What the One Big Beautiful Bill(OB3) Means for Students and the Higher Education Community

This course will review many of the changes OB3 made regarding student financial aid and access to higher education. The class will review both undergraduate as well as graduate/professional students and review what programs have changed for students to finance their education.

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Learning Objectives

- Explain OB3-related changes to student financial aid and access to higher education.
- Describe how OB3 affects undergraduate and graduate/professional student funding, including loan programs.
- Apply this knowledge to campus conversations and student advising as OB3 changes are implemented.

Federal Parent PLUS Loan changes

- Beginning with the Fall 2026 Academic Year, for any enrollment periods beginning on or after July 1, 2026:

- All Parents(combined) may borrow up to $20,000 per year per dependent student
- Total amount all parents can borrow per student for entire academic program is **$65,000** (without regard to amounts forgiven, repaid, or discharged)

- Split equally over four years - $16,250 annually

Source: NASFAA Federal Student Aid Changes from OB3 document

Federal Parent PLUS Loan Exceptions

Legacy/Grandfathering Exceptions:

Parent are not subject to 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:

- Student remains continuously enrolled in the same program of study at the same institution as they were enrolled as of June 30, 2026
- Either parent had a PLUS loan disbursed for that same program before July 1, 2026 or
- Student had a federal Direct Loan (subsidized/unsubsidized) disbursed for that same program before July 1, 2026

Federal Student Loan Changes

No changes to undergraduate students:

Aggregate Loan Amount for dependent UG students - $31,000

Maximum Subsidized Loan - $23,000

Aggregate Loan Amount for independent UG students - $57,500

Maximum Subsidized Loan - $23,000

Federal Student Loan Changes

Graduate Students:

- Annual Loan limit - $20,500 with a maximum loan limit for the graduate degree programs $100,000
- Graduate PLUS Loan eliminated - Only those students who qualify for limited exception will be able to borrow the Graduate PLUS loan
- Total Lifetime loan limit of $257,500 for all levels of study – Exception to this amount are those who qualify for the limited exception

Federal Student Loan Changes – Cont’

Professional Student Academic Programs:

Pharmacy(Pharm.D) 51.20

Veterinary Medicine(D.V.M.) 01.80

Law (L.L.B. or J.D.)

Optometry (O.D.)

Podiatry(D.P.M., D.P., or Pod.D.)

Theology (M.Div or M.H.L.)

Dentistry(D.D.S or D.M.D.) 51.04

Chiropractic(D.C. or D.C.M.)

Medicine (M.D.)

Osteopathic Medicine (D.O.)

Clinical Psychology (Psy.D or Ph.D)

Federal Student Loan Changes

Professional Students:

- Annual loan limit - $50,000 with a maximum loan for professional study, $200,000
- Graduate PLUS Loan eliminated - Only those students who qualify for limited exception will be able to borrow the Graduate PLUS loan – Students must consider other financing options
- Total Lifetime loan limit of $257,500 for all levels of study – Exception to this amount are those who qualify for the limited exception

Limited Exception – Legacy Students

For all Students:

- Must be enrolled in same academic program of student at the same institution as of 6/30/2026
- Student received a Direct Loan disbursement(sub – UG only, unsub or GPLUS) for the same program of study before 7/1/26
- Student cannot withdraw or otherwise cease enrollment since 7/1/26
- Student must be enrolled within their expected time to credential (Ex. M.D. program takes 4 years to complete)

Legacy Students - Undergraduate

Students' Parents can borrow Federal Parent PLUS loan up to Cost of Attendance minus Other Financial Aid

No Aggregate Limit on Parent PLUS Loan

Typical approval so long as parent has not adverse credit or filed for bankruptcy

If parent PLUS is denied, student can borrow up to independent student levels of the Federal Direct Unsubsidized Loan

Grad/Professional Loan limits – Legacy Students

- Unsubsidized annual limit $20,500/year

- Unsubsidized aggregate limit - $138,500 – Applies to combined undergraduate and graduate/professional borrowing

- Graduate PLUS = Cost of Attendance(COA) - Other Financial Assistance(OFA)

Grad/Professional Loan limits – Legacy Students – Health Professions

Unsubsidized annual limit $20,500/year plus applicable increased health professions program eligibility

Unsubsidized aggregate limit $224,000 – Applies to combined undergraduate and graduate/professional borrowing

Graduate PLUS Loan up to COA minus OFA

Federal Loans: Borrowing Limits

- FOR PERIODS OF ENROLLMENT BEGINNING ON/AFTER JULY 1, 2026

Borrower Type	Undergraduate sub/unsub (no change)	Graduate Unsub	Professional Unsub	Parent PLUS
Annual	$5,500 - $12,500	$20,500	$50,000	$20,000
Aggregate	$31,000 - $57,500	$100,000 (not including UG)	$200,000 (combined GP/not including UG)	$65,000 (PER STUDENT)
Lifetime Limit (All levels: PLUS Excluded)	$257,500*			n/a

* $257,500 is without regard to any amounts repaid, forgiven, cancelled, or otherwise discharged.

Schedule of Reduction (SOR)

- OB3 reduces the amount of a loan that a student may borrow for an academic year if the student is enrolled on a less than a full-time basis during that academic year. Must be at least half-time to receive a scheduled disbursement
- Reduction in the annual loan limit will be made in direct proportion to the degree to which the student is not enrolled full-time, rounded to the nearest whole percentage point
- Addressed in Dear Colleague Letter GEN-25-04, published on July 18, 2025
- Made effective for the 2026–2027 award year

Schedule of Reduction – Process & Examples

- **LOAN REDUCTION PROCESS**
- **Step 1:** Determine the amount of loan funds the borrower is eligible to receive based on eligibility criteria such as grade level, full year, full-time, etc.
- **Step 2:** Determine the annual loan limit percentage if less than full-time enrollment is anticipated in advance of receiving the first disbursement.
- **Step 3:** Calculate the amount of the award or academic year loan limit that the term represents – if calculating for one term or transferring.
- **Step 4:** Take that percentage and multiply it by the amount of loan eligibility the borrower has and that equals the annual loan limit amount for less than full-time enrollment status.

Schedule of Reduction – Process & Examples

- # of credit hours enrolled for academic year/number of credits considered full time for that academic year for the program of study

- 30 credits planned enrollment/24 credits = full time

24 or greater credits enrollment will equal 100% of annual loan eligibility

Schedule of Reduction – Formula

$$\left(\frac{\textit{number of credit hours enrolled for academic year}}{\textit{number of credit hours considered full time for that academic year for the program of study}}\right) X\ 100 \quad = \textit{reduced annual loan limit percentage}$$

Quiz - Question #1

How much can a graduate student borrow in the Federal Direct Unsubsidized Loan program as a new student starting in the fall of 2026? For the entire program of study.

a. $138,500

b. $100,000

c. $ 20,500

d. $ 50,000

Quiz - Answer #1

How much can a graduate student borrow in the Federal Direct Unsubsidized Loan program as a new student starting in the fall of 2026? For the entire program of study.

a. $138,500

b. $100,000

c. $ 20,500

d. $ 50,000

Quiz – Question #2

How much can a parent borrow annually in the Parent PLUS Loan (new borrower in Fall 2026)?

a. $20,500

b. $50,000

c. $20,000

d. $40,000

Quiz – Answer #2

How much can a parent borrow annually in the Parent PLUS Loan (new borrower in Fall 2026)?

a. $20,500

b. $50,000

c. $20,000

d. $40,000

Quiz – Question #3

How much can a medical student borrow over the entire span of his/her professional degree?

a. $20,500
b. $50,000
c. $100,000
d. $200,000

Quiz – Answer #3

How much can a medical student borrow in the federal direct unsubsidized loan over the entire span of his/her professional degree?

a. $20,500

b. $50,000

c. $100,000

d. $200,000

Note: Annually students can borrow $50,000 annually in professional degree programs

Quiz – Question #4

What is the total lifetime loan amount federal direct loans, including federal Graduate PLUS loans for non-legacy students?

a. $100,000
b. $138,500
c. $200,000
d. $257,500

Quiz – Answer #4

What is the total lifetime loan amount federal direct loans, including federal Graduate PLUS loans?

a. $100,000
b. $138,500
c. $200,000
d. $257,500

Institutionally Determined Limits

Allows institutions to impose their own lower program-level loan limits for lower cost programs

These lower limits must be applied to the entire program and not on a student-by-student basis

Federal Pell Grant Changes

- Provides approx. $10 billion in mandatory funding to address Pell Grant shortfall
- Expands Pell Grant eligibility to certain short-term, career-focused programs - Very specific requirements for new short-term programs
- Requires through FAFSA form that foreign income be included in the AGI used to calculate Pell Grant eligibility

Federal Pell Grant Changes – Cont'

- Students who receives grants/scholarships from non-federal courses to cover entire Cost of Attendance(COA), are ineligible to receive a Pell Grant

- Prevents students from receiving minimum Pell Grants if their Student Aid Index(SAI) exceeds twice the maximum Pell Grant award($7,395 max award, SAI must be less than $14,791 to qualify for minimum Pell)

Repayment Plan Changes - 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 min. monthly payment
- $50 off monthly 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

Repayment Plan Changes - RAP

- Eliminates negative amortization
- No cap on monthly payment
- If a borrower makes on-time payments that reduce 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

Repayment Plan Changes – Tiered Standard Repayment Plan

- Fixed monthly payments over 10,15,20, or 25 years based on total loan balance

Repayment Plan Changes – 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

Repayment Plan Changes – 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
- Any specific questions about repayment plans should be directed to the borrower's loan servicer

Repayment Plan Changes – Income Contingent Repayment Plans

- Existing income-contingent repayment plans(ICR, PAYE, SAVE) will be eliminated July 1, 2028
- Current borrowers in these plans must transition to an eligible repayment plan by July 1, 2028
- If no selection is made by then, borrower will be moved to RAP
- Direct Consolidation Loans that included Parent PLUS loans are ineligible for RAP, so these borrowers will be moved the Income Based Repayment Plan if they are enrolled in ICR prior to July 1, 2028

Repayment Plan Changes – Other Relevant Information

- Removes requirement for borrowers to demonstrate a partial financial hardship in order to enroll in IBR
- Borrowers can rehabilitate a defaulted loan twice, instead of once as currently allowed. Min. rehab payment for Direct Loans changes to $10
- Sunsets the economic hardship and unemployment deferments – borrowers with loans made before July 1, 2027 are still able to use these deferments options under the current rules
- Loans made on or after July 1, 2027, are eligible for forbearance for up to 9 months in any two-year period – Down from 12 months

Other OB3 Federal Student Aid Changes

- FAFSA Asset Exemptions – Family Farm & small business assets are exempt from the FAFSA form; Expands family-owned commercial fisheries exemption from FAFSA as well
- Institutional Accountability –

  New Accountability Framework System – Student Tuition and Transparency System(STATS)

Wrap Up – Kahoot – Test Your Knowledge

https://play.kahoot.it/v2/?quizId=9177b178-9475-430b-8478-18ff08043c45&hostId=a9646a42-e018-4814-866d-52a5ea5b278d

Group Discussion - What impacts will the OB3 have on higher education?

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