this latest piece of information is that we now have that proposed rule. So we have the NPRM, the notice of proposed rulemaking, and the proposed regulations. And really, it matches the draft regulatory text that came out of neg reg that had consensus reached, so no surprise there. And now what we have is a public comment period. And so they put this out for a 30-day public comment period. It went out on Monday, so comments are due May 20th which, as we know how time goes, that's going to be here like tomorrow, it feels like. Time goes fast, and a 30-day public comment period goes very fast. So we are in the public comment period now. NASFAA will of course comment. We will always comment when we are given a chance. So we will comment, and we will also put out a preview of our public comments to our membership.

We usually put that out in Today's News and put it on our website about a week before we actually submit them so our members can read through, provide any sort of feedback. And then also, members themselves, you can also comment. And so if you want to look at NASFAA's comments to get some ideas or maybe see where you want to comment on things as well, we do put that preview out ahead of time. And so that's where we're at right now. But what I'll say is I don't want to go too deep into what's actually in the framework. Hopefully all of you know that by now since, again, this was nothing new. The proposed rule really didn't introduce any new concepts than what we already knew after the negotiated rulemaking session. But of course this new single framework is directly linking a program's federal student aid eligibility to its students post-graduation earnings.

So it's looking at your completers of your programs and what they're earning and comparing it to a working adult that has a lesser degree. So for example, if it's a bachelor's program, they're comparing it to working adults that do not have a bachelor's degree. If it's a graduate program, they're going to compare it to working adults that have only a bachelor's degree, not a graduate degree. And so it's creating this framework where it's doing this comparison.

And really similar. It gives very much GE FVT vibes, but it's a little bit different. The metrics are different. They eliminated the whole debt to earnings measurement, so it really is just the earnings premium metric now. It also, and this is the big piece that I'm sure is no new news to all of you, but it's now for all Title IV programs at all institution types. So it's no longer just gainful employment programs.

And so maybe now that we have this single framework that applies to everyone, maybe this will be the end of the regulatory whiplash we've seen since now this also, at least a portion of it, is in actual statute, is in law. But more to come, and we'll see how that goes. But again, also a major change is that the consequences of failing this metric in two out of three years is a program's loss of direct loan eligibility. And the proposed regulations also have a piece in there where, if a program fails a single year, they can choose to teach out that program, so not enroll any new students. But they can teach out and then close the program. And then I'll just mention this to make sure that everyone's aware: There's also this new piece that is really a new administrative capability standard where, if more than 50% of an institution's federal aid dollars, total federal aid dollars, or 50% of its federal aid recipients are associated with those failing programs, then the institution is not considered administratively capable.

And if that happens two out of three consecutive award years, then those failing programs will lose all Title IV eligibility, not just direct loans. So there is a possibility, the potential for a program to lose all Title IV aid, including Pell grants. Not just direct loans. So that is a big piece here. Now, the reporting that, I know our poor schools and all of the pain that they experience with the GE FVT reporting. The reporting is largely unchanged from the schools side, and the reporting deadline remains October One, like it did for GE FVT.

So like I said, none of this is different from what came out of neg reg. But if you're reading the proposed rule and you're looking at that NPRM that got put out, you may see that there's actually a few questions that the Department posed in that NPRM, soliciting feedback. And so this is where I think it might be

helpful to read through and see if you do want to comment in the public comment process because there were some questions that, basically they want people to comment on, and especially people that maybe have expertise in these areas.

And so one of the things was regarding the proposed earnings definition. Specifically, the Department was asking for feedback on its proposal to use the IRS data as its source for earnings data in that calculation. And back in negotiated rulemaking, there were some negotiators who were concerned about if that would really capture everything. Unreported tip income or non-taxable housing allowances, they were worried that that would not be captured.

The Department has really said multiple times now that individuals are required to report and pay taxes on their tipped earnings and that, even though those untaxed housing allowances, again, are untaxed, they are still reported on tax forms. So they feel strongly that the IRS is still the appropriate source for this debt data and that it would capture what it needs to. But they did put in the NPRM that they're seeking public feedback on if there's maybe other limitations that they are unaware of, of why this would not be the right source. Or what other income may it not capture? Things like that.

So if you are an expert in this area, which I am not, but if you are an expert in this area and want to provide some feedback, they are looking for it. And they did kind of mention that if you're going to suggest another source other than the IRS data, make sure that, number one, it's not going to lead to way more administrative burden on financial aid offices. They're trying not to do that. And also that the data and the definitions being used are consistent.

So for example, they don't want to go to pulling from state-level data, where every state defines something differently. Maybe it captures things differently. We want to make sure that it's still consistent nationwide. So keep that in mind if you do want to comment on, maybe, potential other sources. Also, they're soliciting feedback on which fields of study... The process, I should say, by which fields of study are defined for the earning thresholds for graduate programs. And the law, OB3, actually requires the Department to use data from the Census Bureau for these comparisons.

And so the Department is currently planning to use the Census Bureau's American Community Survey, or ACS, to calculate the thresholds. And so this is really that comparison piece I was talking about, where they're looking at working adults, and it's specifically age 25 to 34 with a bachelor's degree in the same field of study as that graduate program. And it's in the state in which the institution is located. And so getting that data, they're planning to use this survey for that, the ACS. But the potential problem here is that, especially in uncommon fields of study or maybe less populated states, it's possible that that survey is not going to actually sample any individuals that meet all of that criteria.

And so then of course, what do they do in those cases? And so in the NPRM the Department also is soliciting feedback on this, on maybe what their plan is, or if you have another approach that they should be taking. For example, if they should be maybe grouping fields of studies into bigger categories so they are for sure getting a sample, or if there's other data sets. Again, it has to be with the Census Bureau because that's in the law, but if there's other data sets they should be looking at.

So that's a lot of information about their poised questions that they put out there. Like I said, I don't think that most of our financial aid administrators will necessarily be experts on these things or have good ideas for them, but I'm sure there's some, because we have some really smart people out there who know a lot of things. So if this is an area that you feel strongly about or have information about, the Department really is seeking your feedback. And I would highly encourage you to provide those in the public comment process so that the Department can review and see if there maybe is other alternative approaches they should be taking.

So we, again, will put out our public comments before actually submitting them so you can see those. We'll put them out in Today's News. But please check out that NPRM and see if maybe some of those questions are things that you want to comment on yourselves, because that is a part of the whole process.

And the Department will need to review all the public comments, and they actually do respond to them as well. If you did not know that, they will respond to them. So if you do have some ideas, they'll have to review that and respond, which is in the final, final rule process part of that. So public comment deadline is May 20th, as I mentioned. And then after that we will of course get the final rule. I will say, like all the stuff that Jill talked about, this technically has an effective date of July One, 2026, but with the accountability stuff it's a little bit, not quite as time-sensitive, I guess I'll say, because even though it's effective July One, the reporting deadline is still October One.

And then of course the actual consequences of this institutional accountability framework goes out several years. So this one's not quite as time-sensitive, but it is technically effective July One. So we will get that final rule out, hopefully shortly after the public comment period ends. I think that's all I have on that. Jill, do you think, missing anything? I know you tuned into this a lot closer than I did on the negotiated rulemaking stuff, so hopefully I got everything in there.

Jill Desjean:

I think you got it all, Sarah.

Sarah Austin:

Great. That's what I like to hear.

Maria Carrasco:

Well, thank you so much, Jill and Sarah. This was such an informative episode. And thank you for listening to another episode of Off the Cuff. We'll be back real soon.