

Big Changes to Federal Student Loans Coming in 2026: What Families Should Know



In July, 2025, the passage of the One Big Beautiful Bill Act (OBBB) reshaped the federal student loan program, changing how students and families will borrow, repay and receive loan forgiveness on loans for higher education. Most of the legislation will go into effect on July 1, 2026, creating a very different landscape for those who plan to enroll in college, graduate school or professional programs in the years ahead.

While many current borrowers will be able to keep existing repayment options, new borrowers and families taking loans after mid-2026 will see significant shifts in how much they can borrow and which repayment plans they can access. Loan changes will most impact graduate students and parents, who will face reduced loan limits and fewer repayment options. Most full-time undergraduates will not see changes to their loan limits.

Understanding what is changing, and who is and isn't affected, is essential to ensure informed decisions are made about education financing, avoiding unexpected tax consequences, and planning ahead for college affordability.

WHO WILL BE IMPACTED?

MOST IMPACTED

- **New Students taking out federal loans for the first time (after July 1, 2026).** Loan limits, repayment options, and eligibility rules will all be different going forward.
- **Graduate & professional students borrowing after July 1, 2026.** Grad PLUS is eliminated for new borrowers, and new annual/lifetime borrowing caps will take effect.
- **Parents using Parent PLUS loans for NEW students.** New borrowing caps will apply and repayment options will be limited.

MAY BE IMPACTED

These borrowers will be impacted only if they take out additional loans after July 1, 2026 or make loan changes that put them under the new system.

- **Current borrowers who take out ANY new loan after July 1, 2026.** Even one new loan triggers new repayment options for all your loans going forward.
- **Students already enrolled before 2026 who continue borrowing** may receive temporary “grandfathering,” but only for a limited time or until the end of their current credential.
- **Borrowers on certain income-driven repayment plans (SAVE, PAYE, ICR).** These plans will shortly phase out for people who are using them today.

LEAST IMPACTED

These borrowers will generally be able to stay under current plans.

- **Current borrowers who take NO new loans after July 1, 2026.** Your existing repayment plans generally remain available. For most, you can stay in your current repayment plan and have the option to use the new Repayment Assistance Plan (RAP).
- **Borrowers already working toward Public Service Loan Forgiveness (PSLF).** PSLF remains available, and qualifying payments continue to count.
- **Borrowers who qualify for Total & Permanent Disability (TPD) discharge.** TPD continues unchanged and remains available regardless of when your loans were taken out.

WHAT IS CHANGING?

LOAN PROGRAMS:

Graduate PLUS loans will end for new borrowers. You may want to consider less expensive schools that can keep your borrowing under the new loan limits.

Parent PLUS loans remain but with lower loan limits. New Parent PLUS loans will not have access to current income-driven plans. Existing Parent PLUS borrowers who want future IDR access must consolidate to a Direct Consolidation Loan and enroll in an eligible plan before July 1, 2026.

REPAYMENT PLANS OPTIONS FOR NEW BORROWERS:

For new federal student loans disbursed after July 1, 2026, borrowers will have two choices:

Tiered Standard Repayment: A fixed payment plan where the term is set by how much you borrow.

Repayment Assistance Plan (RAP): This is the new and only income-driven repayment option for new borrowers, which replaces the current mix of IDR plans. Your monthly payment will be set based upon a percentage of your income, where you pay more, the more you earn.

LOAN BORROWING LIMITS:

Overall Federal Loan Limit: A new overall lifetime federal student loan limit of \$257,500 will apply to new student borrowers.

Graduate Students: The annual borrowing limit will be \$20,500, but a new lifetime aggregate limit of \$100,000 will be introduced.

Professional Students (Medical, Law, Dental, etc.): The annual borrowing limit will be \$50,000 with a new lifetime aggregate limit of \$200,000.

Parent PLUS borrowers: The annual borrowing limit per child will be \$20,000, capped at \$65,000.

Legacy Provision: Students who received a Federal Student Loan before July 1, 2026 can continue borrowing under the old Grad Plus rules for up to three more years or until they finish their program, whichever comes first.

WHAT SHOULD STUDENTS & PARENTS DO?

Understand how these federal loan changes will impact your ability to pay for higher education. You may want to consider less expensive schools that can keep your borrowing under the new loan limits.

Map out your 2026–27 costs early. Ask your school if they will use program-level loan caps and how much institutional aid may offset the new federal borrowing ceilings.

If you're a grad/professional beginning in Fall 2026. Confirm your annual/lifetime federal limits and build a financing plan (scholarships, school payment plans, employer benefits) to reduce your need for additional private loans.

Existing Parent PLUS borrowers. If you need access to income-driven repayment, talk to your servicer now about consolidating to a Direct Loan and enrolling in an eligible plan before July 1, 2026. Don't wait. IDR options will not be made available for Parent PLUS after July 1, 2026.

If you have an old federal loan and take on a new federal loan, expect your repayment options to be different. Make sure to explore the RAP plan and Tiered Standard Plan before you take out a new loan, as those will be your options.

Watch your school's financial-aid bulletins (Spring–Summer 2026) for final cap tables, packaging policies, and any institutional grants filling the gap.

The Student Loan Servicing Alliance (SLSA) is the nonprofit trade association that focuses exclusively on student loan servicing issues.

Learn more at www.slsa.net

