

# Federal Student Aid Changes from the One Big Beautiful Bill Act

# Federal Direct Loan Changes

Topic	What Changed	Important Notes	Effective Date
<b>Graduate PLUS Loans</b>	Eliminated for new borrowers	<b>Legacy provision:</b> Students who borrowed a federal loan before July 1, 2026, may continue borrowing up to their cost of attendance (minus other aid) for up to three academic years or until degree completion, whichever comes first, provided they remain continuously enrolled. A leave of absence ends this eligibility.	July 1, 2026
<b>Parent PLUS Annual &amp; Aggregate Loan Limits</b>	Parents may borrow up to \$20,000 per year per student with a lifetime aggregate of \$65,000 per student	<b>Legacy provision:</b> Students or Parents who borrowed a federal loan before July 1, 2026, may continue borrowing up to their cost of attendance (minus other aid) for up to three academic years or until degree completion, whichever comes first, provided they remain continuously enrolled. A leave of absence ends this eligibility.	July 1, 2026
<b>Graduate/Professional Annual &amp; Aggregate Unsubsidized Loan Limits</b>	Graduate students may borrow up to \$20,500 per year (\$100,000 lifetime), and professional students may borrow up to \$50,000 per year (\$200,000 lifetime). Undergraduate loans do not count toward these limits.	<p><b>Legacy provision:</b> Students who borrowed a federal loan before July 1, 2026, may continue borrowing under the current loan limits for up to three academic years or until degree completion, whichever comes first, provided they remain continuously enrolled. A leave of absence ends this eligibility.</p> <p>A professional student is enrolled in a program that leads to a professional degree, typically at the doctoral level, and prepares students for licensed practice in a specific profession. These programs generally require education beyond a bachelor's degree and include fields such as law, medicine, dentistry, pharmacy, veterinary medicine, and clinical psychology (Psy.D. or PH.D).</p> <p>At Pace, Law and Clinical Psychology are considered professional programs.</p> <p>Students enrolled in professional degree programs are not eligible to receive federal aid as undergraduate students during the same enrollment period.</p>	July 1, 2026
<b>Loan Reduction (proration)</b>	Institutions must prorate annual loan eligibility based on a student's enrollment level (full-time, half-time, etc.). If a student is enrolled half-time, they would only be eligible for 50% of their full loan eligibility.	<p>Federal loans are now treated as annual loans tied to enrollment for the full academic year.</p> <p>Loans for standard academic year enrollment (Fall and Spring) must be split evenly across both terms; no more than 50% may be disbursed in a single term.</p> <p>If enrollment changes mid-year, remaining loan disbursements must be adjusted to reflect the new enrollment.</p>	Effective for loans disbursed as of the 2026-2027 award year

# Free Application for Federal Student Aid (FAFSA) and Pell Grant Changes

Topic	What Changed	Important Notes	Effective Date
<b>FAFSA changes - asset exemptions</b>	Family-owned assets such as small businesses and primary-residence farms, are excluded from SAI calculations.	SAI (Student Aid Index) is a number calculated from information provided on the Free Application for Federal Student Aid (FAFSA) that helps colleges understand a family's financial situation. A lower SAI means higher financial need.  Excluding these assets could increase a student's aid eligibility	2026-2027 FAFSA
<b>Pell Grant Eligibility - Full cost of attendance (COA) Scholarships/Grants</b>	Students who receive grants/scholarships from non-federal sources covering their entire cost of attendance (COA) are ineligible to receive a Pell Grant, even if otherwise eligible for the program.	This may impact some athletes	2026-2027 FAFSA
<b>Pell Grant Eligibility – Students with high SAIs.</b>	Students are no longer eligible for Pell grant when a student's SAI equals or exceeds twice the maximum Pell award	Maximum Pell grant for the 2026-2027 academic year is currently set at \$7,395	2026-2027 FAFSA

# Student Loan Repayment

Topic	What Changed	Important Notes	Effective Date
<b>Repayment Plans for new borrowers</b>	Borrowers who take out new loans on or after July 1, 2026, will have two repayment options: the new Standard Repayment Plan or the Repayment Assistance Plan (RAP). If no plan is chosen, borrowers will be placed in the Standard Repayment Plan automatically.	<p>All loans must be repaid under the same repayment plan. Borrowers with loans taken out before July 1, 2026, who borrow again on or after that date will be limited to the new Standard Repayment Plan or RAP</p> <p>Standard Repayment plans have fixed payments that can span over 10–25 years</p> <p>RAP is income-based with forgiveness after longer terms</p>	July 1, 2026
<b>Repayment Plans for current borrowers</b>	Borrowers who do not take out new loans on or after July 1, 2026, may continue using current repayment plans, including Standard, Graduated, Extended, or Income-Based Repayment (IBR). They may also choose the new Repayment Assistance Plan (RAP) and can remain in or switch between existing income-driven plans through July 1, 2028.	Borrowers currently enrolled in Income Contingent Repayment (ICR), Pay As You Earn (PAYE), or Saving on a Valuable Education (SAVE) must choose a new repayment plan, either standard repayment plan, or RAP, by July 1, 2028. If no choice is made, they will automatically be placed in RAP	July 1, 2026 & July 1, 2028
<b>Loan Deferment Options</b>	Economic hardship and unemployment deferments will no longer be available.	Borrowers with loans taken out on or before July 1, 2027, may continue to use these deferment options under current rules. Once those loans are paid off, these deferments will no longer be available.	July 1, 2027

# Institutional Accountability and Endowment Tax

Topic	What Changed	Important Notes	Effective Date
<b>Institutional Accountability</b>	A new accountability measure will remove Direct Loan eligibility from programs that fail the federal “low-earnings” standard in two out of three years.	<p><b>Undergraduate programs:</b> Compares the median earnings of graduates 4 years after program completion with the earnings of “working adults” with only a high school degree or GED who are not enrolled in higher education.</p> <p><b>Graduate programs:</b> Compares the median earnings of graduates 4 years after program completion with the earnings of “working adults” with only a bachelor’s degree who are not enrolled in higher education.</p> <p>Programs that fail this “low earnings” standard must provide warnings to students.</p>	July 1, 2026
<b>Endowment Tax</b>	Private institutions with larger endowments will face higher investment income taxes, with rates increasing from 1.4% up to 8%.	Private institutions enrolling fewer than 3,000 tuition-paying students in the prior tax year are exempt from the proposed endowment tax.	Taxable years beginning after December 31, 2025