

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

<b>Pell Grant Program</b>			
<b>Topic</b>	<b>Change</b>	<b>Notes</b>	<b>Effective Date</b>
<b>Pell Shortfall</b>	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 by the end of FY26, the budget shortfall would be nearly \$10 billion.	Part of Fiscal Year 2026 Budget
<b>Workforce Pell</b>	Expands Pell Grant eligibility to certain eligible short-term, career-focused programs.	Students cannot receive both Pell and Workforce Pell simultaneously, and receiving a Pell Grant for a workforce program counts toward the student's overall Pell Lifetime Eligibility Used (LEU). For more information see: <a href="#">Federal Pell Grant Changes From the One Big Beautiful Bill Act: Brief for Campus Leadership</a>	July 1, 2026
<b>Foreign Income and Pell Eligibility</b>	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
<b>Full COA Scholarships/Grants</b>	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.	For more information see: <a href="#">Ineligibility for Federal Pell Grants Due to Receipt of Non-Federal Financial Assistance</a>	July 1, 2026
<b>Students with High SAI</b>	Prevents students from receiving Pell Grants if their SAI exceeds twice the maximum Pell Grant award.		July 1, 2026
<b>Federal Direct Loan Program</b>			
<b>Topic</b>	<b>Change</b>	<b>Notes</b>	<b>Effective Date</b>
<b>Graduate PLUS Loan Program</b>	Eliminates the Graduate PLUS loan program.	Limited Exception/Legacy Provision: Students can continue to borrow under the Graduate PLUS program (for up to three academic years or the remainder of their expected time to credential, whichever is less) if they remain continuously enrolled in the same program of study at the same institution as they were enrolled as of June 30, 2026 and for whom a Direct Loan was made for that program of study prior to July 1, 2026. For more information see: <a href="#">What Graduate Students Need to Know</a>	July 1, 2026
<b>Graduate / Professional Annual &amp; Aggregate Loan Limits</b>	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.	Limited Exception/Legacy Provision: Students are not subject to the new loan limits (for up to three academic years or the remainder of their expected time to credential, whichever is less) if they remain continuously enrolled in the same program of study at the same institution as they were enrolled as of June 30, 2026 and for whom a Direct Loan was made for that program of study prior to July 1, 2026. For more information see: <a href="#">2026-27 &amp; Beyond Graduate / Professional Student Loan Borrowing Limits</a> and <a href="#">What Professional Students Need to Know</a>	July 1, 2026

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Federal Direct Loan Program			
Topic	Change	Notes	Effective Date
<b>Parent PLUS Annual &amp; Aggregate Loan Limits</b>	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, or discharged).	Limited Exception: Parents are not subject to the new PLUS loan limits (for up to three academic years or the remainder of the student's expected time to credential, whichever is less) if the student remains continuously enrolled in the same program of study at the same institution as they were enrolled as of June 30, 2026 and either the parent had a Parent PLUS Loan disbursed for that same program before July 1, 2026, or the student had a Direct Loan (subsidized or unsubsidized) disbursed for that same program before July 1, 2026. For more information see: <a href="#">What New Parent Borrowers Need to Know</a> and <a href="#">What Current Parent Borrowers Need to Know</a>	July 1, 2026
<b>Federal Loan Program Lifetime Loan Limit</b>	New lifetime federal loan limit of \$257,500 for all Federal Direct student loans (excluding Graduate or Parent PLUS loans) borrowed for all levels of study.	Limited Exception: Students are not subject to the new lifetime loan limit (for up to three academic years or the remainder of their expected time to credential, whichever is less) if they remain continuously enrolled in the same program of study at the same institution as they were enrolled as of June 30, 2026 and they had a Direct Loan disbursed for that same program before July 1, 2026.	July 1, 2026
<b>Institutionally Determined Limits</b>	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
<b>Loan Adjustments for Less-Than-Full-Time Enrollment</b>	Requires institutions to prorate annual loan amounts in direct proportion to the percent of full-time status the student is enrolled.	Parent PLUS loans are not subject to these adjustments.	Starting with the 2026-27 award year
Student Loan Repayment			
Topic	Change	Notes	Effective Date
<b>Repayment Assistance Plan (RAP)</b>	Creation of new income-driven repayment plan called the Repayment Assistance Plan (RAP).	Monthly payment is 1-10% of income based on AGI. \$10 minimum monthly payment. \$50 off monthly payment (base payment) per dependent. If married filing separately, spouse's AGI and number of dependents are not included in the payment calculation. 30-year repayment period. Eliminates negative amortization. No cap on monthly payment. 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.	July 1, 2026

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Student Loan Repayment			
Topic	Change	Notes	Effective Date
<b>Tiered Standard Repayment Plan</b>	Creation of a new standard repayment plan.	Fixed monthly payments over 10, 15, 20, or 25 years based on total loan balance.	July 1, 2026
<b>Repayment Plans for New Borrowers</b>	Borrowers with new loans made on or after July 1, 2026 can be repaid using only two plans: the new tiered standard repayment plan and the new income-based repayment plan, RAP. All new Parent PLUS loans from July 1, 2026 on must be repaid under the new tiered standard repayment plan, as these loans are not eligible for RAP.	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 tiered standard repayment plan as options. For more information see: <a href="#">Student Loan Repayment Plan Options As of July 1, 2026</a>	July 1, 2026
<b>Repayment Plans for Current Borrowers</b>	Current borrowers with no new loans made on or after July 1, 2026, are eligible to enroll in the current Standard, Graduated, Extended, or Income-Based Repayment (IBR) plan, and may also opt in to the new RAP. Current borrowers may also switch between, enter, or remain on existing Income-Contingent Repayment (ICR) plans until July 1, 2028 <sup>1</sup> .	Borrowers who must consolidate in order to access IBR or ICR plans must have their consolidation loan disbursed no later than June 30, 2026, as a consolidation loan is considered a new loan and borrowers with loans on or after July 1, 2026 only have RAP and the new tiered standard plan available to them. After June 30, 2026, consolidated loans repaying Parent PLUS Loans would only have the new tiered standard plan available. For more information see: <a href="#">Student Loan Repayment Plan Options As of July 1, 2026</a>	July 1, 2026
<b>Income Contingent Repayment Plans</b>	Existing income-contingent repayment plans (ICR, PAYE, SAVE) will be eliminated July 1, 2028.	Current borrowers enrolled in ICR, PAYE, or SAVE plans must transition to an eligible repayment plan by July 1, 2028. If no selection is made by that date, they will be moved into RAP. Direct Consolidation Loans that included Parent PLUS Loans are ineligible for RAP, so these borrowers will be moved to IBR if they are enrolled in ICR prior to July 1, 2028.	July 1, 2028
<b>Income Based Repayment Plan</b>	Removes the requirement for borrowers to demonstrate a partial financial hardship in order to enroll in IBR.		July 4, 2025
<b>Loan Rehabilitation Terms</b>	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
<b>Loan Deferment Options</b>	Sunsets the economic hardship and unemployment deferments.	Borrowers with loans made before July 1, 2027, are still able to use these deferment options for those loans under the current rules.	July 1, 2027
<b>Loan Forbearance</b>	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

<sup>1</sup>Eligible borrowers must enroll in PAYE by July 1, 2027 due to actions related to the Saving on a Valuable Education (SAVE) plan litigation. This action is separate from OBBBA repayment changes. Borrowers enrolled before July 1, 2027 may remain in PAYE through July 1, 2028. [Learn more.](#)

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Need Analysis			
Topic	Change	Notes	Effective Date
<b>FAFSA Asset Exemptions</b>	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
Institutional Accountability			
Topic	Change	Notes	Effective Date
<b>Institutional Accountability</b>	Creates a new accountability framework that directly links a program's federal student aid eligibility to its students' post-graduation earnings.	While there were no changes to gainful employment (GE) and financial value transparency (FVT) included in OB3, during the <a href="#">AHEAD negotiated rulemaking session</a> , those regulations were revised to harmonize GE/FVT rules with the new accountability framework. These changes mean there will be a single accountability framework system for all Title IV programs, called the Student Tuition and Transparency System (STATS). For more information see: <a href="#">Gainful Employment/Financial Value Transparency Regulations vs. STATS/Earnings Accountability Regulations</a> .	July 1, 2026
Miscellaneous			
Topic	Change	Notes	Effective Date
<b>Borrower Defense to Repayment</b>	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
<b>Closed School Discharge</b>	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
<b>Endowment Tax</b>	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

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