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Higher Education Alert

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Institutional readiness considerations: Grad PLUS elimination and Parent PLUS Caps

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This alert is the second in a series examining the operational, financial, and compliance implications of the One Big Beautiful Bill Act for colleges and universities. Future alerts will address proration of loans and institutional accountability provisions.



What's the impact?

- Reduced federal borrowing capacity may increase pressure on institutional aid budgets, payment plans, and private loan utilization.
- Graduate and professional programs that relied on Grad PLUS financing may experience enrollment, yield, and affordability challenges.
- Financial aid offices should anticipate increased counseling demands.

Among the most consequential changes for institutions of higher education under the One Big Beautiful Bill Act (OBBA Act) are the elimination of new Graduate PLUS borrowing for entering graduate students and the imposition of new limits on Parent PLUS loans. The US Department of Education's (the Department) [final regulations](#) implementing these provisions, issued May 1,

2026, confirm a staged implementation beginning July 1, 2026, with limited transition treatment for certain existing borrowers and enrollment situations.

Taken together, these changes materially restructure federal financing for both graduate education and parent-based undergraduate financing, with direct implications for institutional packaging, enrollment management, tuition revenue forecasting, and receivables risk.

Statutory changes effective July 1, 2026

- / **Parent PLUS loans** will be capped at \$20,000 annually and \$65,000 in aggregate per dependent student, replacing the prior cost-of-attendance-based borrowing framework.
- / **Graduate PLUS loans** will no longer be available to newly entering borrowers, eliminating a long-standing mechanism for financing graduate students' needs beyond Direct Unsubsidized Loan limits.
- / **Unsubsidized loans** for graduate and professional program students will be capped at \$50,000 a year and \$200,000 in aggregate for professional program students and \$20,500 a year and \$100,000 in aggregate for all other graduate students.
- / The **Lifetime cap** for all students will be \$257,500.

Parent PLUS loan caps

Historically, Parent PLUS loans allowed families to borrow up to a student's cost of attendance, less other financial aid, often functioning as the primary federal mechanism for bridging unmet need. The statutory caps introduced under the OBBB Act materially change this financing structure, particularly for institutions with high tuition levels and for middle-income families who may not qualify for need-based grant aid, but lack sufficient liquidity to cover remaining costs.

For currently enrolled student and parent borrowers, a limited exception to this cap (the Limited Exception) allows Parent PLUS borrowers to borrow under previous the previous limits so long as: (a) the student is enrolled as of June 30, 2026; (b) the student or their parent(s) previously borrowed a federal loan; and (c) the student maintains continuous enrollment in an undergraduate degree program through graduation, or up to three years, whichever occurs first.

Financial aid offices should anticipate substantially increased counseling demands from families attempting to bridge these financing gaps. This is likely to include more frequent inquiries regarding private education loans, institutional payment plans, professional judgment appeals, additional institutional aid resources, and potential changes to enrollment decisions based on affordability.

Elimination of new Grad PLUS loans

The elimination of new Graduate PLUS borrowing is expected to have particularly significant implications for graduate and professional programs whose students have historically relied on federal credit to finance both tuition and living expenses.

In the absence of Grad PLUS, graduate students will face tighter federal borrowing constraints and increased reliance on private education loans to finance cost-of-attendance components, including housing and other non-tuition expenses.

“Professional program” classification

A key implementation issue under the OBBB Act remains the definition of “professional degree program.” The Department declined to expand or revise the list of programs treated as professional for purposes of enhanced borrowing limits and instead reaffirmed its existing classification approach in the final rule. As a result, under the final rule, only 11 fields—pharmacy, dentistry, veterinary medicine, chiropractic, law, medicine, optometry, osteopathic medicine, podiatry, theology, and clinical psychology—qualify as professional programs. Students in those fields will thus have access to annual loan limits of \$50,000 and an aggregate cap of \$200,000. Students in all other graduate programs will be limited to \$20,500 per year and \$100,000 in total.

Lifetime aggregate loan limit and graduate borrowing

In its final rule, the Department clarified that the lifetime aggregate loan limit of \$257,500 explicitly excludes Federal Direct PLUS and Federal PLUS loans made to a student with a parent as borrower. This change makes clear that Graduate PLUS loans are *included* within the lifetime aggregate cap, clarifying a shift from earlier proposed rule language and prior informal guidance that had suggested Graduate PLUS would be excluded.

The Department also updated its treatment of legacy subsidized graduate loans, clarifying that any subsidized borrowing received prior to the 2012 elimination of graduate subsidized loans must be included in the graduate aggregate limit calculation.

Combined programs and transfer scenarios

The Department provided additional interpretive guidance on combined degree programs in the final rule. Notably, undergraduate-to-graduate combined programs (e.g., 3+2 structures) are treated as a single program of study (though “single program of study” remains undefined), potentially permitting continued eligibility for the duration of the program within statutory limits. Meanwhile, for dual graduate or professional programs, eligibility depends on whether the program is structured as a single integrated curriculum or as sequential enrollment in distinct programs. In the latter case, eligibility for the exception ends upon program change.

The Department also clarified that parent borrowers lose Limited Exception eligibility when a dependent student transfers from an associate's program to a bachelor's program at a different institution, even where articulation agreements exist or the associate degree has not been conferred.

Litigation to watch

Litigation over the final rule has already begun. On May 19, 2026, [25 states and Washington D.C. sued the Department of Education](#) in the District of Maryland challenging the final rule and alleging that the Department exceeded its statutory authority by adopting an unduly narrow definition of "professional degree program." The complaint asks the court to (1) declare the rules unlawful under the Administrative Procedure Act; (2) vacate the rule and set it aside; and (3) enjoin the Department from implementing or enforcing the new borrowing caps. Colleges and universities should track this litigation closely to the extent that any injunctive relief is sought and entered, particularly as to the scope and impacted state jurisdictions.

Institutional implications

As a result of the Parent PLUS and Graduate PLUS changes, institutions should anticipate increased demand for private loans and expanded reliance on institutional payment plans and alternative financing arrangements. Institutions are also likely to see greater pressure on their resources, including increased appeals and more frequent requests for advisory meetings in response to affordability gaps, putting additional pressure on student aid offices.

At the graduate level in particular, the elimination of new Grad PLUS borrowing may require institutions to reassess program pricing strategy, discounting practices, and cohort stability, especially in programs where total cost of attendance, including cost of living, has historically exceeded federal Direct Loan limits.

Critically, these impacts will not be confined to financial aid administration. Institutions should expect meaningful coordination across enrollment management, student accounts, finance, graduate admissions, academic affairs, and senior leadership, particularly where enrollment targets and net tuition revenue are closely linked.

Continued coverage of institutional readiness considerations ahead of the implementation dates of the OBBB Act is forthcoming. Our first alert covered [institutional readiness considerations for student aid changes](#).

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