

New Rules, New Opportunities for Student Loans: An Expert Guide to Preparing for What's Next

Major changes are coming to federal student loan rules, so it's a good time for borrowers to understand how these shifts will impact their financial planning.



Big changes are coming to the federal student loan program, and if you're a current borrower, a parent planning for college or someone considering graduate school, it's important to know what's ahead.

The One Big Beautiful Bill (OBBB), which became law in July, represents one of the most significant shifts in student lending in recent memory.

The sweeping budget reconciliation law reshapes how families borrow and repay for higher education. The new rules take effect on July 1, 2026, though some programs will phase out gradually.

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honest and valuable.

While the updates are significant, there's no reason to panic. With the right information and a clear plan, borrowers can make smart choices that minimize costs and protect their financial well-being.

How federal student loan rules are about to change

The OBBB brings the most substantial changes to federal student lending in more than a decade. There are material changes across undergraduate borrowing, graduate borrowing and repayment options.

For undergraduates, federal Direct Subsidized and Unsubsidized Loans, formerly known as Stafford Loans, remain unchanged.

However, Parent PLUS Loans now come with new limits for the first time: a cap of \$20,000 per year and \$65,000 in total per student.

Historically, Parent PLUS loans have represented roughly one-third of total federal undergraduate borrowing annually, so these new limits represent a significant shift.

While the caps are relatively generous, the average Parent PLUS loan size was about \$21,000 in 2024, meaning families who borrow for all four years of a bachelor's degree, particularly those with multiple children or higher-cost programs, could hit the ceiling and might need to explore additional funding options.

Graduate students face the most notable changes, as the Grad PLUS Loan program will be phased out starting July 1, 2026.

Students who have already taken out a Grad PLUS loan for a specific course of study before that date will be exempt and can continue borrowing under current rules to complete their degree or for up to three years (whichever comes first).

This will impact a decent number of borrowers, as Grad PLUS loans have historically also accounted for roughly one-third of total federal graduate borrowing annually.

To help offset the gap, borrowing limits for federal Direct Subsidized and Direct Unsubsidized Loans will increase by roughly 14% to 23%, depending on the type of graduate loan.

However, even with these increases, many graduate borrowers might need to turn to the private lending market to cover the gap between their cost of attendance and available savings, aid or federal loans.

Finally, repayment options will be simplified starting July 1, 2028. Instead of navigating a complex menu of plans, borrowers will choose between just two:

A standard repayment plan, with repayment periods of 10, 15, 20 or 25 years based on total debt

The new Repayment Assistance Plan, an income-driven repayment option in which monthly payments are tied to household income, starting as low as 1% and capped at 10%.

The phasing out of some of the current repayment plans will likely mean higher payments for some borrowers.

Already borrowing with PLUS Loans? Here's what you need to know

If you've taken out a Parent PLUS or Grad PLUS loan, or plan to do so before July 1, 2026, you're in a good position.

You'll be exempt from the new rules and can continue borrowing under the current program structure for up to three academic years or until your degree is complete, whichever comes first.

Even so, this is an ideal time to reassess your borrowing approach. PLUS loans are priced annually, and rates reset each May, so comparing PLUS costs with private loan options could uncover opportunities to save.

Many private lenders allow you to check potential rates using a soft credit pull, which won't impact your credit score.

Before considering PLUS or private loans, make sure you've maxed out federal Direct Subsidized and Unsubsidized Loans, which generally offer the most competitive rates and the most borrower-friendly repayment protections.

All borrowers should explore free funding options such as scholarships, grants and institutional aid — tools such as the Citizens Scholarship Search can help you identify opportunities that reduce the need for additional borrowing.

Planning for college? How to borrow smarter under the new rules

For families just beginning the college planning process, these changes make it more important than ever to understand the net price — what you'll actually pay after scholarships and grants — before committing to a school.

Sticker prices can be misleading, and with new borrowing caps on Parent PLUS loans and the elimination of Grad PLUS loans, it's critical to identify programs that are a good fit both academically and financially.

Tools such as Citizens' College Match can help you compare schools by cost, potential aid and overall affordability (the "net price"), giving you a clearer picture of what's realistic before you apply.

If you anticipate needing to borrow beyond Federal Direct Loans, start rate-shopping early. A soft-pull rate quote from private lenders can show you whether you qualify and at what rate, without impacting your credit.

If your credit profile needs work, this gives you time to improve it or line up a qualified co-signer who could help you secure better terms.

Repaying your loans? How to navigate the new plans

If you're already repaying student loans, there's no immediate action required. You can remain on your current repayment plan until at least July 1, 2028, when you'll need to choose between the Standard Repayment Plan and the Repayment Assistance Plan (RAP).

When deciding, look beyond the monthly payment. Compare how each plan affects your total interest cost, time to repayment and overall financial flexibility.

For some borrowers, refinancing federal loans into a private loan might also make sense, especially if you can secure a lower rate or shorter repayment term.

Many lenders offer flexible refinancing options with terms ranging from five to 20 years, allowing you to customize a repayment plan that fits your budget.

However, refinancing federal loans means giving up access to such protections as income-driven repayment and potential future loan forgiveness programs, so weigh your options carefully before making a decision.

Plan ahead, borrow smarter

While the changes might feel overwhelming, they also create an opportunity for families to take a more strategic, informed approach to borrowing.

The most important steps you can take right now are to understand your options, compare rates and repayment plans and use available tools to chart the best possible path forward.

With proactive planning, you can navigate these changes with confidence and make choices that support both your educational goals and long-term financial health.

NYSUT NOTE: Getting a student loan is stressful, and the wrong one can follow you around your whole life. Make sure you make the right call with student loan counseling from NYSUT Member Benefits Corporation—endorsed [Cambridge Credit Counseling](#). Start the process with a free, no obligation conversation about debt and student loan consultations with one of Cambridge's certified counselors. A few minutes of your time can set you up for success.

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Chris Ebeling is EVP, Head of Student Lending at Citizens. He started his career as a management consultant at Bain & Company and then Fidelity Investments. In 2017, Chris joined Citizens as the Head of Corporate Strategy and Development working on enterprise strategy and leading deal teams for acquisitions. In 2021, he transitioned to leading the Student Lending team at Citizens and has been fascinated by the higher education finance industry ever since.

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