BerryDunn

One Big Beautiful Bill Act (OBBBA)

Key impacts for higher education

The matrix below summarizes key changes to federal student aid introduced by the OBBBA, which will soon take effect. These updates span student loan programs, Pell Grants, loan types, borrowing limits, grant eligibility, and institutional accountability. Review the matrix to understand how the enactment of OBBBA may affect you, your students, and your higher education institution.

Topic	OBBBA	Effective for Academic Year	Comments
Federal Student Loan Program Reforms			
Graduate PLUS Loans	No longer allows GradPLUS.	'26-'27	Transitional provision: Borrowers with GradPLUS loans who are currently enrolled, and remain enrolled, in a credentialed program can continue to borrow during enrollment for up to three academic years.
Annual borrowing caps: Graduate/ Professional	$20,500 for Graduate students; $50,000 for Professional students.	'26-'27	Institutions can also choose to impose stricter borrowing limits. Limits must be applied to the entire program.
Lifetime borrowing caps: Graduate/ Professional	$100,000 lifetime cap for Graduate students; $200,000 lifetime cap for Professional students.	'26-'27	Excludes prior undergraduate loans. Institutions can also choose to impose stricter borrowing limits. Limits must be applied to the entire program.
Annual borrowing caps: PLUS Loans	$20,000 cap per dependent student.	'26-'27	Institutions can also choose to impose stricter borrowing limits. Limits must be applied to the entire program.

Topic	OBBBA	Effective for Academic Year	Comments
Lifetime borrowing caps: PLUS Loans	$65,000 cap per dependent student.	'26-'27	Institutions can also choose to impose stricter borrowing limits. Limits must be applied to the entire program.
Lifetime borrowing caps: Federal Student Loans	$257,500 lifetime cap, excluding PLUS Loans.	'26-'27	Institutions can also choose to impose stricter borrowing limits. Limits must be applied to the entire program.
Loan repayment	Borrowers will choose between a standard plan or a new income-based plan called the Repayment Assistance Plan.	New loans disbursed on or after '26-'27	By 2028, existing borrowers under income-driven repayment plans will be transitioned to these two options.
Loan deferment	No longer allows for economic hardship and unemployment deferment.	'27-'28	If loans are disbursed before the '27-'28 academic year, borrowers can still use these deferment options.
Loan forbearance for loans	Up to nine months in any two-year period for loans disbursed after July 1, 2027.	'27-'28	The forbearance period has been decreased from 12 months for these loans.
PELL Grant Reforms			
Pell Grants	New Workforce Pell Grant program will support students in short-term training programs lasting 8 to 15 weeks.	'26-'27	Students cannot receive both a Workforce Pell Grant and the traditional Pell Grant at the same time.
Determining Pell Grant eligibility: Foreign income	Students with non-taxed foreign income, who receive enough nonfederal aid to cover their cost of attendance or who are enrolled in a program on less than a half-time basis will no longer qualify for the Pell Grant program.	'26-'27	This applies to: Dependent students: Adjusted gross income (AGI) includes both the parents' US taxable income and foreign income. Independent students: AGI includes the student's (and spouse's, if applicable) US taxable income and foreign income.
Determining Pell Grant eligibility: Scholarships and grants	Students who receive nonfederal scholarships or grants that cover the full cost of attendance will no longer qualify for the Pell Grant program.	'26-'27	Includes grants and scholarships from states, institutions of higher education, or private sources.
Pell Grant funding	Increases Pell Grant funding from $2,170,000 to $12,670,000 to address potential Pell Grant funding shortfall.	N/A	This is part of the Federal Fiscal Year End 2026 budget.

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Free Application for Federal Student Aid (FASFA) and other			
Determining student financial need	Certain family-owned assets will be excluded from consideration in the needs analysis calculation.	'26-'27	Exclusions include: ▪ A family farm where the family resides ▪ A small business with 100 or fewer full-time employees that is owned and controlled by the family ▪ A family-owned and controlled commercial fishing business and related expenses
Institutional accountability	Higher education institutions will be required to report on student income earning outcomes for any degree program receiving federal direct student loan funding. Degree programs that have a low-earning outcome, as defined under the new law, will be subject to accountability measures.	'26-'27	Undergraduate and graduate degree programs will compare a four-year post-enrollment median earning to individuals with a high school degree/ GED or bachelor's degree, respectively. If a degree program fails this test, the higher education institution must notify affected students. Failing this test for two out of three years would cause the program to lose eligibility to receive federal direct student loan funding unless the program successfully regains eligibility through a formal US Department of Education process. Individuals who had received a degree in a failing program will still be responsible for repaying their federal direct student loan.
Borrower Defense and Closed School Discharge rules	Enforcement is postponed until 2035.	N/A	Law reverts to the 2020 and pre-2022 standards, respectively.