

The New Student Loan Landscape

What Borrowers Need to Know

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Overview

- How H.R.1 (OBBB) changes the student loan system for current and future borrowers
- Changes to borrowing limits
- Changes to repayment plans
- Transition guidance for current borrowers

Background: Why are Things Changing?

- H.R.1 (One Big Beautiful Bill Act)



Background: Why are Things Changing?

- Student loans
- 80+ pages deal with student loans
- Goals
 - Simplify repayment
 - Reduce confusion
 - Cap long-term growing balances

One Hundred Nineteenth Congress
of the
United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Friday,
the third day of January, two thousand and twenty-five*

An Act

To provide for reconciliation pursuant to title II of H. Con. Res. 14.

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

SECTION 1. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

Sec. 1. Table of contents.

TITLE I—COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Subtitle A—Nutrition

Sec. 10101. Re-evaluation of thrifty food plan.
Sec. 10102. Modifications to SNAP work requirements for able-bodied adults.
Sec. 10103. Availability of standard utility allowances based on receipt of energy assistance.
Sec. 10104. Restrictions on internet expenses.
Sec. 10105. Matching funds requirements.
Sec. 10106. Administrative cost sharing.
Sec. 10107. National education and obesity prevention grant program.
Sec. 10108. Alien SNAP eligibility.

Subtitle B—Forestry

Sec. 10201. Rescission of amounts for forestry.

Subtitle C—Commodities

Sec. 10301. Effective reference price; reference price.

Undergraduate Borrowing

- No changes

	Dependent Undergrad	Independent Undergrad
First year	\$5,500	\$9,500
Second year	\$6,500	\$10,500
Third year & beyond	\$7,500	\$12,500

Parent PLUS Borrowing

- Beginning July 1, 2026:

	Annual	Lifetime
Parent Plus	\$20,000 per child	\$65,000 per child

- Legacy Provision: At least one Parent PLUS loan before July 1, 2026 parent can continue to borrow under previous rules for 3 years or until graduation, whichever is less.
 - Cost of Attendance – other financial aid
 - Example: \$30,000 COA - \$5,000 loans = \$25,000 available to borrow
- After June 30, 2026 can only pay back with New Standard
 - One year to consolidate and get on Income-Driven Repayment

Graduate Borrowing

- Beginning July 1, 2026:

	Annual	Lifetime
Graduate Unsubsidized loans	\$20,500 per year	\$100,000 total Separate from undergrad cap

- Grad PLUS loans eliminated
 - 3-year legacy provision
- Master of Science, Master of Education, MBA, Ph.D., Ed.D., etc.

Professional School Borrowing

- Beginning July 1, 2026:

	Annual	Lifetime
Professional Unsubsidized loans	\$50,000 per year	\$200,000 total Separate from undergrad cap, not graduate

- Grad PLUS loans eliminated
 - 3-year legacy provision
- Law, Medicine, Pharmacy, Dentistry, Vet, Optometry, etc.

Lifetime Maximum

- Beginning July 1, 2026:

	Annual	Lifetime
Parent PLUS	\$20,000 per dependent	\$65,000 per dependent
Graduate Unsubsidized loans	\$20,500	\$100,000 total Separate from undergrad cap
Professional Unsubsidized loans	\$50,000 per year	\$200,000 total Separate from undergrad cap, not graduate
All students	None	\$257,500 Excludes Parent PLUS

Loan Limit Legacy Provision

- Federal loan before July 1, 2026
- Enrolled in a credentialed program
- Borrow under former limits for 3 academic years or the remainder of their time to credential, whichever is less



Legacy Repayment Plans Being Eliminated

- Standard (amended)
- Graduated
- Extended
- Alternative
- Income-Based Repayment (amended)
- Pay As You Earn (PAYE)
- Saving on a Valuable Education (SAVE)
- Income-Contingent Repayment (ICR)

Loans disbursed before July 1, 2026

- Use all repayment plans currently in place:
 - Standard, Graduated, IBR, PAYE, ICR until July 1, 2028
- PAYE & ICR sunset for all borrowers July 1, 2028
- SAVE sunset immediately
- After July 1, 2028: Standard, Graduated, Extended, Amended IBR, RAP (default)



Loans disbursed July 1, 2026

- Available Repayment Plans
 - New Standard (default)
 - Repayment Assistance Plan (RAP)

New Standard Plan

- Available only to new borrowers (any loans after July 1, 2026)
- Repayment term based on balance
 - Up to \$25K = 10 years
 - \$25K-\$50K = 15 years
 - \$50K-\$100K = 20 years
 - \$100K + = 25 years

Example:

\$35,000 balance at 4.7%

15-year term

\$271/month

\$48,840

Amended IBR

- Available ONLY to pre-July 1, 2026 borrowers
- Eliminates personal financial hardship (all borrowers qualify)
- Pre-2014 borrowers
 - 15% of Discretionary Income
 - AGI – 150% FPL
 - Forgiveness after 25 years
- Post-2014 borrowers
 - 10% of Discretionary Income
 - AGI – 150% FPL
 - Forgiveness after 20 years

Example:

\$35,000 balance at 4.7%
\$60,000 AGI; family size 4

\$98-\$199 25 years

\$64,529



Repayment Assistance Plan (RAP)

- Available to both old and new borrowers
- Available starting July 1, 2026 or sooner
- Payment based on AGI only – not discretionary income

Repayment Assistance Plan (RAP)

AGI Range	% of AGI	Monthly Payment
\$0-\$10,000		\$10 (fixed payment)
\$10,001 - \$20,000	1%	\$ 10 - \$16.67
\$20,001 - \$30,000	2%	\$33.34 - \$50
\$30,001 - \$40,000	3%	\$75 - \$100
\$40,001 - \$50,000	4%	\$133.34 - \$166.67
\$50,001 - \$60,000	5%	\$208.34 - \$250
\$60,001 - \$70,000	6%	\$300.01 – \$350
\$70,001 - \$80,000	7%	\$408.34 - \$466.67
\$80,001 - \$90,000	8%	\$533.34 - \$600
\$90,001 - \$100,000	9%	\$675.01 - \$750
Above \$100,000	10%	\$833.34+



Repayment Assistance Plan (RAP)

- Forgiveness after 30 years (taxable)
- Unpaid interest is waived
- At least \$50/month goes toward principal
 - If payment doesn't cover the \$50, government pays the rest up to \$50
 - Example: Payment \$10 – goes to interest, government \$50
- \$50 payment reduction per dependent
- MFS allowed
- Counts toward PSLF

Repayment Assistance Plan (RAP)

The Good

Interest waiver

\$50 principal reduction

\$50 payment reduction per dependent

MFS

PSLF eligible

The Bad

Minimum monthly \$10

30-year term

Big jump in payments

\$69,000 = 6% = \$345 month

\$70,000 = 7% = \$408

Extra \$756 per year

Repayment Assistance Plan (RAP)

Example:

\$35,000 balance at 4.7%

\$60,000 AGI; family size 4

\$150-\$520

13 years

\$48,953

Comparing Repayment Plans

New Standard:
\$35,000 balance at 4.7%

15-year term

\$271/month

\$48,840

Amended IBR:
\$35,000 balance at 4.7%
\$60,000 AGI; family size 4

\$98-\$199 25 years

\$64,529

RAP:
\$35,000 balance at 4.7%
\$60,000 AGI; family size 4

\$150-\$520
13 years

\$48,953

Other Changes

- Economic hardship & unemployment deferment: eliminated
 - Borrowers with loans on or before July 1, 2027 can continue to use these deferments
- Forbearance limited to 9 months in any rolling 24-month period
- Borrowers may rehabilitate a defaulted loan twice
- PSLF remain intact and available under RAP and IBR
- Payments made under other plans count towards 360 RAP payments
- Secretary of Education or President cannot create new plans

Other Changes

- August 1, 2025 – SAVE 0% subsidy ends
 - 7.8 million borrowers
 - Transfer to a new plan
 - Stay on SAVE in Forbearance while interest accrues
- Can transfer to any plan currently in place
 - Standard, Graduated, IBR, RAP
 - PAYE, ICR until July 1, 2028
- Student Loan Simulator on studentaid.gov

Changing terms

- Is it legal to change terms on current borrowers?
- Yes – Master Promissory Note:
 - “I understand that the terms and conditions of loans made under this Note may be amended by federal law, including the Higher Education Act of 1965, as amended.”

Transition Guidance for Current Borrowers

- Plan for the transition – cannot stop it
 - July 1, 2028 (SAVE, ICR, PAYE all sunset)
 - Evaluate RAP & Amended IBR
- Talk with tax professional about MFS, reducing AGI
- Update family size and income annually
- Borrow smart – reduced limits, higher payments

Will it Stick?

- All newer plans – created under ICR law, which was sunset
 - Harder to make changes by Executive order, also stops the Secretary of Education from creating new plans
- Democratic Senate, House, White House
 - Would most likely pass their own Reconciliation Bill
 - Repeal, replace, or modify

Dentist Scenario

- Andrew starts dental school in 2027 – all Legacy provisions gone
- Average dental school debt \$312,000
 - Federal debt: \$200,000 at 9%
 - Standard (25 years): \$1,678 per month = \$503,000
 - RAP: California \$188,000
 - \$170,000 (AGI) * 10% for 30 years = \$1,417 per month = \$510,000
 - Private loans: \$112,000 at 7%
 - 15 years \$1,007 per month = \$181,000 paid back
- Lowest payment total: Private loan + RAP = \$3,095 per month
- Pay back total of \$691,000

Questions?



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