

Education Loan Changes July 1, 2026

The Trump Administration, through the Office of the Secretary of the US Department of Education, has implemented major policy changes affecting federal student loan financing and repayment. These changes affect several loan programs, including the Grad PLUS and Parent PLUS Loans. Changes that begin in July of 2026 and run through 2028.

WHAT'S CHANGING

JUNE 30th

Elimination of the Grad PLUS Program – access and funds will no longer be available to graduate and professional students. Students and families will need to rely on the Graduate Direct Unsubsidized Loan Program at the new loan mills, effective July 1, 2026, or on a private education loan product. Existing 'legacy' student borrowers will have access to the program for three calendar years.

JULY 1st

Loan Limits – for new borrowers, students, and parents, as of this date, annual and aggregate loan limits will decrease. Existing 'legacy' student/parent borrowers will have access to current program limits for three calendar years.

Graduate Unsubsidized Loans		Aggregate Limit
Graduate Students*	\$20,500 per year	\$100K not including undergraduate loans
Professional Students	\$50,000 per year	\$200K not including undergraduate loans
		\$257K lifetime per student
Parent Plus Loan	\$20,000 per year, per student	\$65,000 per student

- A new definition of a "professional student" has been established by the Administration, excluding many previously eligible students, including advanced degrees in nursing, OT, PT, educators, social workers, and accountants; now subject to lower limits.

Federal Direct Student Loan (Subsidized, Unsubsidized): loan limits for eligible undergraduate degrees and & career school credentials remain unchanged.

Repayment Programs – as of July 1, 2026, a new Repayment Assistance Plan (RAP) will be introduced for all new borrowers. The program replaces the existing IDR programs. Existing 'legacy' will have access to the current IDR Programs until fully sunset in 2028. Parent PLUS Loan borrowers must consolidate their loans into the Direct PLUS Loan Program before June 30th to access the IBR Programs.

July 1, 2027

Repayment Benefits- new federal loan borrowers will lose access to unemployment and economic hardship determinations, and loan payment forbearance will be capped at nine (9) months per 24-month period.

Future 2027 & 2028

Repayment Programs - new enrollment in the PAYE & ICR Programs will end, with all new and existing borrowers transitioning to the new Repayment Assistance Program (RAP).

2026 & Beyond - Employer – Employees Changes

Secure 2.0 Tax Provisions - current and new provisions are available under extended employee benefits to assist with the repayment of federal and private loans for employees, spouses, and dependent children

- **Direct-to-Lender:** allows employers to make direct payments upwards of \$5,250 under the continued tax code provisions of Secure 2.0.
- **Matching Contributions:** Employers can use an employee's student loan payments to calculate a 401(k)-matching contribution.
- **Signing/Retention Bonuses:** Some employers offer lump-sum payments as part of recruitment.
- **Traditional Tuition Reimbursement** – employers are allowed to offer tuition reimbursement up to \$5 250 under the Education Assistance Programs

This information is provided by Get College Going for general information and educational purposes and does not constitute legal, financial, or tax advice. Title IV regulations (34 CFR Part 600-690) govern federal student financial aid programs—including Pell Grants, Direct Loans, and work-study—authorized under the Higher Education Act of 1965, as amended.

The New Student Loan Landscape: How the One Big Beautiful Bill Act Impacts Your Employees



July 16, 2025

Candidly

Key takeaways:

- The passage of H.R. 1 will transform how millions of Americans pay for college and repay student debt. New policies go into effect as soon as July 2026, and include borrowing limits for certain federal student loans, fewer affordable repayment plan options, and the elimination of key borrower safety nets.
- Effective immediately, H.R.1 secures permanent Section 127 tax exemption for employer's contributions to workers' student loan repayment.
- New changes in the student loan landscape will send financial stress skyrocketing — at home, and in the workplace. A smart financial wellness benefit offering that delivers the support employees urgently need is essential for organizational success.

The federal student loan system is entering its most significant transformation in decades. The One Big Beautiful Bill Act (H.R. 1), signed into law on July 4, 2025, has introduced provisions that will fundamentally change how millions of Americans pay for college and repay student debt — and in doing so, spur unprecedented challenges and uncertainty for student loan borrowers and their families. As these policies are implemented, borrowers' need for support will only increase. And considering the [direct link](#) between employees' personal financial stress and workplace outcomes, employers have a critical role to play in helping borrowers navigate the changes instigated by H.R. 1.

Here's what HR leaders need to know about how the One Big Beautiful Bill Act will impact employees, and how they can support their workforce through this turning point and beyond.

Key student loan policy changes introduced by the One Big Beautiful Bill Act **Borrowing limits for key federal student loan programs**

Effective July 1, 2026, borrowing caps will be placed on certain types of federal student loans:

- **Parent PLUS Loans:** \$20,000 annual limit, \$65,000 lifetime maximum per student
- **Graduate-level Stafford Loans:** \$20,500 annual limit, \$100,000 lifetime maximum
- **Professional-level Stafford Loans:** \$50,000 annual limit, \$200,000 lifetime maximum

Repayment plan overhaul

This bill introduces a new income-driven repayment (IDR) plan, dubbed the Repayment Assistance Plan (RAP), and initiates the phased elimination of existing IDR plans, including SAVE, ICR, and PAYE.

RAP entails several key differences compared to the other IDR plans it replaces. Under RAP:

- Monthly payments are calculated as between 1% and 10% of a borrower's adjusted gross income, and no income is excluded from the calculation. Other IDR plans calculate monthly payments as between 5% to 10% of a borrower's discretionary income, and exempt income equal to as much as 225% of the federal poverty guideline from their payment calculations.
- The lowest possible monthly payment obligation is \$10, whereas other IDR plans offer a \$0 monthly payment obligation for borrowers with no or low income.
- Remaining debt is forgiven after 30 years of payments, whereas other IDR plans forgive remaining debt after 10–25 years of payments.
- Parent PLUS loans disbursed on or after July 1, 2026 will not be eligible for RAP. Currently, borrowers can consolidate their Parent PLUS loans in order to access IDR options.

RAP is intended to replace existing IDR Plans, including SAVE, ICR, and PAYE, which will be phased out between July 2026 and July 2028. The impact of these changes depends on the borrower's current repayment plan and their loans' disbursement date:

- **Borrowers on standard repayment and Income-Based Repayment (IBR)** can keep their current plans and payment structure; they are effectively grandfathered into these plans.
- **Borrowers on SAVE, ICR, and PAYE** must transition to either RAP, Income-Based Repayment (IBR) plan, or the standard repayment plan between July 2026 and July 2028. Borrowers who opt to switch to IBR will be transitioned to RAP after July 2028.

- **Borrowers whose loans are disbursed on or after July 1, 2026** will only be eligible for RAP or the standard repayment plan; none of the current IDR plans will be available.

Less support for borrowers facing hardship

Effective July 1, 2027, the legislation eliminates unemployment deferment and economic hardship deferment, which currently allow borrowers to pause payments during financial difficulties.

Also effective July 1, 2027, the bill limits discretionary forbearance, which can pause a borrower's payment obligation in the event of extenuating circumstances, to a maximum of 9 months within a 24-month period. Currently, borrowers can be approved for up to 12 months of discretionary forbearance at a time, with a 36 month total maximum.

More limits on access to PSLF

Monthly payments under RAP will still be able to qualify for credit towards Public Service Loan Forgiveness for eligible borrowers. However, Parent PLUS loans disbursed on or after July 1, 2026 will not be eligible for PSLF.

Permanent Section 127 tax exemption for employer student loan contributions

Effective immediately, the One Big Beautiful Bill Act grants permanent IRS Section 127 tax-exempt status for employers' contributions towards employees' student loan repayment. This tax exemption, which was initially granted through the CARES Act of 2020 and set to expire after December 31, 2025, enables employers to contribute up to \$5,250 annually toward employee student loans on a tax-free basis (with inflation adjustments set to begin in 2027) — and paves the way for organizations to plan for and invest in student loan contribution programs with confidence.

The impact of H.R. 1 on employees

The changes brought forth by H.R. 1 will dramatically impact borrower outcomes at every stage of the federal student loan lifecycle.

New borrowing caps have the potential to push students toward private lending options, which often entail less favorable terms and fewer protections, and could block many from pursuing their educational goals in the first place.

As millions of borrowers in repayment transition to RAP, many are likely to face higher monthly student loan bills compared to other IDR options. [For example](#), a single borrower with no dependents who earns \$40,000 would be required to pay an estimated \$40 per month under SAVE; under RAP, their estimated monthly payment is \$133.

The shift to less flexible repayment options and a reduced safety net also comes on the heels of another crisis point for borrowers facing economic hardship. [Record numbers](#) of borrowers have fallen behind on their monthly payments, with millions already in or soon to enter default — at which point they may face involuntary collections via employer-facilitated wage garnishment, a practice the Department of Education recently resumed after a more than five-year hiatus.

Now more than ever, smart financial wellness benefits can make a difference.

It's [well-documented](#) that financial stress in employees' personal lives directly impacts workplace outcomes like productivity, engagement, and retention. With the One Big Beautiful Bill Act positioned to fundamentally transform how Americans pay for college and repay student debt, workers will soon face new uncertainty as they navigate the changes brought about by this legislation. This challenge will undoubtedly lead to increased financial stress for millions — the effects of which are sure to be felt in the workplace.

Our recommended strategy for HR leaders

With Candidly, employers can offer meaningful benefits that help employees navigate this moment — and beyond — while driving forward their business objectives.

As employers seek to support their workforce amid this transformation in the student loan landscape, our recommended strategies include:

- **Respond quickly.** Employees are in urgent need of support. Our [Core platform and Coaching service](#) can be implemented within days to weeks — not months — to quickly deliver the self-serve resources and trusted guidance employees need now.
- **Implement a phased program design.** After offering resources that provide immediate relief, evaluate strategies for up-leveling your program with offerings that help employees move beyond student debt and into long-term financial security, like our [Student Loan Retirement Match solution](#), or help cover the cost of going back to school with our [Tuition Reimbursement](#) solution.
- **Invest in tax-exempt repayment contributions.** H.R. 1 has secured permanent Section 127 tax exemption for up to \$5,250 in annual contributions towards employees' student loan repayment. Our [Student Loan Employer Contribution](#) solution makes facilitating this offering easy by supporting flexible program designs and a streamlined administrative experience.

Want to learn more? Reach out to our team at sales@getcandidly.com.

This article was prepared by Candidly for general informational and educational purposes only and does not constitute legal, financial, or tax advice. While the information provided herein relates to legislation informally referred to as the "One Big Beautiful Bill," it is not intended to substitute for legal interpretation or individualized guidance. Readers should consult their own legal, compliance, or professional advisors before taking any action based on the content of this article. The views expressed are those of the company at the time of publication and are subject to change.

WHAT LOAN LIMITS ARE CHANGING?

- Grad PLUS
 - Eliminated for new borrowers
- Graduate Unsubsidized Loans
 - \$20,500 per year for grad student
 - \$50,000 per year for professional students
- Parent PLUS
 - \$20,000 annual limit
- Aggregate Limits
 - \$100,000 for grad students (not including undergrad loans)
 - \$200,000 professional students (not including undergrad loans)
 - \$257,500 lifetime limit per student (not including Parent PLUS)
 - \$65,000 Parent PLUS limit per student (not per parent)

List of Recognized "Professional Degrees" (Starting July 2026)

- Medicine (M.D.)
- Osteopathic Medicine (D.O.)
- Dentistry (D.D.S. or D.M.D.)
- Veterinary Medicine (D.V.M.)
- Pharmacy (Pharm.D.)
- Law (J.D. or L.L.B.)
- Chiropractic (D.C. or D.C.M.)
- Optometry (O.D.)
- Podiatry (D.P.M., D.P., or Pod.D.)
- Theology (M.Div. or M.H.L.)
- Clinical Psychology (Psy.D. or Ph.D.)

Key Exclusions

The revised definition notably excludes several graduate-level, licensed fields that previously held professional status:

- Nursing (including Nurse Practitioner/Advanced Practice)
- Physician Assistants (PA)
- Physical Therapists (PT)
- Occupational Therapists (OT)
- Social Workers
- Educators/Education
- Accountants
- Architects
- Speech-Language Pathology/Audiology

NEG REG DE-FUN-ITION

- "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.
 - (2) A professional degree may be awarded in the following fields:
 - (i) 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.), Theology (M.Div., or M.H.L.), and Clinical Psychology (Psy.D. or Ph.D.).
 - (3) A professional student under this definition:
 - (i) May not receive title IV aid as an undergraduate student for the same period of enrollment; and
 - (ii) Must be enrolled in a program leading to a professional degree under paragraph (2) of this definition."

SIMPLIFYING LOAN REPAYMENT

- Plans Being Sunset / Phased Out for New Borrowers:
 - REPAYE / SAVE (folded into RAP structure), PAYE, ICR, Graduated Repayment, Extended Repayment
 - Current borrowers enrolled in ICR, PAYE, or SAVE plans must transition to a different repayment plan (current IBR, current standard plans, or RAP) by July 1, 2028. If no selection is made by that date, they will be moved into Repayment Assistance Plan (RAP) automatically.
- Creation of a new standard Repayment plan with 4 fixed terms of 10, 15, 20, or 25 years based on the amount borrowed (or outstanding balance if in repayment).
- RAP (Repayment Assistance Program)
 - If married, total payment calculated based on combined income and then prorated by individual outstanding loan balance..
 - \$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.

Lock in Legacy Status (as of July 1, 2026)

If you have not taken out a federal loan before July 1, 2026, you will be considered a "new borrower" and subject to the new limits, which include the elimination of the Graduate PLUS loan program, reduced loan limits for Parent PLUS, and reclassified 'professional' graduate students.

- Definition: A person who has had a federal loan disbursed prior to July 1, 2026, and is enrolled in the same degree for the 2026-2027 academic year.
- Benefits: You may continue to borrow under current, more flexible loan limits (e.g., Grad PLUS) for up to three academic years or until you complete your program, whichever comes first.
- Conditions: You must remain in the same credentialed program. If you switch programs or start a new degree after July 1, 2026, you will be subject to the new, stricter borrowing limits.
- Parent PLUS: If you are a parent with a Parent PLUS loan disbursed before July 1, 2026, you may continue to borrow under current rules for up to three years.

WHO QUALIFIES AS GRAD PLUS LEGACY BORROWERS?

- Students with Direct Loans prior to 7/1/2026...
 - Loan must be "made" prior to 7/1/26 – disbursed by the school? On COD? Credited to student account?
 - What if the loan is borrowed and paid off?
 - Does any balance count? Even \$1?
 - Does any loan count (Unsub vs. Grad PLUS)? (YES)
- ...in their current program,,,
 - Dual degree programs, e.g. JD/MBA?
 - 3/2 or 4/1 programs, e.g. BA/MA?
 - Start at one school / finish at another (NOPE)
- ...can borrow to finish their program or for three years, whatever comes first.
 - LOA
 - No Withdrawal or Ceasing to be Enrolled
 - Summers off
 - Calendar time, not academic year.

PARENT PLUS LEGACY BORROWERS

- Parents whose students have borrowed a sub or unsub loan will qualify
- Parents who themselves have borrowed a Parent PLUS Loan?
- Change of major at the undergrad level is NOT considered a change in program
- Other rules apply (3-year limit, LOA options, etc.)