

AAMC Analysis: Statutory Changes to Loan Limits Enacted by the One Big Beautiful Bill Act ([OBBBA, P.L. 119-21](#))

The Department of Education published a [Notice of Proposed Rulemaking](#) in the *Federal Register* on January 30 to implement student aid changes authorized under the *One Big Beautiful Bill Act*. The proposed regulations reflect the consensus language reached during the [Reimagining and Improving Student Education \(RISE\) Committee's](#) negotiated rulemaking sessions, which concluded in November.

Below are the AAMC's preliminary analysis of key student aid changes reflected in the proposed regulations. Final regulations are anticipated in the Spring of 2026.

Grad PLUS Loans

Effective July 1, 2026, for New Borrowers:

- Would sunset borrowing up to an institution's cost of attendance minus other aid under the Grad PLUS program.
 - Would apply to any new period of instruction starting on or after July 1, 2026.

Legacy Interim Exceptions for Existing Borrowers:

- Borrowers enrolled in a program of study as of June 30, 2026, with a Federal Direct Loan (any) disbursed for such program of study prior to July 1, 2026, would be able to continue borrowing under Grad PLUS until expected time to credential or up to three academic years, whichever comes first.
 - 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 would be tied to specific enrollment periods and Direct Loan disbursement as of June 30, 2026.
 - Borrowers would be required to submit the FAFSA and complete the Direct PLUS Loan Master Promissory Note (MPN).
- Continuous enrollment would be required in the same institution and program.
- Limited Leave of Absence flexibility may apply if it meets the specific regulatory definition ([34 CFR 668.22](#)).
- Legacy eligibility may be forfeited if enrollment extends beyond three academic years or the borrower officially withdraws or ceases enrollment.
 - A borrower who officially withdraws and returns to the same program would be treated as a new borrower as of July 1, 2026.

Unsubsidized Direct Loan Limits

Effective July 1, 2026, for New Borrowers:

- Would establish a professional degree loan limit of \$50,000 annually and \$200,000 aggregate (combined cap; includes any prior graduate degree borrowing).
- Would introduce a \$257,500 lifetime federal student loan limit.
- The existing [health professions exemption](#) would not be available to new borrowers.
- Joint degree programs would be classified as professional degree programs if more than 50% of credits apply to the professional degree.
- The above language would apply for any new period of instruction beginning on or after July 1, 2026.

Legacy Interim Exceptions for Existing Borrowers:

- Borrowers enrolled in a program of study as of June 30, 2026, with a Federal Direct Loan (any) disbursed for such program of study prior to July 1, 2026, would be able to continue borrowing under current Direct Unsubsidized loan limits (\$224,000) until the expected time to credential or up to three academic years.
- The health professions exemption would remain available for interim legacy exception borrowers.
- Borrowers must satisfy the interim legacy exception eligibility criteria that includes continuous enrollment.

Professional Program Eligibility for Loan Limits Classification

- Would add Doctor of Psychology (Psy.D.) to the list of existing professional programs authorized for the higher Direct Unsubsidized loan limits.
- Medical degrees would remain classified as professional for the higher loan limits.

Student Loan Repayment Plans

- 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 \geq \$100K would repay over 25 years)
 - Would serve as the default repayment option if a borrower does not choose a plan.
 - Repayment Assistance Plan (RAP): income-driven plan with up to a 30-year term for MD borrowers, including potential unpaid interest relief and a \$50 monthly principal reduction if the monthly payment is less than the monthly interest.

- Public Service Loan Forgiveness eligible; deferment and forbearance periods would not count toward forgiveness.
- 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
- Note: existing borrowers who take out additional loans after July 1, 2026, would be treated as new borrowers for repayment purposes with only Tiered Standard and RAP as options.

Deferment & Forbearance Changes

- Effective July 1, 2027, would eliminate economic hardship and unemployment deferments.
- Would impose new forbearance limits, capping forbearance at nine months within any two-year period.
- Borrowers with no new loans disbursed after July 1, 2027, would retain access to existing deferment and forbearance options, including the medical residency forbearance.

Loan Proration

- Effective for the 2026-2027 award year, the rule would require institutions to prorate annual loan limits based on less than full-time enrollment.
- For less than full-time enrollment, annual Direct Loan limits would be reduced proportionally based on the ratio of enrolled credits to the institution's full-time credit requirement, multiplied by 100 and rounded to the nearest whole percent.
 - Academic year requirement, not a per-term or per-disbursement schedule.

School-Defined Loan Limits

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