FEDERAL REGULATIONS CHANGES FOR STUDENT LOAN LIMITS – January 30, 2026 (fed register posted regulations for comments due March 2)

New Department of Education regulations, effective July 1, 2026, will significantly restrict federal borrowing by eliminating the Graduate PLUS loan program and capping Parent PLUS loans, aiming to reduce tuition and over-borrowing. These changes will limit annual graduate borrowing to $20,500 and professional borrowing to $50,000, impacting roughly 25–40% of borrowers and reducing federal loan volume by $8–10 billion annually.

Key Impacts of New Student Loan Regulations (Effective July 1, 2026)

- **Loan Caps and Borrowing Limits:** The Grad PLUS loan program, which allowed borrowing up to the full cost of attendance, is eliminated.
    - **Graduate Students:** Capped at $20,500 annually, with a $100,000 lifetime limit.
    - **Professional Degrees:** Capped at $50,000 annually, with a $200,000 lifetime limit.
    - **Parent PLUS:** Capped at $20,000 per year, with a $65,000 lifetime limit per dependent student.
    - **Overall Limit:** A new aggregate lifetime loan limit of $257,500 is established for all, excluding Parent PLUS.
- **Targeted Impact on Education Costs:** These measures are designed to force colleges to lower tuition and reduce reliance on high-cost, low-ROI, or high-debt programs.
- **Repayment Plan Changes:** Many current income-driven repayment (IDR) plans, including SAVE and PAYE, will be terminated for new loans. Borrowers will choose between a standard 10-25 year repayment plan or a new Repayment Assistance Plan (RAP) based on income.
- **Default and Rehabilitation:** Borrowers in default get extended time for rehabilitation and a second chance to rehabilitate loans, aimed at helping borrowers manage repayments under the new, stricter rules.
- **Impact on Borrowers and Institutions:** Approximately 20% of master's students who borrow above these new limits may face challenges, with potential for increased reliance on higher-interest private loans. The changes may also

reduce access to higher education for some, particularly in professional fields like healthcare.

Students enrolled in a program before June 30, 2026, will generally not be subject to the new borrowing caps for three years

Table 1: Federal Student Loan Limits Under Previous Law and OBBB

Category of Borrower	Loan Limits Under Previous Law	Loan Limits Under OBBB
Undergraduate Students	$5,500 to $12,500 annually; $31,000 to $57,500 in aggregate	$5,500 to $12,500 annually; $31,000 to $57,500 in aggregate
Nonprofessional Graduate Students	Cost of attendance (as defined by the institution)	$20,500 annually; $100,000 in aggregate
Professional Graduate Students	Cost of attendance (as defined by the institution)	$50,000 annually; $200,000 in aggregate
Parents of Undergraduates	Cost of attendance (as defined by the institution)	$20,000 annually; $65,000 in aggregate (per child)

Source: US Department of Education, Federal Student Aid, https://studentaid.gov/help-center/answers/article/how-much-money-can-i-borrow-federal-student-loans; and One Big Beautiful Bill Act, H.R. 1, 119th Cong. (2025).

AOTA argues against reducing federal student loan caps for occupational therapy (OT) students, arguing that lower limits ($20,500 annual/$100,000 total) compared to "professional" programs ($50,000/$200,000) will restrict access to education, worsen nationwide workforce shortages, and force students into high-interest private loans. They contend this will disproportionately impact diverse students and threaten program viability in underserved regions.

Key Points of AOTA's Argument:

- **Workforce Shortages:** Limiting loans will decrease the number of students entering the field, worsening the existing, high demand for OT services.
- **Inequity in Classification:** AOTA argues that OT, as a doctoral-level, clinically intensive profession, should be classified under the higher "professional program" caps, rather than the proposed lower graduate student limits.
- **Financial Strain & Access:** The reduction forces students to rely on costlier private loans, creating barriers for entry and increasing financial burden.

- **Advocacy & Legislative Solution:** AOTA is actively pushing for the *Loan Equity for Advanced Professionals (LEAP) Act*, which would ensure all graduate healthcare students have the same higher borrowing capacity.

Counter-Arguments & Controversy:

- **Tuition Focus:** Some practitioners disagree with AOTA, arguing the focus should be on holding universities accountable for high tuition costs rather than fighting for higher loan amounts.
- **High Debt Levels:** Critics note that current debt-to-income ratios are already unsustainable and that higher caps allow schools to keep tuition high.

AOTA maintains that while tuition reduction is important, the immediate effect of lower caps is to shut prospective students out of the profession, prompting them to fight for the higher, "professional" classification.