AAMC Analysis: Education Department Final Rule on Student Aid Reforms Under the Working Families Tax Cuts Act (also known as the One Big Beautiful Bill Act)
Last Updated on 7/21/26

On May 1, the Department of Education (ED) published a final rule implementing student aid provisions of the Working Families Tax Cuts Act (also known as the One Big Beautiful Bill Act), OBBBA, P.L. 119-21. The rule reflects a comprehensive overhaul of the federal student aid system, introducing new borrowing limits that reduce overall loan eligibility, streamlining repayment plan options, and requiring loan proration for students enrolled less than full-time, along with other reforms.

The final regulations incorporate outcomes of the Reimagining and Improving Student Education (RISE) Committee's negotiated rulemaking completed last November, include technical corrections and clarifications informed by the 30-day public comment period on the Notice of Proposed Rulemaking, and make few substantive changes from the proposed rule.

Please note several key clarifications and technical corrections in the transition from the proposed to final rule relevant to medical student borrowers. In a notable change, starting July 1, 2026, Grad PLUS loans will now count toward the $257,500 lifetime federal loan cap, except for students qualifying for legacy exemptions. Additionally, the final rule clarifies that students who change concentrations will not lose their "interim exception" eligibility, provided they remain at the same institution, within the same credential level, and under the same four-digit Classification of Instructional Programs (CIP) code. Lastly, the final rule includes a technical correction regarding subsidized loans; although graduate students have been ineligible for these loans since 2012, any subsidized loans borrowed for graduate study prior to that date will still count toward the new aggregate loan limits.

Below is the AAMC's analysis of key student aid changes reflected in the final rule, most of which took effect July 1, 2026, unless otherwise noted.

Grad PLUS Loans

- Effective July 1, 2026, eliminates the ability to borrow under the Grad PLUS program up to an institution's cost of attendance, less other aid.
- Applies to any new period of instruction starting on or after July 1, 2026.

Unsubsidized Direct Loan Limits

- Effective July 1, 2026, establishes a professional degree loan limit of $50,000 annually and $200,000 in aggregate.
    - This is a combined cap that includes any prior graduate-level borrowing.

    - Medical degrees remain classified as professional for the higher Unsubsidized loan limit (see Designation of Professional Programs section below).
- Eliminates the existing health professions exemption for borrowers with a first disbursement toward their program of study effective July 1, 2026.
- This change applies to any new period of instruction beginning on or after July 1, 2026.
- The final rule includes a technical correction regarding subsidized loans: any subsidized loans borrowed for graduate study prior to that date will still count toward the new aggregate loan limits.

Lifetime Maximum Limit

- Introduces a $257,500 lifetime federal student loan limit.
    - Inclusive of all Grad PLUS loan borrowing and regardless of any amount repaid, forgiven, canceled, or otherwise discharged on any such loan (**new compared to the proposed rule**).
    - Excludes Parent PLUS loans.
    - Existing borrowers who qualify for and retain the interim exception would be exempt from this limit.
- Loans borrowed before July 1, 2026, will be factored into the new aggregate and lifetime limits at the point a student becomes subject to them.
- Any loan amounts returned by the institution or the borrower are excluded from the borrower's lifetime maximum aggregate loan limit.

Interim Exception for Existing Borrowers

- Borrowers enrolled in a program of study as of June 30, 2026, who received a federal Direct Loan disbursement for that program prior to July 1, 2026, may continue to borrow under the Grad PLUS program until the expected time to credential or for up to three academic years, whichever occurs first.
    - This is defined as the difference between the program length for the program of study in which the individual is enrolled and the period of the program the borrower has already completed as of July 1, 2026 (see final rule definitions below).
- Such borrowers may also continue to borrow under the current Direct Unsubsidized loan limit of $224,000 until the expected time to credential or for up to three academic years, whichever occurs first.
- The existing health professions exemption would remain available for interim exception borrowers.

Definitions

- For purposes of the interim exception:

- *Expected time to credential* is defined as the lesser of three academic years or the student's remaining time to complete the program.
- *Program length* is defined as the minimum time a full-time student needs to complete a program, as stated in the institution's official publications.

Eligibility

- Eligibility is tied to enrollment in a program of study with a Direct Loan disbursement toward that program as of June 30, 2026.
  - Borrowers must submit the FAFSA and complete a Direct PLUS Loan Master Promissory Note (MPN).
  - A delayed *first* Direct Loan disbursement for a program due to processing factors prior to July 1, 2026, would cause a borrower to not meet interim exception eligibility.
  - Loans "made" is clarified as loans "disbursed."
- Continuous enrollment in the same program at the same institution is required to maintain eligibility.
- Switching a program of study within the same institution ends interim exception eligibility.
- Graduate and professional students who change concentrations within the same four-digit CIP code, credential level, and institution are not considered to have changed their program of study and remain eligible for the interim exception. (**new compared to the proposed rule**)
- Eligibility is forfeited if enrollment extends beyond three academic years, the borrower withdraws or ceases enrollment, or any other break in enrollment that disrupts interim exception eligibility.
- Interim exception borrowers who withdraw and later re-enroll in their program will be treated as new borrowers as of July 1, 2026.
- Interim exception borrowers are exempt from the new lifetime maximum loan limit until which point they become subject to the new limits.
- Limited leave of absence flexibility may apply if it meets the regulatory definition under 34 CFR 668.22.
  - Limited to 180 days within a 12-month period.
  - A borrower approved for a § 668.22 compliant leave of absence is not considered withdrawn and remains eligible for the interim exception.
  - A student's leave of absence does not count toward their expected time to credential if it meets the requirements of §668.22.

Designation of Professional Programs for Loan Limit Purposes

- ED determined that the current list of degree programs classified as professional will remain unchanged for purposes of increased Direct Unsubsidized loan eligibility. (**new compared to the proposed rule**)
    - *Update:* ED published updated guidance on June 29 in response to a federal court order that temporarily pauses portions of the RISE final rule definition of a professional degree. An interim list of Classification of Instructional Programs (CIP) codes has been issued that will be treated as professional degree programs for Title IV loan purposes while the litigation is pending.
- Negotiated rulemaking consensus language added Doctor of Psychology (Psy.D.) to the existing professional programs list.
- Medical degrees remain classified as professional for the higher Direct Unsubsidized loan limits.

Student Loan Repayment Plan Changes

- Direct Loans disbursed after July 1, 2026, would be eligible for the following repayment options:
    - Tiered Standard Plan: Fixed 10–25-year term, with repayment length based on the loan balance (balances ≥ $100K would repay over 25 years)
        - Serves as the default repayment option if a borrower does not choose a repayment plan.
    - Repayment Assistance Plan (RAP): the only income-driven plan for new borrowers, offering up to a 30-year term for MD borrowers, interest relief, and a $50 monthly principal reduction when payments fall below interest.
        - Public Service Loan Forgiveness eligible; deferment and forbearance periods would not count toward forgiveness.
        - ED revised the final regulations to exclude RAP payments from counting toward time-based forgiveness under Income-Based Repayment (IBR). Borrowers who switch between IBR and RAP will not receive IBR forgiveness credit for periods spent in RAP. (**new compared to the proposed rule**)
- Borrowers with ***no*** new loans disbursed after July 1, 2026, would be able to access the following plans:
    - Standard
    - Graduated
    - Extended
    - Income-Based Repayment (removes Partial Financial Hardship)
    - May opt into Tiered Standard or RAP
    - Can remain in Income-Contingent Repayment and Pay As You Earn until July 1, 2028

- Any additional loans taken out by existing borrowers after July 1, 2026, will result in new-borrower repayment treatment, limiting repayment options to the Tiered Standard and RAP.
- Note: Borrowers receiving disbursements on new loans (or new consolidation loans) on or after July 1, 2026, will not have access to IBR, even if previously enrolled in IBR plan.

Deferment & Forbearance Changes

- Effective July 1, 2027, for new borrowers, eliminates economic hardship and unemployment deferments.
- Limits forbearance to a maximum of nine months within any two-year period.
- Borrowers with no new loans disbursed after July 1, 2027, will retain access to existing deferment and forbearance options, including medical residency forbearance.

Loan Proration

- Effective for the 2026-2027 award year and going forward, institutions must prorate annual loan limits for students enrolled less than full-time.
- For less than full-time enrollment, annual Direct Loan limits will be reduced proportionally based on the ratio of enrolled credits to the institution's full-time credit requirement, rounded to the nearest whole percentage point.
    - Proration applies at the academic year level, not on a per-term or per-disbursement basis.
    - Evaluated at the time of disbursement.
    - Does not apply to non-term education programs.
    - Applies to Direct Unsubsidized and Grad PLUS loans; Parent PLUS loans do not need to be reduced.
- Institutions define the credits needed to be full-time.
- The Department will maintain a resource page, including FAQs, to assist institutions with operational implementation.

School-Defined Loan Limits

- Effective July 1, 2026, institutions may elect to establish lower program-level loan caps.
- Caps must apply program-wide and may not be increased through financial aid professional judgment for individual borrowers once established.

For further information, review the information and resources available on the Department of Education's Federal Student Aid homepage, including updates specific to the implementation of student aid policy changes that took effect on July 1, 2026.