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NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Lunch & Learn:
The One Big Beautiful Bill Student Aid Provisions

July 2025

Pell Grant Updates

Pell Shortfall Fix: $10B

Workforce Pell: short-term programs

- Not stackable with regular Pell
- Baccalaureate degree eligibility
- For in-demand, employer-aligned programs

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FAFSA & Eligibility Changes

- Farm & small biz asset exemptions restored
  - Adds fisheries
- Foreign income included
- High SAI = No Pell
- FSA FAFSA Team implementation plan

- Full COA scholarships = No Pell

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Loan Program Overhaul

- Graduate PLUS: Eliminated
- New caps for Grad/Prof & Parent loans
- Lifetime federal loan limit: $257.5K
- Institutions may set lower program limits
- Loan proration

- Legacy provisions allow continuation for current borrowers

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Loan Repayment Plan Changes

- Only RAP and new standard repayment for loans after 7/1/26
- RAP: 1–10% of AGI, no cap, dependent discount
- Standard: 10, 15, 20, 25 years depending on balance
- All loans must be on same plan if any of the loans were taken out after July 1, 2026
- Old plans sunset after 2028

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Accountability Framework

- New 'low earnings outcomes' test
  - Failing programs two out of three years would lose Direct Loan eligibility
  - Warnings required to students
- Effective July 1, 2026
- Negotiated Rulemaking

Undergraduate programs: Compares the median earnings of completers 4 years after program completion with the earnings of "working adults" [25-34 year olds] with only a high school degree or GED who are not enrolled in higher education.

Graduate programs: Compares the median earnings of completers 4 years after program completion with the earnings of "working adults" [25-34 year olds] with only a bachelor's degree who are not enrolled in higher education.

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New vs. Existing Accountability Structures

	New Accountability Framework	Gainful Employment/Financial Value Transparency
Authority	Enacted through statute (e.g. The One Big Beautiful Bill Act)	Implemented via regulation under existing HEA authority
Origin	Congress (signed into law by President)	The Department of Education through negotiated rulemaking
Programs Covered	Title IV eligible degree programs (undergraduate, graduate, professional) and graduate certificate programs	GE: non-degree programs at nonprofits/publics and all programs at for-profits FVT: all Title IV eligible programs (in some cases, previously-eligible programs)
Metrics Used	UG: median earnings of completers 4 years after program completion with the earnings of "working adults" with only a high school degree or GED who are not enrolled in higher education. GR: median earnings of completers 4 years after program completion with the earnings of "working adults" with only a bachelor's degree who are not enrolled in higher education.	GE: Earnings premium measure (vs. high school grads) and debt-to-earnings rate FVT: same metrics but for transparency only
Program Eligibility Consequences	Loss of Direct Loan eligibility if metrics failed twice in 3 years	GE: Loss of Title IV eligibility if metrics failed twice in 3 years FVT: No impact on eligibility (disclosure only)
Implementation Frequency	Based on statutory timeline; permanent unless amended	Can be reassessed as often as an administration chooses as it aligns with the regulatory cycle

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What’s next?

- Guidance from ED
- Negotiated Rulemaking
- Effective Dates
- Concerns?

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Federal Student Aid Changes from the One Big Beautiful Bill Act

**Items in italics indicate proposed changes in earlier versions of the bill that were ultimately not included in the final version that was signed into law.*

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Pell Grant Program			
Topic	**Change**	**Notes**	**Effective Dates**
Pell Shortfall	Provides approximately $10 billion in mandatory funding to address the impending Pell Grant shortfall.	In Spring 2025, the Congressional Budget Office released projections for the Pell Grant program, indicating a possible funding shortfall in FY25 of about $2.7 billion that would apply to the 2025-26 school year. By the end of FY26, the budget shortfall would be nearly $10 billion.	Part of Fiscal Year 2026 Budget
Workforce Pell	Creates a Workforce Pell Grant program. Eligible programs must be 150-600 clock hours and run at least 8 weeks but fewer than 15 weeks. Programs must lead to a "portable, stackable" credential across more than one employer or prepare students for entry-level employment for which there is only one recognized postsecondary credential. The program must be approved by the state governor as aligned with in-demand jobs and meeting employers' needs, as well as have been offered by the institution for at least one year, and meet performance benchmarks, including, having a ≥70% completion rate, ≥70% job placement rate (within 180 days), and the program cost cannot exceed the value-added earnings of students who completed the program 3 years prior. The credit must also be allowed to transfer into future degree programs.	Remedial, non-credit, correspondence, English language learning, and study abroad coursework are not eligible. Also excludes unaccredited institutions from participating. Students cannot receive both regular Pell and Workforce Pell simultaneously, and time spent using a Workforce Pell Grant counts toward the student's overall Pell eligibility limit.	July 1, 2026
Pell Grant Enrollment	*No change.*	*Earlier versions of the bill proposed changing the definition of full-time enrollment for Pell eligibility, as well as eliminating Pell eligibility for less-than-half-time enrollment. These provisions were not included in the final legislation.*	*N/A*

Federal Direct Loan Program			
Topic	**Change**	**Notes**	**Effective Dates**
Graduate PLUS Loan Program	Eliminates the Graduate PLUS loan program.	Legacy Provision: If a borrower has a Graduate PLUS loan made before July 1, 2026, while enrolled in a credentialed program, the borrower can continue to borrow from the program for 3 academic years or the remainder of their expected time to credential, whichever is less.	July 1, 2026
Parent PLUS Annual & Aggregate Loan Limits	All parents (combined) may borrow $20,000 per year per dependent student and a $65,000 aggregate limit per dependent student (without regard to amounts forgiven, repaid, canceled, or discharged)	Legacy Provision: If a borrower has a Parent PLUS loan made before July 1, 2026, while the dependent student is enrolled in a credentialed program, the parent can continue to borrow under current loan limits for 3 academic years or the remainder of their dependent student's expected time to credential, whichever is less.	July 1, 2026
Graduate/Professional Annual & Aggregate Loan Limits	Caps the annual loan limits at $20,500 for graduate students and $50,000 for professional students. The aggregate limit is capped at $100,000 for graduate students and $200,000 for professional students, and does not include amounts borrowed as an undergraduate. (Borrowers who are both graduate and professional students at some point in their educational careers may only borrow up to $200,000 in total for graduate and professional school.)	Legacy Provision: If a borrower has a Direct Unsubsidized Loan made before July 1, 2026, while enrolled in a credentialed program, the borrower can continue to borrow under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less. A professional student is a student enrolled in a program of study that awards a professional degree, as defined under section 34 CFR 668.2. Examples of a professional degree include but are not limited to 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.), and Theology (M.Div., or M.H.L.).	July 1, 2026
Federal Loan Program Lifetime Loan Limits	$257,500 lifetime borrowing limit on all federal student loans, excluding borrowed Parent PLUS loan amounts (in the case of a dependent student who had ParentPLUS borrowed on their behalf for education expenses).	Legacy Provision: If a borrower has a Federal Direct Loan made before July 1, 2026, while enrolled in a credentialed program, the borrower can continue to borrow under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less.	July 1, 2026
Institutionally Determined Limits	Allows institutions to impose their own lower program-level loan limits.	Lower loan limits must be applied to the entire program and not on a student-by-student basis.	July 1, 2026
Loan Proration	Requires institutions to prorate annual loan amounts in direct proportion to the percent of full-time status the student is enrolled.		No date mentioned in final bill.
Subsidized Loan Program	*No change.*	*An earlier version of the bill proposed eliminating the subsidized loan program. This provision was not included in the final legislation.*	*N/A*

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