

Threat 1: Student Loan Limit Changes

Through OBBBA, Congress placed new restrictions on federal student loans by reducing access for part-time undergraduates and [limiting borrowing for graduate students](#) by eliminating Grad PLUS loans while giving financial aid administrators more authority to limit loans by program. While some Republican lawmakers argue that these changes will help lower college costs, [there is little evidence](#) to support that claim. Instead, the likely outcome is reducing access to higher education for students who cannot cover gaps out of pocket, along with increased financial risk and reliance on more expensive private loans for those who still choose to enroll.

Beginning July 2026, students pursuing graduate education will no longer have access to the Grad PLUS student lending program, previously used by students to cover the full cost of attendance in graduate programs. The law created two tiers of limits: \$20,500 per year and a \$100,000 lifetime limit for unsubsidized Stafford loans for graduate programs, and \$50,000 per year with a \$200,000 lifetime limit for professional programs. Further, through negotiated rule-making, the Department of Education has set forth [which programs will qualify under each tier](#). Parents who borrow to help their dependent child pay for college through the Parent PLUS loan program are now limited to borrowing up to \$20,000 per year per student, with a new aggregate limit of \$65,000 per student. All borrowers now have a new aggregate lifetime loan limit of \$257,500, but Parent PLUS loans are excluded.

Current borrowers will be allowed to continue accessing federal loans under the existing limits if they borrowed for their current program before July 1, 2026. These students and parents may continue borrowing under the prior rules for up to three additional academic years or for the remaining time needed to complete their current degree program, whichever is shorter. Students who enroll after July 1, 2026, or who change programs, will instead be subject to the new loan limits. Undergraduate students enrolled part time will also be subject to prorated loan limits. Furthermore, institutions will be permitted to set lower borrowing limits for students and parents at the program level for the first time.

While federal student loan access is being restricted, the Trump administration also took steps to weaken the Consumer Financial Protection Bureau (CFPB), the federal watchdog agency responsible for overseeing private student loan companies and protecting borrowers from predatory practices. This shift is significant because, as students are pushed further away from federal loans and toward the private sector, they face fewer safeguards and less oversight. Without strong enforcement from agencies like the CFPB, students may become more vulnerable to higher interest rates, confusing loan terms, and aggressive repayment practices, increasing both their financial risk and long-term debt burden.

RISK: Limited Financial Aid Options for Students Pursuing Graduate Education

The restriction on federal loan access for graduate education will [force some students to take out loans from private banks](#), which have more onerous terms, to cover their full cost of attendance, while other students may

decline to pursue graduate education altogether. The Department of Education's [draft regulation](#) would revise how "[professional](#)" programs are defined for the purpose of determining eligibility for higher federal loan limits. The proposal would narrowly define a professional degree and exclude programs that prepare students for fields that may be in high demand at the state or local level, including certain medical and health professions. Based on [estimates](#), students in high-cost graduate programs, like medicine and dentistry, will likely need to seek large loans from the private market to compensate the loss of federal loans as well.

How State Advocates Can Drive Change

Advocates should push state legislators to:

Assess workforce needs and create targeted affordable pathways: States can identify workforce needs in areas likely to be [impacted by the new loan limits](#) and advance legislation that would create a need-based aid program for students to help fill gaps in unmet need.

Example: [Maryland](#) supports residents who demonstrate financial need and are enrolled as degree-seeking students in certain colleges and universities pursuing degrees in graduate and professional programs in dentistry, law, medicine, nursing, pharmacy, social work, and veterinary medicine.

Expand state grant aid for graduate students in high-demand fields: State legislatures could create and/or expand state student grant aid programs for graduate students, focusing on professional programs with workforce shortages or those dealing with changes from new federal funding rules.

Example: Iowa appropriated state funding for nine additional residency positions and up to two fellowships administered by the University of Iowa hospitals in 2023. Candidates for the fellowship must be residents of Iowa, attend and earn an undergraduate degree from an Iowa college or university, and earn a medical degree from a medical school in Iowa.

Strengthen state regulation of private student loan providers: States could hold private student loan providers accountable for transparent marketing, reporting, and borrower protections.

Example: Illinois passed the Know Before You Owe Private Education Loan Act in 2021, requiring institutions to provide students with information on financial aid options before sharing their data, mandating quarterly borrower statements, and requiring annual reports from lenders to the state Department of Financial and Professional Regulation.

Implement forgivable loan programs for high-priority careers: Establish programs that pay a portion of a student's debt if they are working in the state in one of their high-demand or priority areas.

Example: Alabama established the [Alabama Math and Science Teacher Education Program \(AMSTEP\)](#), which is a federal loan repayment program for qualifying math and science public high school teachers.

Establish state graduate supplemental loan programs: Create state-backed loan programs to provide graduate students with more favorable borrowing terms than those of private loans.

Example: Connecticut proposed the establishment of the [Connecticut Supplemental Graduate Student Loan Program](#), intended to help support graduate students who will be affected by the Trump administration's changes to student loan programs, specifically those seeking nursing, social work, and physical therapy graduate degrees.