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Student Loan Changes: What Families Need to Know

Major changes to the federal student loan program are now in effect, impacting how much students and parents can borrow and the options available for repaying loans. The updates are intended to help address rising college costs and the nation's growing student loan debt.

For Parents:
Parent PLUS loans are now capped at $20,000 per year per child, with a $65,000 lifetime limit. Parents now have one primary repayment option—the Tiered Standard Plan, which spreads payments over 10 to 25 years based on the loan balance. Parent PLUS borrowers are no longer eligible for Public Service Loan Forgiveness (PSLF).

For Graduate Students:
Graduate students may still borrow up to $20,500 per year, but the lifetime borrowing limit has been reduced to $100,000 for most graduate degrees. Students pursuing professional degrees, such as medicine or law, can borrow up to $50,000 annually, with a $200,000 lifetime limit. In addition, all federal student loans—undergraduate and graduate combined—are now subject to a $257,500 lifetime borrowing cap. The federal government is also seeking to redefine which programs qualify as professional degrees, though that change is currently being challenged in court.

For Undergraduate Students:
Federal borrowing limits for undergraduate students remain unchanged. However, new loans now come with just two repayment options instead of seven:

The Tiered Standard Plan, with repayment terms ranging from 10 to 25 years depending on the balance.

The Repayment Assistance Plan (RAP), which bases payments on income and offers loan forgiveness after 30 years of qualifying payments. Borrowers pursuing careers in public service may still qualify for Public Service Loan Forgiveness after 10 years, but only if they are enrolled in RAP.

Already Have Federal Student Loans?
Borrowers with federal loans issued before these changes have until June 30, 2028, to switch to one of the new repayment plans. Most existing repayment plans remain available during the transition period. Borrowers currently enrolled in the former Saving on a Valuable Education (SAVE) plan—which was struck down by a federal court—have 90 days to move into one of the new repayment options.

If you or your family are planning for college, these changes could significantly affect borrowing and repayment strategies. Be sure to review your options carefully and consult your financial aid office or loan servicer to determine what is best for your situation.

Planning ahead can help reduce the need to rely on student loans in the future. Saving through a 529 college savings plan or other education-focused savings strategies allows investments to grow over time and can make paying for higher education more manageable when the time comes. If you'd like to discuss college savings options, we're here to help.

Investors should also consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Any state-based benefit should be one of many appropriately weighted factors in making an investment decision. The investor should consult their financial or tax advisor before investment in any state's 529 Plan.

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