ESSENTIAL GUIDE FOR 2026

What's changing for federal student loans?



Everything you need to know about changes starting July 1.

Prepared by LendKey Technologies, Inc.

START

The Changes in a Nutshell...

Here's an overview:

CRITICAL CHANGES AHEAD

On July 1, 2026 the federal student loan program will undergo its most significant transformation in decades. Grad PLUS loans will be eliminated, new borrowing caps will take effect, and millions of students will need alternative financing strategies.

Here's what's changing:

The Department of Education is implementing sweeping changes that will fundamentally alter how graduate students, professional students, and parents finance higher education:

- **Graduate PLUS Loans Eliminated:** No more unlimited borrowing for graduate students
- **New Aggregate Caps:** $100K for graduate, $200K for professional students
- **Parent PLUS Limits:** $20K annual, $65K lifetime per child
- **Part-Time Proration:** Reduced federal aid for part-time enrollment

Who's affected by these changes?

Graduate Students

Parents of Undergrads

Professional Program Students

Part-Time Students of All Levels

Are you a graduate student?

Here's what you need to know:

As of July 1, 2026:

Graduate students will no longer be able to borrow Direct PLUS Loans. Your only federal option is Direct Unsubsidized Loans with a $20,500 annual limit and $100,000 aggregate cap.

Loan Type	Before July 1, 2026	After July 1, 2026
Direct Unsubsidized	$20,500/year	$20,500/year
Grad PLUS	Up to cost of attendance	**ELIMINATED**
Aggregate Limit	$138,500 (undergrad) + $65,500 (grad)	**$100,000 total**

Sample Scenario: Sarah, MBA Student at a Private University

Program Cost
Tuition: $60,000/year
Living expenses: $10,000/year
Total: $70,000/year x 2 years = $140,000

Federal Coverage After July 1
Direct Unsubsidized: $20,500/year
Grad PLUS: $0
Total: $41,000 over 2 years

$140,000 - $41,000 = **$99,000 gap in funding**
private financing is needed

Are you a professional student?

There's good news and bad news...

Qualifying Professional Programs:

Pharmacy (PharmD)
Dentistry (DDS, DMD)
Veterinary Medicine (DVM)
Chiropractic (DC)
Law (JD)
Medicine (MD)
Optometry (OD)
Osteopathic Medicine (DO)
Podiatry (DPM)
Theology (professional programs)
Clinical Psychology (PsyD, PhD)

Mixed news for Professional Program Students:

Annual Limit Increased

From $20,500 **$50,000/year**

This helps cover higher program costs.

New Aggregate Cap

$200,000 lifetime limit

May not cover full cost of higher-cost programs

Sample Scenario: Marcus, Medical School (4 years)

Total Program Cost: $360,000
($65,000 tuition + living expenses per year)

Year 1-4: Borrow $50,000/year - $200,000
Then you hit the aggregate cap

$160,000 gap in funding

must be covered through private loans, scholarships or savings

Are you a Parent PLUS borrower?

Here's the scoop on this:

New Parent PLUS Loan Limits:

Limit Type	Before July 1, 2026	After July 1, 2026
Annual Limit	Up to cost of attendance	$20,000/year
Lifetime Limit (per child)	Unlimited	$65,000

Sample Scenario: Jennifer, Parent of Undergraduate

Program Cost (4 years at private university)
Tuition & fees: $50,000/year
Room & board $15,000/year
Total: $65,000/year x 4 years - $260,000

Student's Federal Aid
Direct Subsidized/Unsubsidized: ~$7,500/year
Total over 4 years: $30,000

Parent PLUS Coverage After July 1:
Years 1-3: $20,000/year - $60,000
Year 4: $5,000 (hits $65,000 cap)
Total $65,000

Combined federal aid: $30,000 + $65,000 = $95,000

$165,000 gap in funding

must be covered with private loans, scholarships or savings

Are you a Part-Time Student?

Here's what's changing for you:

New Part-Time Proration Rules:

Starting July 1, 2026, federal student loan amounts will be reduced proportionately based on your enrollment status.

Before July 1, 2026:

- Half-time enrollment = Full annual loan amount
- Less than half-time = Full annual loan amount

After July 1, 2026:

- Your loan amount is prorated based on credit hours enrolled
- **Formula:** (Credits enrolled + Full-time credits) x Annual loan limit

Sample Scenario: Alex, Graduate Student Taking 6 Credits

Full-time status at Alex's school = 9 credits

Before July 1:
Direct Unsubsidized: $20,500/year (full amount)

After July 1:
Enrollment percentage: 6+9=67%
Direct Unsubsidized: $20,500 x 67% = $13,735

Reduction = $6,795/year

Who this impacts most:

- Working professionals pursuing degrees part-time
- Students with family obligations
- Those managing health conditions
- Career changers balancing work and school

Here's the Timeline:

And what you should be doing now...

By March 2026:

- Calculate your total program costs through graduation
- Determine your federal loan eligibility under new limits
- Identify your funding gap
- Complete FAFSA for 2026-27 academic year

April - June 2026:

- Research private loan options (like LendKey!)
- Check with your school's financial aid office about institutional aid increases, emergency funds and payment plans
- Apply for scholarships and grants
- Consider work-study or graduate assistantships

Before July 1, 2026:

- ⚠ CRITICAL: If you're currently enrolled and eligible for Grad PLUS loans, consider borrowing what you'll need for future terms BEFORE the deadline
- ⚠ Lock in any current Parent PLUS loans if applicable

After July 1, 2026:

- New limits take effect
- New loan applications subject to caps
- Existing loans grandfathered (not affected)

Private Student Loans

They could be your path forward.

With new federal limits, private student loans may become an essential tool for financing your education.

Why private loans make sense now...

Private student loans fill the funding gap that federal loans can no longer cover. They offer competitive rates, flexible terms, and the full coverage you need to complete your degree without interruption.

Full Cost of Attendance Coverage

- Private loans can cover 100% of your school-certified costs including tuition, fees, room, board, books, and living expenses. No more piecing together funding from multiple sources.

Competitive Interest Rates

- Borrowers with strong credit (or creditworthy co-signers) often secure rates that rival or beat federal loan rates. Choose between fixed and variable rates based on your preference.

Flexible Repayment Options

- Choose from immediate, interest-only, or deferred repayment while in school. Select terms from 5 to 20 years to fit your budget, with graduated options that grow with your income.

No Loan Fees

- Most private lenders charge zero origination, application, or prepayment fees. Federal loans charge a 1.057% origination fee.

Refinancing Opportunities

- After graduation, refinance to potentially lower your rate as your credit improves and you establish income.

Frequently Asked Questions

They could be your path forward.

With new federal limits, private student loans may become an essential tool for financing your education.

Q: Will loans I already have be affected?

A: No. The new limits only apply to loans disbursed on or after July 1, 2026. Your existing federal loans keep their current terms.

Q: What if I'm currently enrolled - should I borrow more now?

A: If you're currently eligible for Grad PLUS loans and need funding for future semesters, consider borrowing before July 1, 2026. However, only borrow what you actually need - student debt still must be repaid.

Q: Can I still qualify for loan forgiveness?

A: Yes. Federal loans disbursed after July 1, 2026 still qualify for:

- Public Service Loan Forgiveness (PSLF)
- Income-Driven Repayment (IDR) forgiveness
- Teacher Loan Forgiveness

Private loans do NOT qualify for federal forgiveness programs.

Q: What if I hit the aggregate cap mid-program?

A: Once you reach your aggregate limit ($100K for graduate, $200K for professional), you cannot borrow additional federal student loans. You'll need alternative financing for remaining costs.

Q: What about loan consolidation?

A: If you consolidate federal loans after July 1, 2026, the consolidated loan will NOT count against your new aggregate caps. However, you also can't borrow additional federal loans beyond the new caps regardless of consolidation.

Federal Resources: Federal Student Aid: StudentAid.gov, FAFSA: fafsa.gov, Department of Education: ed.gov

Closing Thoughts

Yes, there are changes, but we're here to help!

The changes taking effect July 1, 2026 represent the most significant restructuring of federal student loans in decades. While these limits aim to reduce student debt burdens and encourage more affordable education options, they also mean you'll need to be more strategic and proactive about financing your education.

Key Takeaways

- Start planning now - don't wait until July!
- Explore all options - federal loans are just one option
- Borrow responsibly - only borrow what you need
- Stay informed - policies and options may continue to change

This guide is for informational purposes only and does not constitute financial advice. Loan terms, rates, and availability subject to change. Always consult with a financial aid professional about your specific situation.