One Big Beautiful Bill Act (OBBBA)

Federal Student Aid Changes Coming in 2026

One Big Beautiful Bill Act (OBBBA)

The One Big Beautiful Bill Act (OBBB), passed by Congress on July 3, 2025 and signed into law on July 4, 2025, contained several provisions impacting federal student loans. These updates are highlighted below. Additional details will be added to this site in the coming months. Unless otherwise noted, these changes will be effective July 1, 2026.

What's Changing on July 1, 2026

New Federal Loan Rules

- Graduate PLUS Loans will no longer be available for new borrowers.
- Annual and lifetime borrowing limits are changing:
  - **Graduate students:** Up to $20,500 per year, $100,000 lifetime total.
  - **Professional programs** (UDM programs: JD, DDS, OD, & Clinical Psychology PhD): Up to $50,000 per year, $200,000 lifetime total.
- All new federal student loan borrowers will have a lifetime borrowing maximum on all federal student loans of $257,500 ($57,500 as an undergraduate student), excluding borrowed Parent PLUS Loan amounts.
- Loan amounts will be **prorated** if you are enrolled less than full time.

Parent PLUS Loan Updates

- Parents may borrow up to **$20,000 per year** and **$65,000 total** for each dependent undergraduate.
- Families will want to plan ahead if these limits don’t fully cover costs.

Repayment Plan Changes

- New loans disbursed after July 1, 2026 will have only **two repayment options:**
  1. Standard Repayment Plan
  2. Repayment Assistance Plan (RAP) – income-based with forgiveness after consistent payments.
- Students with older loans will keep their existing repayment choices.

Pell Grant & Grant Eligibility

- Students whose Student Aid Index (SAI) is more than twice the maximum Pell Grant amount will no longer qualify.
- If your scholarships or other grants already cover your full cost of attendance, you may not receive additional Pell funding.
- If you or your contributors have foreign income, all foreign income is required to be included in the Adjusted Gross Income (AGI) used to calculate Pell Grant eligibility.

What This Means for You

If you’re an undergraduate student

- Loan eligibility may decrease if a student enrolls in fewer than 12 credits a semester.
- **High SAI and Pell Grant**: Effective July 1, 2026, students will not be eligible to receive a Pell Grant if their SAI exceeds twice the maximum Pell Grant award which is currently $7,395.
- **Full Cost of Attendance Scholarships/Grants**: Effective July 1, 2026, students who receive grants or scholarships from non-federal sources covering their entire Cost of Attendance are ineligible to receive a Pell Grant, even if otherwise eligible for the program.

If you’re a graduate or professional student

    - **Legacy Provision**: Students with a Federal Loan disbursed before July 1, 2026 may continue borrowing under existing Grad PLUS Loan rules for up to 3 more academic years or until their program ends - whichever comes first.
        - At this time, our understanding is that students must be continually enrolled at least half-time
    - Students entering new programs after July 1, 2026 will see the new caps and no Grad PLUS option.
    - If you are enrolled less than full-time your loan amounts will be prorated.

If you're a parent

- **Legacy Provision**: Parents who borrowed before July 1, 2026 may continue borrowing under existing Parent PLUS Loan rules for up to 3 more academic years or the student changes their program or completes their program - whichever comes first.
- Your borrowing limit per student will be capped annually and overall.
- Parent PLUS loan limits are per dependent student, not per family or individual parent.

- Review options like the UDM payment plan or private education loans if additional funding is needed.
- **Enrollment Status**: PLUS Loan eligibility is tied to the student's cost of attendance and enrollment level. If a student is enrolled less than full-time, the PLUS loan amount borrowed will be prorated (reduced).

If you attend part-time

- Loan amounts will be based on your enrollment level.
- Dropping below full time could reduce your eligibility mid-year.

If your student loans are in repayment

- **Current Borrowers**:
    - If no **new loans are made on or after July 1, 2026**, you are eligible to enroll in the *current* Standard, Graduated, Extended, or income based (IBR) repayment plan, or you may opt into the new RAP.
    - If you are **currently enrolled in ICR, PAYE, or SAVE**, you must **transition to a different repayment plan** by July 1, 2028, (either *current* income based repayment plan, *current* standard plan, or RAP). If no selection is made, you will be moved to RAP automatically.
    - It's important to note that all loans must be repaid under the same plan. So, borrowers with loans made before July 1, 2026, who take out additional loans on or after July 1, 2026, will only have RAP and the new standard plan to choose from.

New Borrowers: For loans made **on or after July 1, 2026**, there will be **two repayment plan options** - the *new* standard repayment plan or RAP. If no selection is made, you will be assigned to the *new* standard payment plan.

If your Parent PLUS loans are in repayment

- **Current Borrowers**:
  - If no new loans are made **on or after July 1, 2026**, you are eligible to enroll in the ***current*** Standard, Graduated, Extended, or income based (IBR) repayment plan.
  - If you borrowed **prior to July 1, 2026**, AND subsequently borrow **after July 1, 2026**, repayment for all loans must be under the same payment plan which is the ***new* standard payment plan**.
- **New Borrowers**: For loans made **on or after July 1, 2026**, they can be repaid using **only the *new* standard plan.**

FAQs

What does “new borrower” mean?

Anyone who takes out their first federal student loan on or after July 1, 2026 or anyone who previously took out a student loan for a previous program but has not taken out a federal student for their current program of study before July 1, 2026.

What does "legacy borrower" mean?

Anyone who took out a federal student loan for their current program of study before July 1, 2026. These individuals do not need to follow the new guidelines but are grandfathered into the loan regulations prior to July 1, 2026.

What does "program of study" mean?

“Program of study” is the wording used in the federal law and is a common term in financial aid. Previously, it has included a student’s declared degree program (such as a BS in Architecture or an MA in Addiction Counseling). However, we expect this will be clarified when they issue regulatory guidance, which may not happen until early 2026.

If I change my program of study, what rules apply to me?

If you change your program of study, for example change your major from Biology to Biochemistry, you are no longer eligible to borrow student loans under the legacy guidelines. Your student loan borrowing will follow the new regulations that begin July 1, 2026.

Do we know which AState programs will be considered professional degrees?

At this time, the AState programs are:

I am a parent, and my student wants to change their major - does that impact the loans I took out for them?

It could. We expect this will be clarified when the Department of Education issues regulatory guidance, which may not happen until early 2026.

What happens if I start borrowing as an undergraduate before July 1, 2026 and then become a graduate student thereafter

We don't know that answer yet. Our expectation is that a student would have to borrow a graduate-level loan prior to July 1, 2026, to be eligible for the legacy provision that allows them to borrow PLUS loans for the graduate portion of their degree, if it happens to begin after July 1, 2026.

If I cannot access the Graduate Plus Loans what are my other options for funding my degree?

For those students who do not have access to the Graduate Plus loan, private educational loans will be the next best route aside from paying out of pocket. AState uses Fast Choice to assist students in comparing the private educational student loan market. Students can borrow from any lender, not just those listed.

Will this page be updated as more information becomes available?

Yes, AState will update this page as new guidance is released by the federal government. We are committed to keeping students, families, faculty, and staff informed.

Have questions about how these changes affect you?

We're here to help you, please contact Financial Aid.

Additional Resources & Links

- Federal Student Aid: “Big Updates to Federal Student Aid” (studentaid.gov)
- National Association of Student Financial Aid Administrators (NASFAA) summary
- National Association of Independent Colleges & Universities (NAICU)
- Federal Student Loan Program Provisions Effective Upon Enactment Under the One Big Beautiful Bill Act (GEN-25-04)

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