

The One Big Beautiful Bill and How it will Affect Financial Aid

On July 4, 2025, the U.S. Congress passed the One Big Beautiful Bill which included changes to federal student loan eligibility. Here is a quick summary of the changes.

DEFINITIONS:

NEW Borrower: a student for whom a Parent PLUS Loan or Federal Direct Student Loan has not been previously disbursed or for whom a Parent PLUS loan or Federal Direct Student loan has been paid in full before July 1, 2026. This is likely a new student, but it could be a current student who has not had a previous Parent PLUS or Federal Direct Student loan.

CURRENT Borrower: a student for whom a Parent PLUS loan or Federal Direct Student loan has been disbursed, and not paid in full, before July 1, 2026.

Loan Eligibility and Limits

Type of Loan	Annual Limit	Aggregate (Lifetime) Limits
Undergraduate Federal Direct Student Loan	1st Year: \$5,500* 2 nd year: \$6,500* 3 rd year: \$7,500* 4 th year: \$7,500*	Undergraduate loans will count towards a total aggregate limit (including grad loans) of \$257,000
Federal Direct Parent PLUS Loan	NEW Borrower: \$20,000 per student CURRENT Borrower: Cost of Attendance minus all other financial aid	NEW Borrower: \$65,000 per student CURRENT Borrower: None

*limits reflect maximum eligibility for a combined total of subsidized and unsubsidized loans for a dependent student

Examples:

Example 1:

Sally is a new borrower- no Parent PLUS loans or Federal Direct Student loans have ever been disbursed for her educational expenses prior to July 1, 2026. Sally's parents are separated and each decide they will borrow a Parent PLUS loan for her. If Parent 1 borrows \$13,000 per year in a Parent PLUS loan for her, Parent 2 can only borrow \$7,000 per year for Sally's education through a **Parent PLUS Loan for a total of \$20,000 per year per student.**



Year	\$ Borrowed that Year	Aggregate Parent PLUS loan Eligibility Remaining
Year 1	\$20,000	Start of Year: \$65,000 End of Year: \$45,000
Year 2	\$20,000	Start of Year: \$45,000 End of Year: \$25,000
Year 3	\$20,000	Start of Year: \$25,000 End of Year: \$5,000
Year 4	\$20,000	Start of Year: \$5,000 End of Year: \$0

Example 2:

Jose's parents have borrowed \$20,000 per year (the maximum annual limit) in a Parent PLUS loan for him for the last 3 years. In total, they have borrowed \$60,000. Due to the **aggregate limit per student of \$65,000**, there is only \$5,000 of Parent PLUS loan eligibility left for his 4th year. If both parents choose to borrow a Parent PLUS loan on his behalf, the total has to be \$5,000 or less. Both parents can borrow \$2,500 or one could borrow \$2,000 and the other \$3,000 as long as the total does not exceed the total aggregate (lifetime) limit of \$65,000 per student.

Example 3:

The Newman Family has 3 children: Emily, Hudson, and Lauren. Emily is the oldest child and started college in 2024. She has taken out a Federal Direct Student loan for the 2024-2025 and 2025-2026 academic years. Hudson is the second oldest and started college in 2025. Hudson's parents borrowed a Parent PLUS loan for him during the 2025-2026 academic year. Lauren is the youngest. She will start college in August of 2026. Lauren's parents will be borrowing a Parent PLUS loan for Lauren for the 2026-2027 academic year, but school begins in August and the loan will not be disbursed before July 1, 2026. **None of the loans borrowed by the Newman family have been paid in full.** Take a look at the chart below to see the loan limits for each of the students listed in the example above:

	Emily	Hudson	Lauren
Loans Disbursed before July 1, 2026	Federal Direct Student Loan	Parent PLUS Loan	None
Parent PLUS Loan Limits (per student)	Annual: COA** (minus other financial aid) Aggregate: None	Annual: COA** (minus other financial aid) Aggregate: None	Annual: \$20,000 Aggregate: \$65,000

**Cost of Attendance