

Student Financial Aid Policy Changes – Frequently Asked Questions

The Department of Education (ED) continues to update its interpretation of student financial aid regulations ahead of the July 1, 2026, implementation date. The answers below reflect AACOM's best understanding and will be updated as ED releases more information. For the latest updates from ED, please see ED's [recent announcements](#) and their [Loan Limits FAQ](#).

Medical Student Borrower FAQs

1. What is the new federal loan borrowing cap for medical students?

Starting July 1, 2026, new federal loan caps will apply:

- **Professional Students:**
 - Annual cap: \$50,000
 - Lifetime cap: \$200,000
- **Graduate Students:**
 - Annual cap: \$20,500
 - Lifetime cap: \$100,000
- **Lifetime federal loan cap: \$257,500**

2. What is the difference between undergraduate, graduate and professional students?

- **Undergraduate students** are working toward an associate bachelor's degree (like a BA or BS). This is usually the first level of college after high school.
- **Professional students** have already earned a bachelor's degree and are now enrolled in programs generally at the doctoral level that lead to a licensed profession, such as medicine, law, pharmacy, or dentistry. DO programs are considered "professional degree" programs.
- **Graduate students** include students enrolled in post-baccalaureate programs that are not considered "professional degree" programs, such as master's or most PhD programs.

3. Does the lifetime cap of \$257,500 include undergraduate debt?

Yes. The **\$257,500 lifetime federal loan cap** includes **all federal student loan borrowing**, which encompasses both undergraduate (\$57,500 maximum) and graduate/professional debt (\$200,000 maximum). This limit is regardless of amounts already repaid.

4. When do these caps go into effect?

The new loan caps go into effect on **July 1, 2026**.

5. I have already borrowed federal loans for my medical degree. How do these caps impact me?

If you borrowed **before July 1, 2026** for a program in which you remain enrolled, you are **grandfathered into existing loan limits** and can continue borrowing under them for **3 additional years** or until your **expected degree completion date**, whichever comes first. After this extension, all federal borrowing will count against the caps, including any loans taken out during the grandfather period and loans borrowed before July 1, 2026.

6. What is happening to the Grad PLUS loan program?

The Grad PLUS Loan Program will be eliminated for new borrowers on July 1, 2026.

7. I've already taken out a Grad PLUS loan for my medical degree. How does Grad PLUS elimination affect me?

If you received a Grad PLUS loan **before July 1, 2026** for a program in which you remain enrolled, you will:

- Retain eligibility under existing terms.
- Be allowed to continue borrowing Grad PLUS loans for **up to 3 additional years** or until your **expected degree completion date**, whichever comes first.

See the table below for the example of an OMS I who enrolled in Fall of 2025:

4-year DO program		
Year	Date Occurred	Grandfathering Eligibility Left After Completion
First	Fall 2025 – Spring 2026	Establishes grandfathering eligibility (lesser of 3 academic years or amount remaining of program, after July 1, 2026)
Second	Fall 2026 – Spring 2027	2 years
Third	Fall 2027 – Spring 2028	1 year
Fourth	Fall 2028 – Spring 2029	0 years

8. I have taken out a Grad PLUS loan but am completing that program and planning to enroll into a DO program after July 1, 2026. Would I be grandfathered into the Grad PLUS loan program?

No, you would not be grandfathered into Grad PLUS for your DO program. To be grandfathered for the DO program, you would need to be enrolled in the DO program as of June 30, 2026 and have taken a Grad PLUS loan for that program before July 1, 2026. If you

complete the other program prior to July 1, 2026 you would not be grandfathered for that program either.

9. **Do students who are not actively enrolled on June 30, 2026 "start over" with the new loan limits? Will any outstanding balances count towards their new loan limits?**

All Title IV loans previously borrowed (except Parent PLUS Loans made on behalf of a dependent borrower) will count toward the aggregate and Lifetime Maximum Aggregate Loan Limit for borrowers not enrolled in a program of study as of June 30, 2026 (and therefore not eligible for the interim exception).

10. **If I am subject to the new loan limits, but I have already accumulated over \$257,500 in loans, what happens?**

This student has no remaining Federal loan eligibility and should discuss alternative funding options with their school's financial aid office.

11. **If I receive Grad PLUS for the additional three academic years under the interim exception, are these loans included in my \$257,500 lifetime loan limit?**

Borrowers who are eligible for the interim exception for the new loan limits (legacy borrowers) are not subject to the lifetime loan limit for the duration of the interim exception. However, when the borrower's interim exception period ends, they become subject to the Lifetime Maximum Aggregate Loan Limit. Therefore, any Grad PLUS Loans received during the interim exception period will count toward the Lifetime Maximum Aggregate Loan Limit after the interim exception period ends.

12. **Does the additional amount of Unsubsidized Loans received under the higher loan limits for certain health professions students count toward the lifetime limit?**

Additional amounts of Direct Unsubsidized loans that certain health professionals receive are still Direct Loans and are included toward the \$257,500 Lifetime Maximum Aggregate Loan Limit.

13. **My 2026-27 academic year begins July 1, 2026 but my loan disbursement date is in June 2026. Is this a timeframe that a Grad PLUS loan could be awarded? What if your 2026-27 academic year begins in June and the loan is originated and disbursed in June?**

A student is enrolled as of the date they have completed all registration requirements (except for payment of tuition and fees) at the institution he or she is attending. Thus, a program's courses do not necessarily have to have started prior to July 1, 2026 for the grandfathering provision to apply. Borrowers who are enrolled in a program as of June 30, 2026 and have received a Grad PLUS loan before July 1, 2026 for that program may continue borrowing for up to 3 additional years or until their expected degree completion date,

whichever comes first; provided they remain continuously enrolled throughout the extended eligibility period.

14. I have Grad PLUS loans and am eligible for grandfathering, but I have to take a leave of absence (LOA) due to a medical or personal issue. How does this impact my Grad PLUS eligibility?

A student loses grandfathering eligibility if they withdraw or otherwise cease to be enrolled in the program in accordance with 34 CFR 668.22 at any point after receiving the grandfathering exception. Grandfathering eligibility will not be revoked for a student who remains continuously enrolled through a leave of absence (LOA) that satisfies several regulatory requirements.

Under existing regulations, a leave of absence is not considered a withdrawal so long as:

- The institution has a formal policy regarding leaves of absence;
- The student followed the institution's policy in requesting the leave of absence;
- The institution determines that there is a reasonable expectation that the student will return to the school;
- The institution approved the student's request in accordance with the institution's policy;
- The leave of absence does not involve additional charges by the institution;
- The number of days in the approved leave of absence, when added to the number of days in all other approved leaves of absence, does not exceed 180 days in any 12-month period;
- Except for a clock hour or nonterm credit hour program, upon the student's return from the leave of absence, the student is permitted to complete the coursework he or she began prior to the leave of absence; and
- If the student is a Title IV, HEA program loan recipient, the institution explains to the student, prior to granting the leave of absence, the effects that the student's failure to return from a leave of absence may have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period.

If the LOA meets the criteria above, it does not count toward the student's expected time to credential and the student would retain any remaining grandfathering eligibility on their return. However, the three-year deadline on grandfathering would still apply.

15. I have been accepted into an OMM Fellowship at my COM. Does this impact my grandfathering eligibility?

Retaining grandfathering eligibility will depend on how your OMM Fellowship is structured and incorporated into your degree program.

- If you must change your program to participate in the OMM Fellowship (e.g., going from a 4-year DO program to a 5-year program with the fellowship), then you would lose grandfathering eligibility.
- If you can remain enrolled in the same program, then continued eligibility depends on how the fellowship is incorporated into your coursework. If the fellowship requires you to cease coursework toward the DO program for longer than 180 days, withdrawal may be likely given the 180-day limit on LOAs.
- If a school allows fellows to continue enrollment with a reduced or part-time courseload during the fellowship year, you may retain grandfathering eligibility but those part-time semesters would count against any remaining eligibility.

In the case of either a program change or a withdrawal, the student immediately loses grandfathering eligibility.

16. I need to borrow more than the cap to finance my medical degree. What can I do?

If you anticipate needing to borrow more than the new **federal loan cap** to finance your medical degree, you have several options:

- If you are already enrolled or are enrolling before July 1, 2026, consider taking out at least one Grad PLUS loan before July 1, 2026 to establish your grandfathering eligibility and allow you to borrow under previous caps for up to 3 additional academic years.
- Explore service-based scholarship programs such as the National Health Service Corps, Scholarships for Disadvantaged Students, and the DoD Health Professions Scholarship Program.
- Consult with your financial aid office regarding available private student loan options.

17. I plan to participate in the Public Service Loan Forgiveness (PSLF) Program after I graduate. How is that program impacted?

Time in medical residency or internships continues to count toward PSLF eligibility. Although earlier versions of the bill sought to exclude this time, that provision **was not included in the final bill**—a major advocacy win.

Beginning July 1, 2026, the Grad PLUS Loan Program will be eliminated for new borrowers. As a result, **students may need to rely on private loans, which are not eligible for PSLF.**

ED published regulations that affect which employers qualify under PSLF. The regulations reflect a March 2025 [Executive Order](#) from President Trump and exclude organizations that engage in illegal activities to an extent that the organization has a “substantial illegal purpose.” Employees of newly disqualified employers could lose PSLF eligibility and would need to change jobs to remain eligible.

18. What repayment options will be available to me after graduation?

For new borrowers after July 1, 2026, only two repayment plans will be available:

- A standard repayment plan with fixed monthly payments over 10–25 years based on how much you borrowed.
- The new Repayment Assistance Plan (RAP) — an income-based plan with monthly payments tied to your income and family size.

If you are a current borrower (with no new loans after July 1, 2026), you can remain on current Standard, current Income Based (IBR), Graduated, and Extended repayment plans, or switch to RAP if desired.

19. What can I do now to impact current or future loan options for students?

- Continue **advocacy with Congress and the Department of Education** to minimize negative impacts and pursue improvements.
- Monitor for potential **technical fixes** during rulemaking.
- Stay engaged with organizations like **AACOM**, which will support ongoing legislative advocacy and implementation efforts.

Institutional FAQs

1. What is the institutional accountability framework?

Starting **July 1, 2026**, educational programs will be subject to a new accountability formula:

- Compares **median earnings of working graduate degree graduates** four years post-completion to the median earnings of **working bachelor's degree holders** ages 25–34 (the "earnings premium test").
- Programs that fail this test in **2 out of 3 years** will **lose federal student loan eligibility for at least 2 years**.

Additionally, an institution must demonstrate that at least half of its Title IV recipients are not enrolled in, and at least half of its Title IV volume is not from, programs failing the earnings premium test (the "enhanced administrative capability test").

- Institutions that fail this test in 2 out of 3 years will be placed on provisional status and its failing programs will lose access to all Title IV funds (not just loans).

2. How does it impact Title IV loan eligibility of programs at my school?

If a program fails the earnings premium test in **two out of three years**, the program will **lose access to federal student loans** for at least two years. Additionally, if an institution fails the enhanced administrative capability test in two out of three years, the institution is placed on

provisional status and its programs failing the earnings premium test will lose all Title IV eligibility.

The first calculation will occur in early 2027, using 2025 earnings data for students who graduated in 2021. The second calculation will occur in early 2028, using data for completers in the 2022 award year. Programs that fail the calculation in both 2027 and 2028 will lose access to federal student loans beginning July 1, 2028.

The aim is to incentivize schools to ensure positive student financial outcomes. Failure to obtain Title IV funding would force students into the private market to obtain medical student loans.

3. What is the new endowment tax provision included in the reconciliation package?

It replaces the flat 1.4% endowment tax with a graduated system that ranges from 1.4% to 8% for certain private colleges and universities based on an institution's student-adjusted endowment.

4. Which institutions are affected by the increased endowment tax?

The endowment tax applies to private nonprofit colleges and universities with:

- More than 3,000 tuition-paying students, and
- A student-adjusted endowment of at least \$500,000 per student

Institutions with fewer than 3,000 tuition-paying students are exempt.

5. When does the new endowment tax rate go into effect?

The new endowment tax rates apply to taxable years beginning after December 31, 2025.

6. Are other Department of Education regulations impacted by the bill?

Yes, the bill includes:

- **Delayed implementation** (but not repeal) of **closed school discharge** and **borrower defense to repayment** rules until 2035.
- No changes to the **90/10 rule** or **gainful employment** metrics, as they were not addressed in the final bill.

Additional Resources to Learn More

Key Resources

- [AACOM Student Financial Aid Resources Webpage](#)
- [ED FAQ Document](#)
- [ED Federal Student Aid OBBBA Updates](#)

Department of Education Negotiated Rulemaking

- ED Resources
 - [RISE Final Regulations](#)
 - [RISE Final Regulations Fact Sheet](#)
 - [RISE Final Regulations Press Release](#)
- AACOM Resources & Analysis
 - [AACOM Recording: RISE Student Financial Aid Webinar](#)
 - [AACOM Comments on RISE and AHEAD establishment](#)
 - RISE [Session One](#) and [Session Two](#) Summaries
 - [RISE Notice of Proposed Rulemaking Summary](#)
 - AHEAD [Session One](#) and [Session Two](#) Summaries
 - [RISE and AHEAD Negotiated Rulemaking Consensus Summaries](#)
 - [AACOM Submits RISE NPRM Comments on Student Loan Changes](#)

One Big Beautiful Bill

- [AACOM OBBBA Summary](#)
- [ACE OBBBA Summary](#)
- [NASFAA OBBBA Resources](#)
 - [Earnings Accountability Regulations Comparisons](#)
 - [Student Loan Repayment Plan Options As of July 1, 2026](#)
 - [Flowchart: 2026-27 & Beyond Graduate/Professional Student Loan Borrowing Limits](#)
 - [Federal Student Aid Changes from the One Big Beautiful Bill Act](#)