

On July 4, 2025, the [One Big Beautiful Bill Act \(OBBBA\) \(H.R. 1\)](#) was signed into law, bringing with it several significant changes to federal student aid programs. Most provisions take effect on **July 1, 2026** unless otherwise noted.

Federal Loan Programs

For undergraduate students, there have been fewer substantial changes to federal direct loan eligibility or loan limits than expected. While an earlier version of the bill sought to eliminate subsidized loans for undergraduate students, the final law does not include this provision. Undergraduate students will continue to be able to receive subsidized loans, which is great news for our students that demonstrate financial need. There are, however, some substantial changes to loans for graduate and professional students, as well as the Parent PLUS loan, which is a loan open to parents of dependent undergraduate students. See a summary of loan program changes below.

- **Loan proration for less-than-full-time enrollment:** Federal student loan amounts must now be prorated in direct proportion to the percent of full-time that the student is enrolled. This applies to both graduate and undergraduate students. For example, if a student attends half-time, they would only be entitled to half of their total loan eligibility for that term. Previously, students would be entitled to their full loan eligibility as long as they attended at least half-time.
- **Parent PLUS loans:** The law implements a \$20,000 per year cap per dependent student, and a \$65,000 aggregate borrowing limit per dependent student. Previously, parents could borrow up to the full cost of attendance for their students and there was no aggregate limit.
- **Graduate Student loan limits:** Annual graduate unsubsidized loan borrowing limits are capped at \$20,500 for graduate students (unchanged) and \$50,000 for professional students. The aggregate borrowing limit is capped at \$100,000 for graduate students and \$200,000 for professional students.
- **Graduate PLUS loans:** The Graduate PLUS loan program will be eliminated in its entirety, effective July 1, 2026, with legacy provisions for current borrowers to complete their program of study. Students who require more than the \$20,500 annual unsubsidized loan limit will need to seek out a private student loan lender to supplement their federal aid. Previously students could borrow up to their remaining cost of attendance, and there has been no limit on the aggregate amount of Graduate PLUS loan that could be borrowed. This year, approximately 400 PSU graduate students borrowed a Graduate PLUS loan.
- **Lifetime borrowing cap on all federal loans:** The law implements a \$257,500 borrowing cap on all federal student loans, excluding borrowed Parent PLUS loan amounts, with a legacy provision included for current borrowers to borrow under current limits for the remainder of their expected time to credential.

Federal Pell Grant

The good news regarding Federal Pell Grant, is that the law retains the current definition of a full-time student at the current 12 credit hours per term. At 12 credits hours, students will continue to be eligible for the maximum amount of the Pell Grant that they qualify for. Additionally, students will continue to receive a prorated amount of Pell Grant when they are enrolled less than half-time. There are, however, some changes to Federal Pell Grant listed below that are likely to impact smaller subsets of our students.

- **No Pell over Cost of Attendance:** Students who receive grants or scholarships covering their entire cost of attendance (COA) are now ineligible to receive a Pell Grant, even if otherwise eligible for the program.
- **Pell Grant Eligibility with a High SAI:** Students can no longer receive Pell Grant if their SAI exceeds twice the maximum Pell Grant award (\$14,790)
- **Workforce Pell Program:** Creates a Workforce Pell Grant program, and opens Pell to shorter term career programs in high demand fields. These grants will not be available to remedial, non-credit, English language learning, or study abroad coursework.
- **Foreign Income and Pell Grant Eligibility:** Student and FAFSA contributor foreign income must be included in the income calculation on the FAFSA for Pell Grant eligibility.

Federal Student Loan Repayment

Borrowers with new loans made on or after July 1, 2026 can be repaid using only two plans: a new standard repayment plan with fixed monthly payments and fixed terms ranging from 10 to 25 years based on the amount borrowed; OR a new income-based Repayment Assistance Plan (RAP)

Borrowers with no new loans made on or after July 1, 2026 can continue to be eligible to enroll in the current Standard, current Income Based (IBR), Graduated, and Extended repayment plans, AND could also opt in to the new RAP. Current borrowers enrolled in ICR, PAYE, or SAVE plans must transition to a new repayment plan by July 1, 2028. If no selection is made by that date, they will be moved into RAP.

- **Repayment Assistance Plan (RAP):** This new repayment plan requires a \$10 minimum monthly payment, and a borrower's RAP monthly payment will be based on their AGI and number of dependents. Income and dependents are calculated separately for married borrowers who filed taxes separately from their spouses.