Federal Student Aid Changes from the One Big Beautiful Bill Act

NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Pell Grant Program

Topic	Change	Notes	Effective Date
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 by the end of FY26, the budget shortfall would be nearly $10 billion.	Part of Fiscal Year 2026 Budget
Workforce Pell	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: Federal Pell Grant Changes From the One Big Beautiful Bill Act: Brief for Campus Leadership	July 1, 2026
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.	For more information see: Ineligibility for Federal Pell Grants Due to Receipt of Non-Federal Financial Assistance	Award years beginning on or after July 1, 2026, including crossover periods assigned to 2026-27
Students with High SAI	Prevents students from receiving Pell Grants if their SAI exceeds twice the maximum Pell Grant award.		July 1, 2026

Federal Direct Loan Program

Topic	Change	Notes	Effective Date
Graduate PLUS Loan Program	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: What Graduate Students Need to Know	July 1, 2026
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.	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: 2026-27 & Beyond Graduate / Professional Student Loan Borrowing Limits and What Professional Students Need to Know	July 1, 2026

The Department of Education released three final rule packages implementing changes to the federal student aid programs in the first half of 2026. In the preambles of those final rules, ED indicates that additional sub-regulatory guidance will be issued to support implementation of certain provisions. All information provided here reflects NASFAA's current understanding of how to apply the final rules based on the regulatory text and preamble discussion. Because ED has indicated that further guidance is forthcoming, the information included here may be subject to change.

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Federal Direct Loan Program

Topic	Change	Notes	Effective Date
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, cancelled or discharged)[1].	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: What New Parent Borrowers Need to Know and What Current Parent Borrowers Need to Know	July 1, 2026
Federal Loan Program Lifetime Loan Limit	New lifetime federal loan limit of $257,500 for all Federal Direct student loans (excluding 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
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 Adjustments for Less-Than-Full-Time Enrollment	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
Repayment Assistance Plan (RAP)	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

[1]Any amount of loan funds that have been returned by the institution, or the borrower, will not count against the aggregate loan limit.

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Student Loan Repayment

Topic	Change	Notes	Effective Date
Tiered Standard Repayment Plan	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
Repayment Plans for New Borrowers	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: Student Loan Repayment Plan Options As of July 1, 2026	July 1, 2026
Repayment Plans for 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 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[1].	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: Student Loan Repayment Plan Options As of July 1, 2026	July 1, 2026
Income Contingent Repayment Plans	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
Income Based Repayment Plan	Removes the requirement for borrowers to demonstrate a partial financial hardship in order to enroll in IBR.		July 4, 2025
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	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
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

[1] 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
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

Institutional Accountability

Topic	Change	Notes	Effective Date
Institutional Accountability	Creates a new accountability framework that directly links a program's federal student aid eligibility to its students' post-graduation earnings.	Gainful Employment & Financial Value Transparency Regulations were replaced with a new earnings accountability framework codified in the OB3. 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: Gainful Employment/Financial Value Transparency Regulations vs. STATS/Earnings Accountability Regulations.	July 1, 2027 with option for July 1, 2026 early implementation.

Miscellaneous

Topic	Change	Notes	Effective Date
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

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