What the One Big Beautiful Bill Act (OBBBA) Means for Your Federal Student Loans

The **One Big Beautiful Bill Act (OBBBA)** was signed into law on **July 4, 2025**, and introduced significant changes to federal student aid programs. Most of the changes affecting **federal student loans** took effect on **July 1, 2026**. If you (or your parent) plan to borrow through the federal loan program for the 2026–27 academic year or later, your loan eligibility, borrowing limits, and repayment options may have changed. Students should review these updates and plan accordingly when considering their educational expenses.

Key changes to federal student loans for undergraduate students:

1. Schedule of Reduction (SOR) for Federal Student Loans

Students enrolled less than full-time but at least half-time (the minimum enrollment to be eligible) are subject to SOR. This means your federal student loan eligibility will be reduced/prorated based on the number of credit hours you are enrolled in.

Full-time enrollment is defined as twelve (12) or more eligible credit hours per term. If you are enrolled less than full-time, or if you withdraw from a course(s) and drop to less than full-time enrollment, we are required by law to apply SOR to determine eligible loan amounts <u>per term</u>.

Basic Example:

Enrollment in **6** credit hours in the Fall and **9** credit hours in the Spring
Academic Year (Annual) Federal Loan limit is $5,500
Schedule of Reduction/Proration

$\frac{6+9}{24} = \frac{15}{24}$ = .63 (63%) x your annual loan limit ($5500) = $3,465

Proportional Loan Disbursements
Fall loan amount:

$\frac{6}{15}$ x 3465 = **$1,386**

Spring loan amount:

$\frac{9}{15}$ x 3465 = **$2,079**

Prior to the new Schedule of Reduction law, the federal student loan disbursements in this example would have been $ 2,750 for Fall and $2,750 for Spring.

2. **Parent PLUS Loan limits are reduced**

As of July 1, 2026, Parent PLUS borrowing is now capped at **$20,000 per year per dependent student** and **$65,000 lifetime per student.**

Borrowers who took out federal PLUS loans **before July 1, 2026** are protected by a limited **grandfathering provision** (legacy provision) where parents can continue to borrow up to the **full cost of attendance** minus other aid up to three years or until the student completes their current program, whichever is earlier.

3. **Repayment Options**

Borrowers with new loans made on or after July 1, 2026 will only have two repayment options: the new tiered standard repayment plan and the new income-based repayment plan, Repayment Assistance Plan (RAP).

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. But they must do so before July 1, 2028 or they will be automatically placed into RAP.