

# New Loan Limits Threaten Graduate Education Access and Affordability

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## Introduction

The [One Big Beautiful Bill Act \(OBBBA\)](#), passed by Republicans in Congress and signed into law by President Donald Trump in July 2025, drastically cuts access to federal loans for graduate students. It also introduces broader changes to federal financial aid that make college less affordable and increase the cost of borrowing. As a result, many graduate students will be forced to rely on private loans when available federal aid falls short, likely limiting access to advanced degrees and professional education and increasing financial risk for borrowers.

## OBBBA Eliminates the Graduate PLUS Loan Program

OBBBA makes drastic cuts to graduate student aid by eliminating the Graduate (Grad) PLUS loan program, which previously allowed students to borrow up to the cost of attendance. The law [imposes strict annual and lifetime borrowing caps](#) for graduate and professional students: \$20,500 annually and \$100,000 total for graduate students, and \$50,000 annually and \$200,000 total for professional degree students. While prior policy made no distinction between graduate and professional borrowing limits, OBBBA formalizes this distinction. Historically, [“professional degrees”](#) were limited to 10 fields: pharmacy (Pharm. D.), dentistry (D.D.S. or D.M.S.), 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.). In 2025, clinical psychology (Psy.D. or Ph.D.) was added through the [negotiated rulemaking process](#).

## The Elimination of Grad PLUS Will Create an Affordability Gap for Many Students

While Republican lawmakers claim that these lower borrowing limits will reduce costs, OBBBA does not include provisions that would make graduate education more affordable for students. Grad PLUS loans are [not replaced by grants or other aid](#) that could help students pay for their education. Also, there are no new investments in higher education that would help universities reduce the cost of graduate programs. OBBBA does not require universities to lower graduate education costs or require programs to provide additional aid to students.

The elimination of Grad PLUS will create an affordability gap for many graduate and professional students. In 2020, the median cost for a master's degree was [\\$24,250, which is 18% more than the \\$20,500](#) annual borrowing limit for graduate students. For research-based doctoral degrees, the median cost was [\\$36,448, or 77% more than the \\$20,500](#) annual borrowing limit.\* The median annual cost for professional degrees in 2020 was [\\$59,076, or 18% more than the \\$50,000 annual limit](#).\* In 2026, the median costs are expected to be even higher.

Over one-fourth of borrowers would exceed the new loan limits. The Postsecondary Education & Economic Research Center (PEER) estimates that [26% of all graduate borrowers](#) — and 38% of those in professional programs — borrowed more in 2020 than the new limits allow. That includes about \$8 billion in graduate loan volume above the caps — which is nearly four times the size of today's private graduate loan market.

These changes will disproportionately widen affordability gaps for students from low-income backgrounds and students of color, who are more likely to rely on Grad PLUS. [Sixty-eight percent of Grad PLUS borrowers](#) who complete their degrees have incomes below \$30,000, compared to 46% of all graduate degree completers. And Black, Latino, and Native American, Alaska Native, Native Hawaiian, and Pacific Islander students represent [12%, 11%, and 7% of graduate students](#) respectively, but 16%, 12%, and 8% of Grad PLUS borrowers.

## Private Borrowing Before Grad PLUS Loans

Prior to the creation of Grad PLUS in 2006, [graduate students could borrow up to \\$18,500](#), equivalent to [\\$32,034 in today's dollars](#), in federal student loans annually. While this amount covered the cost of attendance for some students, for many — especially those pursuing professional degrees — the annual limit was insufficient to cover their cost of attendance. The gap between the cost of attendance and available loan aid left low- and middle-income students with limited options: pay out of pocket, forgo graduate school, or resort to private loans, which are typically more expensive and riskier than federal student loans.

Professional degree graduates were particularly reliant on private student loans. In the 2003-04 academic year, [7% of master's degree earners](#), 5% of doctoral degree earners, and 30% of professional degree recipients took out private student loans. Among professional degree recipients attending public universities, 17% had private loans, while 42% of those at private institutions did so. Professional degree graduates [borrowed a median amount of \\$7,000](#) in private student loans, or \$12,351 in today's dollars. Additionally, of the 90% of graduate students who reported having a credit card, 45% carried a median [month-to-month balance of \\$3,900](#), or \$7,087 in today's dollars.

## Private Student Loans Lack the Consumer Protections of Federal Student Loans

For most students, private student loans are a less favorable option than federal student loans. Issued by banks, credit unions, and nonprofit organizations, as well as by some states and educational institutions, private loans typically offer fewer protections and less flexibility. Unlike [federal student loans](#), they often lack income-driven repayment options, relief for financial hardship, and forgiveness provisions for public service, permanent disability, or death. Private loans also [cannot be consolidated](#) into a federal Direct Loan, meaning that borrowers with private loans are excluded from federal consumer safeguards.

Private loans are also harder to access. Lenders generally require borrowers to have a strong credit history — often necessitating a [score of 670 or higher](#). Borrowers who don't qualify for a loan based on their credit record may need a creditworthy cosigner and could face higher interest rates. Private lenders also consider a borrower's income and employment status. In contrast, Grad PLUS loans require only [an adverse credit history check](#), which focuses on recent serious debt delinquencies of \$2,085 or more that are 90 days late or have been sent to collections, as well as major negative events such as bankruptcies, tax liens, wage garnishments, or foreclosure. Borrowers who fail the adverse credit history check can still qualify for a Grad PLUS loan with [an endorser](#) who does not have an adverse credit history and agrees to repay the loan if the borrower cannot. In practice, private lenders are far less likely to lend to borrowers far less likely to lend to borrowers who fail an adverse credit history check.

This situation is likely to restrict access to graduate education for students from low-income backgrounds, those without an established credit history, and some students of color. Most private lenders require a minimum income of around [\\$30,000](#) and a strong credit profile. An analysis by The Century Foundation found that [38.2% of Americans overall](#) have poor to fair credit. However, [that share rises](#) to 62.2% in majority [Black](#) communities, 61.1% in [Native American](#) communities, and 48.1% in [Latino](#) communities. These disparities are a result of longstanding structural racism, which contributes to [racial inequities](#) in income and [wealth](#), as well as in the [lending](#) and the labor markets, making it significantly harder for many borrowers from these communities to qualify for private loans.

Limited access to private student loans is especially concerning because these students often stand to benefit the most from earning a graduate degree. For many, obtaining an advanced degree leads to higher wages and greater financial security, including improved credit scores. Tying access to graduate education to the ability to secure a private loan risks shutting out students who could gain the most, undermining the role of higher education as a pathway to economic mobility.

Even for those who can access private loans, the terms are often riskier. Private lenders typically set rates based on the [Secured Overnight Financing Rate](#) and a borrower's credit score, credit history, and income, meaning that those deemed higher risk will face higher interest rates. Many private loans also have variable interest rates that can increase at any time, causing monthly payments to balloon unpredictably. Borrowers lured by lower introductory interest rates could be stuck with higher rates in repayment. In contrast, Grad PLUS loans offer a fixed interest rate for all borrowers based on [the 10-year Treasury Note May auction rate](#), plus a fixed percentage point margin based on the type of loan, ensuring consistent terms for all borrowers in a given academic year.

Private loan lenders do not [guarantee access to income-based repayment](#) or flexible options to postpone payments. In contrast, federal student loan borrowers have long had access to income-driven repayment plans that adjust monthly payments based on a borrower's income and family size, capping payments at [either 10%, 15%, or 20% of discretionary income](#). Unfortunately, OBBBA eliminates these plans for loans issued after July 1, 2026, replacing them with a more costly Repayment Assistance Plan. Federal borrowers — including those with Grad PLUS loans — can temporarily pause their monthly payments during periods of hardship through [deferment or forbearance](#). Private loans generally lack these protections, often require repayment terms of five to 20 years, and may even include prepayment penalties.

What's more, private loans don't offer guaranteed access to loan forgiveness programs or group discharges. Borrowers with private loans can't take advantage of programs such as [Public Service Loan Forgiveness](#), [Total and Permanent Disability Discharge](#), or [Borrower Defense Loan Discharge](#). Additionally, if a borrower dies, private lenders are [not legally obligated to discharge the debt](#) for the cosigner, and the lender may try to recover funds from the deceased borrower's estate.

## The Elimination of Grad PLUS Loans Will Limit Access to Graduate Education

Graduate student borrowers rely heavily on federal student loans. As of 2021, graduate students received [47% of federal student loan disbursements](#) but comprised only 21% of borrowers. Grad PLUS loans accounted for [32% of federal student loans disbursed](#) to graduate students.

Additionally, many graduate students will not qualify for private student loans. An analysis by Protect Borrowers of underwriting standards from 34 private lenders found that [nearly 40% of all Americans](#) would be locked out of private loans. The Federal Reserve Bank of Philadelphia estimates that [nearly 40% of graduate borrowers](#) would need to exceed the new annual limits and would be unable to secure private loans without a cosigner under the current underwriting standards. By comparison, [only about 20% of graduate students](#) fail the adverse credit history check.

Graduate or professional education is a prerequisite for many essential professions, including medicine, social work, nursing, teaching, law, and dentistry. Reducing loan access without implementing policies to replace lost resources or lower graduate program costs threatens to lock low-income students and students of color out of these careers. Additionally, in higher-cost programs, where Grad PLUS use is greatest, the new loan limits may lead some programs to scale back or close altogether.

## Conclusion

Eliminating a longstanding source of financial aid for graduate students without providing a more affordable alternative will restrict access to graduate education, especially for low- and middle-income students and students of color. Given the current underwriting standards and limited consumer protections offered by private lenders, many graduate students will struggle to obtain private loans, and those who can will be saddled with higher costs and riskier loans. To reduce reliance on borrowing and make graduate education more accessible, federal and state governments should invest more in public higher education to lower costs.

*\*Note: Login required to access National Postsecondary Student Aid Study: 2020 Graduate Students*