

# Federal Student Aid Changes from the One Big Beautiful Bill Act

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Pell Grant Program			
Topic	Change	Notes	Effective Dates
Pell Shortfall	Provides approximately \$10 billion in mandatory funding to address the impending Pell Grant shortfall.	In Spring 2025, the Congressional Budget Office released projections for the Pell Grant program, indicating a possible funding shortfall in FY25 of about \$2.7 billion that would apply to the 2025-26 school year. By the end of FY26, the budget shortfall would be nearly \$10 billion.	Part of Fiscal Year 2026 Budget
Workforce Pell	Creates a Workforce Pell Grant program. Eligible programs must be 150-600 clock hours and run at least 8 weeks but fewer than 15 weeks. Programs must lead to a “portable, stackable” credential across more than one employer or prepare students for entry-level employment for which there is only one recognized postsecondary credential. The program must be approved by the state governor as aligned with in-demand jobs and meeting employers’ needs, as well as have been offered by the institution for at least one year, and meet performance benchmarks, including, having a ≥70% completion rate, ≥70% job placement rate (within 180 days), and the program cost cannot exceed the value-added earnings of students who completed the program 3 years prior. The credit must also be allowed to transfer into future degree programs.	Remedial, non-credit, correspondence, English language learning, and study abroad coursework are not eligible. Also excludes unaccredited institutions from participating.  Students cannot receive both regular Pell and Workforce Pell simultaneously, and time spent using a Workforce Pell Grant counts toward the student’s overall Pell eligibility limit.	July 1, 2026
<i>Pell Grant Enrollment</i>	<i>No change.</i>	<i>Earlier versions of the bill proposed changing the definition of full-time enrollment for Pell eligibility, as well as eliminating Pell eligibility for less-than-half-time enrollment. These provisions were not included in the final legislation.</i>	<i>N/A</i>

Federal Direct Loan Program			
Topic	Change	Notes	Effective Dates
Graduate PLUS Loan Program	Eliminates the Graduate PLUS loan program.	Legacy Provision: If a borrower has a Federal Direct Loan made before July 1, 2026, while enrolled in a program of study, the borrower can continue to borrow from the program for 3 academic years or the remainder of their expected time to credential, whichever is less.	July 1, 2026
Parent PLUS Annual & Aggregate Loan Limits	All parents (combined) may borrow \$20,000 per year per dependent student and a \$65,000 aggregate limit per dependent student (without regard to amounts forgiven, repaid, canceled, or discharged).	Legacy Provision: If the student or parent borrower has a Federal Direct Loan made before July 1, 2026, while the dependent student is enrolled in a program of study, the parent can continue to borrow under current loan limits for 3 academic years or the remainder of their dependent student’s expected time to credential, whichever is less.	July 1, 2026

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Federal Direct Loan Program			
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Graduate/Professional Annual & Aggregate Loan Limits	Caps the annual loan limits at \$20,500 for graduate students and \$50,000 for professional students. The aggregate limit is capped at \$100,000 for graduate students and \$200,000 for professional students, and does not include amounts borrowed as an undergraduate. (Borrowers who are both graduate and professional students at some point in their educational careers may only borrow up to \$200,000 in total for graduate and professional school).	<p>Legacy Provision: If a borrower has a Federal Direct Loan made before July 1, 2026, while enrolled in a program of study, the current loan limits continue to apply” for 3 academic years or the remainder of their expected time to credential, whichever is less.</p> <p>A professional student is a student enrolled in a program of study that awards a professional degree upon completion of the program.</p> <p>A professional degree is a degree that signifies both completion of the academic requirements for beginning practice in a given profession, and a level of professional skill beyond that normally required for a bachelor’s degree; is generally at the doctoral level, and requires at least six academic years of postsecondary education coursework for completion, including at least two years of post-baccalaureate level coursework; generally requires professional licensure to begin practice; and includes a four-digit program CIP code in the same intermediate group as the following fields: 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.), Theology (M.Div., or M.H.L.), and Clinical Psychology (Psy.D. or Ph.D.).</p> <p>A professional student may not receive title IV aid as an undergraduate student for the same period of enrollment; and must be enrolled in a program leading to a professional degree.</p> <p>Note: current loan limits include the additional unsubsidized borrowing limits for health professions programs that were eligible to participate in the HEAL program.</p>	July 1, 2026
Federal Loan Program Lifetime Loan Limits	\$257,500 lifetime borrowing limit on all federal student loans, excluding borrowed Parent PLUS loan amounts (in the case of a dependent student who had Parent PLUS borrowed on their behalf for education expenses).	Legacy Provision: If a borrower has a Federal Direct Loan made before July 1, 2026, while enrolled in a credentialing program, the borrower can continue to borrow under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less.	July 1, 2026
Institutionally Determined Limits	Allows institutions to impose their own lower program-level loan limits.	Lower loan limits must be applied to the entire program and not on a student-by-student basis.	July 1, 2026
Loan Reduction	Requires institutions to prorate annual loan amounts in direct proportion to the percent of full-time status the student is enrolled.		ED officials indicated during negotiated rulemaking that they intend for this provision to be effective for loans made for the 2026-27 award year.
<i>Subsidized Loan Program</i>	<i>No change.</i>	<i>An earlier version of the bill proposed eliminating the subsidized loan program. This provision was not included in the final legislation.</i>	N/A

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Student Loan Repayment			
Topic	Change	Notes	Effective Dates
Repayment Plan/New Borrowers	Borrowers with new loans made on or after July 1, 2026 can be repaid using only two plans: a new standard repayment plan and the new income-based repayment plan, RAP. If a borrower with new loans made on or after July 1, 2026 does not select a plan, they will be assigned to the new standard repayment plan.	All loans must be paid under the same repayment 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 repayment plan as options.	July 1, 2026
Repayment Plan/Current Borrowers	Current borrowers with no new loans made on or after July 1, 2026, are eligible to enroll in the current Standard, Graduated, Extended, or current Income Based (IBR) repayment plans, and may also opt in to the new RAP. Current borrowers may also switch between, enter or remain on existing IDR plans until July 1, 2028.	Current borrowers enrolled in ICR, PAYE, or SAVE plans must transition to a different repayment plan (current IBR, current standard plans, or RAP) by July 1, 2028. If no selection is made by that date, they will be moved into RAP automatically.	July 1, 2026 & July 1, 2028
Repayment Assistance Plan	Creation of new IBR plan called the Repayment Assistance Plan (RAP). If married filing separately, spouse's AGI and number of dependents are not included in the payment calculation. \$10 minimum payment. Monthly payment is 1-10% of income based on AGI. \$50 off monthly payment (base payment) per dependent. 30-year repayment period. Eliminates negative amortization. No cap on monthly payment, even if it's higher than the standard repayment plan would be. If a borrower makes an on-time payment that reduces their principal by less than \$50, ED will make a payment to the principal, up to the amount paid, minus what was applied to the principal or \$50, whichever is less.	After all current borrowers move out of all other current IDR or Standards plans, they will be sunset.	July 1, 2026
IBR Plan (Current)	Removes the requirement for borrowers to demonstrate a partial financial hardship. Retains cancellation for balances of loans repaid under IBR at 25 years, or 20 years for new borrowers. Allows for covered income contingent loans to be repaid under IBR.		July 1, 2026
Standard Repayment Plan	Creation of a new standard plan with 4 fixed terms of 10, 15, 20, or 25 years based on the amount borrowed (or outstanding balance if in repayment).		July 1, 2026
Repayment Options for Parent PLUS & Consolidation Loans	Consolidation loans made on or after July 1, 2026, are only eligible for the RAP or standard repayment plans.  A consolidation loan (subsidized or unsubsidized) taken out by a borrower before July 1, 2026, is treated like any other eligible loan. Borrowers currently in an IDR plan have until July 1, 2028, to select a standard plan, IBR, or RAP.  If the consolidation loan was used to pay off a Parent PLUS loan, it must enter repayment under ICR before July 1, 2028, to become eligible for IBR.  If the borrower takes no action by that date, all eligible loans will be automatically moved to RAP, and any loans not eligible for RAP will be placed into IBR.  All new Parent PLUS loans from July 1, 2026 on must be repaid under the standard repayment plan, they are not eligible for RAP. If a borrower chooses RAP, but has a loan that is not eligible for RAP (like Parent PLUS and certain consolidated loans) they must repay the ineligible loan/s separately.  For borrowers who had borrowed Parent PLUS before July 1, 2026, and subsequently borrowed from the program on or after July 1, 2026, repayment for all loans must be under the same repayment plan, of which the only eligible plan for Parent PLUS borrowers is the standard plan.		July 1, 2026
Loan Rehabilitation Terms	Borrowers can rehabilitate a defaulted loan twice, instead of once as currently allowed. The minimum rehab payment for Direct Loans changes to \$10.		July 1, 2027
Loan Deferment Options	Sunset the economic hardship and unemployment deferments.	Borrowers with loans made on or before July 1, 2027, are still able to use these deferment options under the current rules. Once all borrower's loans made prior to that date are paid in full, these options will cease to exist.	July 1, 2027
Loan Forbearance	Loans made on or after July 1, 2027, are eligible for forbearance for up to nine months in any two-year period.	Current rules allow for a forbearance up to 12 months at a time, with a cumulative limit of three years.	July 1, 2027

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Need Analysis			
Topic	Change	Notes	Effective Dates
FAFSA Asset Exemptions	Reinstates the exemptions of family farm and a family-owned small business assets from the SAI calculation and expands asset exemptions to family-owned commercial fisheries.	The FAFSA Simplification Act previously removed the exemption of assets for family farms and family-owned small businesses, effective with the 2024-25 FAFSA.	July 1, 2026, starting with award year 2026-27
Foreign Income and Pell Eligibility	Requires that foreign income be included in the AGI used to calculate Pell Grant eligibility.	Ends the current requirement that a financial aid administrator must individually determine if adding the exempted foreign income to the AGI would make the student ineligible to receive the maximum Pell Grant.	July 1, 2026, starting with award year 2026-27
Full COA Scholarships/Grants	Students who receive grants or scholarships from non-federal sources covering their entire cost of attendance (COA) are ineligible to receive a Pell Grant, even if otherwise eligible for the program.		July 1, 2026
Students with High SAI	Prevents students from receiving Pell Grants if their SAI exceeds twice the maximum Pell Grant award.		July 1, 2026

Institutional Accountability			
Topic	Change	Notes	Effective Dates
Institutional Accountability	Creates a new accountability measure that would cause a program to lose Direct Loan eligibility if it fails the “low earnings outcomes” measure 2 out of 3 years.	<p><b>Undergraduate programs:</b> Compares the median earnings of completers 4 years after program completion with the earnings of “working adults” with only a high school degree or GED who are not enrolled in higher education.</p> <p><b>Graduate programs:</b> Compares the median earnings 4 years post-enrollment with the earnings of “working adults” with only a bachelor’s degree who are not enrolled in higher education.</p> <p>Warnings to students must be provided if a program fails the “low earnings outcomes” measure.</p>	July 1, 2026

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Student Eligibility			
Topic	Change	Additional Notes	Effective Dates
<i>Non-citizen eligibility</i>	<i>No change.</i>	<i>Earlier versions of the bill proposed eliminating Title IV eligibility for certain non-citizens. This provision was not included in the final legislation.</i>	<i>N/A</i>

Miscellaneous			
Topic	Change	Additional Notes	Effective Dates
Borrower Defense to Repayment	Delays the implementation of the 2022 rules until July 1, 2035.	For loans that first originated before July 1, 2035, the borrower defense to repayment rules revert back to those that were in effect on July 1, 2020.	July 4, 2025
Closed School Discharge	Delays the implementation of the 2022 rules until July 1, 2035.	For loans that first originated before July 1, 2035, the closed school discharge rules revert back to those that were in effect prior to the November 1, 2022 amendments to the rules.	July 4, 2025
Endowment Tax	Creates graduated investment income excise tax rate, ranging from the current 1.4% up to 8%, based on the institution's per-student endowment. Only applies to private institutions.	Institutions that have fewer than 3,000 tuition-paying students during preceding tax year are exempt from the proposed endowment tax.	Taxable years beginning after December 31, 2025
<i>90/10 Revenue Rule</i>	<i>No change.</i>	<i>An earlier version of the bill proposed repealing the 90/10 revenue rule. This provision was not included in the final legislation.</i>	<i>N/A</i>
<i>Gainful Employment (GE)</i>	<i>No change.</i>	<i>GE is mostly regulatory, not statutory. While the HEA states that eligible programs must lead to a degree at a public or non-profit institution or prepare students for "gainful employment in a recognized occupation," it doesn't define how it's measured. The details—like earnings thresholds and accountability rules—are set by ED through regulation. An earlier version of the bill proposed removing the term "gainful employment" from the HEA, presumably paving the way for ED to rescind the GE regulations since these statutory references have historically been the basis for ED's legal authority to regulate on GE. The final version did not remove "gainful employment" from the definition of an eligible program. It is unknown at this time how ED will choose to address the current GE regulations.</i>	<i>N/A</i>
<i>Public Service Loan Forgiveness (PSLF)</i>	<i>No change.</i>	<i>An earlier version of the bill excluded time spent in a medical or dental internship or residency program from counting towards PSLF. This provision was not included in the final legislation.</i>	<i>N/A</i>
<i>Median Cost of College (MCOC)</i>	<i>No change.</i>	<i>An earlier version of the bill would have changed the definition of need to be calculated using the median cost of college in place of the COA (as used currently). This provision was not included in the final legislation.</i>	<i>N/A</i>