

Now & Next

Higher Education Alert

May 21, 2026

Institutional readiness considerations for student aid changes

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This alert is the first in a series that will examine how student aid is affected by the operational, financial, and compliance implications of the One Big Beautiful Bill Act for colleges and universities.



What's the impact?

- The OBBB Act takes effect July 1, 2026, forcing colleges to implement major Title IV lending changes.
- Institutions should coordinate now with SIS/aid/bursar vendors to handle new caps, eligibility, proration, and disbursement sequencing with minimal manual work.
- Update counseling, award notices, and web/admissions messaging; train front-line teams and plan for more individual counseling and affordability gaps.

The One Big Beautiful Bill Act (OBBB Act) introduces significant changes to federal student aid administration beginning July 1, 2026. While the US Department of Education (ED) continues to

issue implementation guidance, institutions should assume that core structural changes to federal lending and repayment systems will be effective for the 2026–27 award year.

Unlike prior Title IV reform efforts that included extended transition periods, OBBB Act implementation is occurring on an accelerated timeline. As a result, institutions may be required to operationalize substantial regulatory changes while simultaneously finalizing packaging, disbursement, and enrollment management processes for the upcoming academic year.

The practical effect is a compressed implementation environment in which systems changes, counseling updates, and policy revisions will need to occur in parallel rather than sequentially.

Key statutory changes effective July 1, 2026

The OBBB Act introduces several structural changes to federal student loan programs, including:

- / Elimination of Graduate PLUS loans for new borrowers;
- / Establishment of new annual and aggregate loan limits for graduate and professional students;
- / Imposition of a lifetime aggregate borrowing cap of \$257,500 across Title IV loans;
- / Establishment of new guidelines for loan proration for students who are less than full time;
- / Establishment of new annual and lifetime caps on Parent PLUS borrowing; and
- / An accountability framework for institutions that intends to hold institutions accountable for student income levels and to demonstrate the return on investment associated with receiving their degree.

Implementation considerations

Although the rulemaking process is not yet complete across all aspects of the OBBB Act, key operational considerations include readiness planning across financial aid, enrollment management, and student accounts functions.

SYSTEMS AND VENDOR COORDINATION

Institutions should confirm implementation timelines and configuration readiness with student information system vendors, financial aid platforms, third-party servicers, bursar systems, and payment plan providers. Particular attention should be paid to whether systems can accommodate revised borrowing caps, eligibility determinations, and disbursement sequencing without manual intervention.

COMMUNICATIONS AND DISCLOSURE UPDATES

Institutions should be reviewing and updating materials, including loan counseling processes and procedures, award notifications, counseling tools, program disclosures, admissions materials, and financial aid webpages. Messaging should be aligned across units to ensure consistency regarding revised borrowing limits, eligibility changes, and available financing alternatives.

Because expectations may shift materially under the new caps, institutions should expect increased demand for individualized counseling, particularly in cases involving enrollment changes or financing gaps.

TRAINING AND FRONT-LINE OPERATIONAL PREPAREDNESS

Financial aid staff, student accounts personnel, and admissions teams should be trained on the operational implications of OBBB Act changes. At a minimum, training should address revised federal borrowing limits, transition rules for existing borrowers, changes in graduate borrowing availability, and increased reliance on private financing alternatives. Institutions should also ensure that escalation protocols are in place for complex borrower scenarios involving packaging exceptions, enrollment changes, and affordability-related retention risks.

ADDRESSING PROGRAM AFFORDABILITY

Given the likelihood that new loan limits and restrictions will materially impact students' ability to enroll and remain enrolled, institutions must continue the difficult work they have been engaged in for the past several years to make programs more affordable for students, including looking to partnership opportunities and donor funding to supplement institutional aid.

Looking ahead

Because implementation is occurring on an accelerated timeline, institutions should expect continued operational pressure through the 2026–27 award year, particularly as ED issues additional subregulatory guidance and clarifications.

Upcoming alerts will address in greater detail (i) graduate and parent borrowing impacts, (ii) loan proration for part-time enrollment, and (iii) the new institutional accountability framework under the OBBB Act.

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