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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Student Aid Under the One Big Beautiful Bill Act:

Key Changes and Impacts

Fall 2025

Speaker

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Agenda

- Legislative Background
- Effective Dates
- Pell Grants
- Need Analysis
- Federal Loans
- Loan Repayment
- Institutional Accountability
- Negotiated Rulemaking
- Q&A

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What is Reconciliation?

- Parliamentary procedure in Congress that allows for expedited passage of certain budgetary legislation.
- Provisions in a reconciliation bill must be directly related to the federal budget
- Only requires a simple Senate majority (51 votes) to pass

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The Path to Enactment

May, 20 2025

The bill, H.R. 1, was formally introduced in the House of Representatives.

May 22, 2025

The House of Representatives passed the bill with a 215-214 vote.

July 1, 2025

The Senate passed its amended version of the bill with a 51-50 vote.

July 3, 2025

The House of Representatives passed the amended bill with a 218-214 vote.

July 4, 2025

President Trump signed H.R. 1 into law.

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Effective Dates

- July 4, 2025
    - Borrower Defense to Repayment
    - Closed School Discharge
- July 1, 2026
    - Majority of the provisions
    - 26-27 award year
- July 1, 2027
    - Loan Rehabilitation Terms
    - Loan Deferment Options
    - Loan Forbearance Options
- July 1, 2028
    - Elimination of SAVE, ICR, and PAYE repayment plans for current borrowers.

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Key Changes to Federal Pell Grants

- Workforce Pell
  - 150-600 clock hours
  - at least 8 weeks but fewer than 15 weeks.
  - Must:
    - lead to a “portable, stackable” credential
    - be approved by the state governor
    - meet performance benchmarks
    - be transferable into future degree programs.
  - Program cost cannot exceed the value-added earnings of students who completed the program 3 years prior.
- Pell Shortfall
  - Provides approximately $10 billion in mandatory funding to address the impending Pell Grant shortfall.

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Need Analysis Changes

- FAFSA Asset Exemptions
- Foreign Income Inclusion
- Full COA Scholarships/Grants
- Students with High SAI

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Federal Loans: Borrowing Limits

Borrower Type	Undergraduate (no change)	Graduate	Professional	Parent
Annual	$5,500-$12,500	$20,500	$50,000	$20,000
Aggregate	$31,000-$57,500	$100,000 (not including UG)	$200,000 (not including UG)	$65,000
Lifetime Limit (ALL)	$257,500			N/A

Legacy provision allows borrowing under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less, as long as they have borrowed from the direct loan program before July 1, 2026.

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Federal Loans: GradPLUS

- Eliminates the GradPLUS loan program as of July 1, 2026
    - Legacy provision allows a student who borrowed from ANY direct loan program prior to July 1, 2026 to borrow from the GradPLUS program for 3 academic years or the remainder of their expected time to credential, whichever is less

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Federal Loans: Reductions

Loan Reductions Based on Enrollment Intensity

- Schools are now required to reduce annual loan eligibility for all students based on their enrollment intensity.

$$\left(\frac{\textit{number of credit hours enrolled for academic year}}{\textit{number of credit hours considered full time for that academic year for the program of study}}\right) X\ 100$$
$$= \textit{reduced annual loan limit percentage}$$

$$\left(\frac{\textit{number of credit hours enrolled for the term}}{\textit{number of credit hours considered full time for that term for the program of study}}\right) X\ 100$$
$$= \textit{reduced annual loan limit percentage}$$

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Federal Loans: Institutional Authority

- Institutional Authority to Limit Loans
  - Institutions can set lower loan limits on a program-level basis.
  - Must be applied across the entire program.
  - Applies to all borrowers in that program, regardless of individual circumstances.
  - No authority to approve higher loan amounts for individual students.

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Student Loan Repayment

- New Borrowers
    - After July 1, 2026, existing IDR plans will be eliminated
    - Borrowers will have two repayment options
        - a standard 10-25 year fixed repayment plan
        - a new income-driven plan called the "Repayment Assistance Plan" (RAP).

All loans must be paid under the same repayment plan, so borrowers with loans made before July 1, 2026, who take out additional loans on or after July 1, 2026, will only have RAP and the new standard repayment plan as options.

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Student Loan Repayment

- Current Borrowers [with no new loans made after July 1, 2026]
  - Can enroll in the current Standard, Graduated, Extended, or current Income Based (IBR) repayment plans
  - May opt in to the new RAP
  - May switch between, enter, or remain on existing IDR plans until July 1, 2028
    - July 1, 2028 SAVE, ICR and PAYE will be eliminated.
    - Only IBR will remain

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Repayment Assistance Plan (RAP)

- If married filing separately, spouse's AGI and number of dependents are not included in the payment calculation
- $10 minimum payment
- Monthly payment is 1-10% of income based on AGI
- $50 off monthly payment (base payment) per dependent
- 30-year repayment period
- Eliminates negative amortization
- No cap on monthly payment, even if it's higher than the standard repayment plan would be
- If a borrower makes an on-time payment that reduces their principal by less than $50, ED will make a payment to the principal, up to the amount paid, minus what was applied to the principal or $50, whichever is less

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New Standard Repayment Plan

- Will spread a borrower's debt into fixed payments over one of four timeframes, depending on what they owe.
- $1-24,999
  - 10-year repayment term
- $25,000-$49,999
  - 15-year repayment term
- $50,000-$99,999
  - 20-year repayment term
- $100,000+
  - 25-year repayment term

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Federal Loan Terms Changes

- Rehabilitation
  - allows borrowers to rehabilitate a defaulted loan twice
- Deferment
  - sunsets the economic hardship and unemployment deferments
- Forbearance
  - restrictions on length of forbearances

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Accountability Framework

- New 'low earnings outcomes' test
  - Failing programs two out of three years would lose Direct Loan eligibility
  - Warnings required to students after failing one year

Undergraduate programs: Compares the median earnings of completers 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.

Graduate programs: Compares the median earnings of completers 4 years after program completion with the earnings of “working adults” with only a bachelor’s degree in the same field of study who are not enrolled in higher education.

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	New Accountability Framework	Gainful Employment/Financial Value Transparency
Authority	Enacted through statute (e.g. The One Big Beautiful Bill Act)	Implemented via regulation under existing HEA authority
Origin	Congress (signed into law by President)	The Department of Education through negotiated rulemaking
Programs Covered	Title IV eligible degree programs (undergraduate, graduate, professional) and graduate certificate programs	GE: non-degree programs at nonprofits/publics and all programs at for-profits FVT: all Title IV eligible programs (in some cases, previously-eligible programs)
Metrics Used	UG: median earnings of completers 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. GR: median earnings of completers 4 years after program completion with the earnings of “working adults” with only a bachelor’s degree who are not enrolled in higher education.	GE: Earnings premium measure (vs. high school grads) and debt-to-earnings rate FVT: same metrics but for transparency only
Program Eligibility Consequences	Loss of Direct Loan eligibility if metrics failed twice in 3 years	GE: Loss of Title IV eligibility if metrics failed twice in 3 years FVT: No impact on eligibility (disclosure only)
Implementation Frequency	Based on statutory timeline; permanent unless amended	Can be reassessed as often as an administration chooses as it aligns with the regulatory cycle

What We're Waiting For: Negotiated Rulemaking & ED Guidance

- Negotiated Rulemaking
  - OB3 requires ED to establish specific regulations to implement the new legislative provisions.
  - ED is required to conduct "negotiated rulemaking," which brings together stakeholders to build consensus for proposed rules.
  - Two separate committees address different aspects of the new law.

- ED Guidance
  - Provides guidance on provisions in OB3 that don’t require negotiated rulemaking

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Rulemaking Committees

- **Committee 1:** Reimagining and Improving Student Education (RISE)
  - Federal student loan programs, borrowing limits, new repayment plans.
  - Sessions were completed in the first weeks of October and November.

- **Committee 2:** Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD)
  - Workforce Pell Grant, institutional accountability, gainful employment, and financial value transparency.
  - Sessions are scheduled for one week December 2025 and one week in January 2026.

- **When Rules Take Effect:** ED confirmed that the effective date of July 1, 2026, will remain unchanged, even though the department did not publish final rules by November 1, 2025.

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RISE Negotiated Rulemaking

- Continued as scheduled to meet statutory deadlines despite a government shutdown.
- Completed a day early with **consensus**
  - Graduate v. Professional Program Definition
  - Part-Time Student Loan Limits
  - ParentPLUS Legacy/Program of Study

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Graduate/Professional Definition

Professional student: A student enrolled in a program of study that awards a professional degree upon completion of the program;

(1) A professional degree is a degree that:

(i) Signifies both completion of the academic requirements for beginning practice in a given profession, and a level of professional skill beyond that normally required for a bachelor's degree;

(ii) Is generally at the doctoral level, and that requires at least six academic years of postsecondary education coursework for completion, including at least two years of post-baccalaureate level coursework;

(iii) Generally requires professional licensure to begin practice; and

(iv) Includes a four-digit program CIP code, as assigned by the institution or determined by the Secretary, in the same intermediate group as the fields listed in paragraph (2)(i) of this definition.

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44 Unique 6-digit CIP Codes

To be eligible for the higher loan limits, programs would first have to be in one of the following 4-digit CIPs:

- Veterinary Medicine (01.80)
- Law (22.01)
- Theological and Ministerial Studies (39.06)
- **Clinical, Counseling, and Applied Psychology (42.28)**
- Chiropractic (51.01)
- Dentistry (51.04)
- Medicine (51.12)
- Optometry (51.17)
- Pharmacy and Pharmaceutical Sciences (51.20)

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Less-Than-Full-Time Loan Limits

- Example scenario - Dependent Freshman
  - Expected enrollment: 12 credits fall/12 credits spring
    - dropped to 9 credits after fall disbursement had been made
    - still receives half of the full annual loan amount: $2,750 ($1,750 sub)
  - Student continues planned 12 credits for the spring
    - need to use formula
      - 21/24 credits, or 87.5% of $5,500 = $4,812.50
        - subtract the $2,750 they already received
- Since the student had already received $2,750 in the fall, their spring disbursement would be **$2,062.50.**

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ParentPLUS Legacy/Program of Study Conflict

- legacy statute allows for current borrowers program of study to continue to receive ParentPLUS loans
  - not a defined definition
- ED stated that they considered program of study for these specific purposes “the same degree or certificate”
  - different than for GradPLUS & Loan Limits for GR/Prof students

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Federal Student Aid Changes from the One Big Beautiful Bill Act

***Items in italics indicate proposed changes in earlier versions of the bill that were ultimately not included in the final version that was signed into law.**

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Pell Grant Program

Topic	Change	Notes	Effective Dates
Pell Shortfall	Provides approximately $10 billion in mandatory funding to address the impending Pell Grant shortfall.	In Spring 2025, the Congressional Budget Office released projections for the Pell Grant program, indicating a possible funding shortfall in FY25 of about $2.7 billion that would apply to the 2025-26 school year. By the end of FY26, the budget shortfall would be nearly $10 billion.	Part of Fiscal Year 2026 Budget
Workforce Pell	Creates a Workforce Pell Grant program. Eligible programs must be 150-600 clock hours and run at least 8 weeks but fewer than 15 weeks. Programs must lead to a "portable, stackable" credential across more than one employer or prepare students for entry-level employment for which there is only one recognized postsecondary credential. The program must be approved by the state governor as aligned with in-demand jobs and meeting employers' needs, as well as have been offered by the institution for at least one year, and meet performance benchmarks, including, having a ≥70% completion rate, ≥70% job placement rate (within 180 days), and the program cost cannot exceed the value-added earnings of students who completed the program 3 years prior. The credit must also be allowed to transfer into future degree programs.	Remedial, non-credit, correspondence, English language learning, and study abroad coursework are not eligible. Also excludes unaccredited institutions from participating. Students cannot receive both regular Pell and Workforce Pell simultaneously, and time spent using a Workforce Pell Grant counts toward the student's overall Pell eligibility limit.	July 1, 2026
Pell Grant Enrollment	*No change.*	*Earlier versions of the bill proposed changing the definition of full-time enrollment for Pell eligibility, as well as eliminating Pell eligibility for less-than-half-time enrollment. These provisions were not included in the final legislation.*	*N/A*

Federal Direct Loan Program

Topic	Change	Notes	Effective Dates
Graduate PLUS Loan Program	Eliminates the Graduate PLUS loan program.	Legacy Provision: If a borrower has a Graduate PLUS loan made before July 1, 2026, while enrolled in a credentialed program, the borrower can continue to borrow from the program for 3 academic years or the remainder of their expected time to credential, whichever is less.	July 1, 2026
Parent PLUS Annual & Aggregate Loan Limits	All parents (combined) may borrow $20,000 per year per dependent student and a $65,000 aggregate limit per dependent student (without regard to amounts forgiven, repaid, canceled, or discharged)	Legacy Provision: If a borrower has a Parent PLUS loan made before July 1, 2026, while the dependent student is enrolled in a credentialed program, the parent can continue to borrow under current loan limits for 3 academic years or the remainder of their dependent student's expected time to credential, whichever is less.	July 1, 2026
Graduate/Professional Annual & Aggregate Loan Limits	Caps the annual loan limits at $20,500 for graduate students and $50,000 for professional students. The aggregate limit is capped at $100,000 for graduate students and $200,000 for professional students, and does not include amounts borrowed as an undergraduate. (Borrowers who are both graduate and professional students at some point in their educational careers may only borrow up to $200,000 in total for graduate and professional school.)	Legacy Provision: If a borrower has a Direct Unsubsidized Loan made before July 1, 2026, while enrolled in a credentialed program, the borrower can continue to borrow under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less. A professional student is a student enrolled in a program of study that awards a professional degree, as defined under section 34 CFR 668.2. Examples of a professional degree include but are not limited to Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), and Theology (M.Div., or M.H.L.).	July 1, 2026
Federal Loan Program Lifetime Loan Limits	$257,500 lifetime borrowing limit on all federal student loans, excluding borrowed Parent PLUS loan amounts (in the case of a dependent student who had ParentPLUS borrowed on their behalf for education expenses).	Legacy Provision: If a borrower has a Federal Direct Loan made before July 1, 2026, while enrolled in a credentialed program, the borrower can continue to borrow under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less.	July 1, 2026
Institutionally Determined Limits	Allows institutions to impose their own lower program-level loan limits.	Lower loan limits must be applied to the entire program and not on a student-by-student basis.	July 1, 2026
Loan Proration	Requires institutions to prorate annual loan amounts in direct proportion to the percent of full-time status the student is enrolled.		No date mentioned in final bill.
Subsidized Loan Program	*No change.*	*An earlier version of the bill proposed eliminating the subsidized loan program. This provision was not included in the final legislation.*	*N/A*

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