What's Happening with Federal Student Loans? *(Recent Updates)*

November 13, 2025

Key Points:

- **The One Big Beautiful Bill Act fundamentally reshaped federal student loans – both how students can borrow and how they repay loans.**
- **Borrowers enrolled in an Income-Contingent Repayment (ICR), Pay As You Earn (PAYE), or Saving on a Valuable Education (SAVE) plan will have to enroll in one of three repayment plans by July 1, 2028.**
- **New annual and aggregate borrowing caps will now apply:**

  Graduate students—$20,500/annual cap, $100,000/aggregate cap;
  Professional students—$50,000/annual cap, $200,000/aggregate cap.

- **Grad PLUS loans have been eliminated effective July 1, 2026.**
- **Eligibility for the Public Service Loan Forgiveness Program (PSLF) has been changed with certain borrowers and employers no longer being eligible.**

The One Big Beautiful Bill Act

The passage of the One Big Beautiful Bill Act (OBBBA) enacted significant changes to federal student loans. For example, several income-based repayment plans have been repealed (e.g., Income-Contingent Repayment (ICR), Pay As You Earn (PAYE), and Saving on a Valuable Education (SAVE) plans)—meaning that many borrowers will have to enroll in a new repayment plan by **July 1, 2028**.

Further, the Grad PLUS program has been eliminated with the effective date set for July 1, 2026, and new borrowing caps have been set for graduate and Parent PLUS loans:

Graduate Loans	• Graduate students: $20,500 per year, $100,000 aggregate limit; • Professional students: $50,000 per year, $200,000 aggregate limit.
Parent PLUS Loans	• $20,000 per year per dependent student; • $65,000 aggregate limit per dependent student (without regard to amounts forgiven, repaid, canceled, or discharged).
Lifetime	• $257,500 borrowing cap (across undergraduate and graduate education) except for Parent PLUS loans.

The U.S. Department of Education is currently working on developing regulations to identify which programs will be identified as graduate and which as professional in order to determine applicable borrowing limits.

The Income-Based Repayment Plan

The Income-Based Repayment plan (IBR) is a federal student loan repayment plan enacted by Congress that ties repayment conditions based on a borrower's income. IBR underwent several major changes as a result of the OBBBA, including:

- A reduction in the portion of discretionary income used to calculate monthly loan payments;
- A shortened repayment period for student loan borrowers as well as fewer payments required to qualify for forgiveness; and
- Access to a new, alternative payment plan, the Repayment Assistance Plan (RAP).

Alternatively, borrowers may still enroll in the Standard Repayment Plan, with a repayment period of 10 years*. However, borrowers should note that this plan (and other alternative plans) may not have terms that are as favorable as the ones they have now.

**The Standard Repayment Plan will undergo changes starting on July 1, 2026.* *See more here.*

Income-Based Repayment Plan Comparisons

	Repayment Assistance Plan (RAP)	**2014 IBR ("New" IBR)**	**Original IBR**
Income/Debt Requirement for Entry	None	None	None
Eligibility	Direct Loan student borrowers (FFEL and Perkins borrowers may consolidate to DL to participate); Parent PLUS not eligible	Direct Loan and FFEL student borrowers whose loans originated between July 1, 2014, and July 1, 2026; Parent PLUS eligible if consolidated by July 1, 2026, and enrolled in an income-based plan by July 1, 2028	Direct Loan and FFEL student borrowers whose loans originated before July 1, 2014; Parent PLUS eligible if consolidated before July 1, 2026, and enrolled in an income-based plan by July 1, 2028
Monthly Payment Formula	Calculates a borrower's total annual payment based on a percentage of their *total* adjusted gross income (AGI), ranging from 1-10%, then divides the total annual payment by 12 to calculate the monthly payment, then reduces that amount by $50 per month per dependent child, with a minimum payment of $10 per month for all borrowers	10% of a borrower's *discretionary* income, defined as their AGI above 150% of the federal poverty level (FPL), up to the fixed 10-year payment amount	15% of a borrower's *discretionary* income, defined as their AGI above 150% of the federal poverty level (FPL), up to the fixed 10-year payment amount

Minimum Payment Required?	Yes, $10/month	None	None
Maximum Repayment Period	30 years/360 payments; any remaining balance discharged after 360 payments	20 years/240 payments; any remaining balance discharged after 240 payments	25 years/300 payments; any remaining balance discharged after 300 payments
Treatment of Interest Accrual While Enrolled in IDR	Waives all monthly unpaid accrued interest for the full repayment term (interest that is not fully covered by a borrower's monthly income-based payment)	*Subsidized loans:* Waives all monthly unpaid accrued interest for up to 3 years *Unsubsidized loans:* No interest subsidy	*Subsidized loans:* Waives all monthly unpaid accrued interest for up to 3 years *Unsubsidized loans:* No interest subsidy
Principal Pay-Down?	For borrowers whose monthly payment reduces their principal balance by less than $50, RAP provides a matching principal payment to ensure the borrower's payment goes down by at least $50 per month	None	None
Standard Payment Cap?	No	Yes (a borrower's monthly payment is capped at what their payment would be under the 10-year standard repayment plan)	Yes (a borrower's monthly payment is capped at what their payment would be under the 10-year standard repayment plan)
Treatment of Married Borrowers	Allows borrowers whose tax status is married filing separately to exclude their spouse from both the borrower's household income and family size	Allows borrowers whose tax status is married filing separately to exclude their spouse from both the borrower's household income and family size	Allows borrowers whose tax status is married filing separately to exclude their spouse from both the borrower's household income and family size
Is Discharged Debt Taxed?	Yes, as of January 1, 2026	Yes, as of January 1, 2026	Yes, as of January 1, 2026

Source: Institute for College Access & Success

For RAP, new and existing borrowers can sign up for the program starting on July 1, 2026.

Note: Borrowers enrolled in ICR, PAYE, or SAVE must enroll in a new repayment plan by July 1, 2028. Non-selection will result in borrowers being moved into RAP automatically.

The Public Service Loan Forgiveness Program

The Public Service Loan Forgiveness Program (PSLF) is a federal repayment program that forgives student loan debt after 10 years of qualifying payments. Borrowers typically work in a government or non-profit organization and perform work that qualifies as a "public service".

On October 30, 2025, the U.S. Department of Education finalized a policy that would narrow the eligibility for the PSLF. The definition of a "qualifying employer" has been amended to exclude any organizations determined to have engaged in "illegal activities" such as:

- supporting terrorism;
- providing gender affirming care to minors;
- engaging in work with undocumented immigrants; and
- engaging in a "pattern" of behaviors that are in violation of state laws.

The Secretary of Education will send notices to organizations found to be no longer eligible to participate in the PSLF and an opportunity will be given to review and refute the findings. Borrowers will also be notified about any changes to their employers' status as it relates to eligibility to participate in the PSLF.

The changes are set to go into effect on **July 1, 2026**. In other words, if a borrower's employer is disqualified from PSLF any payments made after July 1, 2026, under that employer's affiliation, will not count towards PSLF progress.

How ACP is Responding to Recent Actions

As legislative and regulatory changes are introduced and developed, ACP is monitoring their impact on physicians, patients, and the House of Medicine and working with different policymakers to resolve challenges that may be produced as a result of these changes. Here's what ACP's done so far:

- ACP Letter to Senators in Support of the Resident Education Deferred Interest (REDI) Act – March 27, 2025
- What's Happening with Federal Student Loans? – March 28, 2025
- Coalition Letter to Preserve the Public Service Loan Forgiveness Program – April 8, 2025
- ACP Letter to U.S. Department of Education on Rulemaking for Federal Student Loans – May 5, 2025
- ACP Letter to House Committee on Education & Workforce on Federal Student Loans – May 13, 2025
- Joint Letter to Senate HELP Leadership Expressing Concern About Changes to Federal Student Loans – June 24, 2025
- ACP Letter to the Senate RE: One, Big Beautiful Bill Act – June 24, 2025
- Joint Statement on U.S. Department of Education's PSLF Final Rule – October 30, 2025

See more at acponline.org/advocacy/where-we-stand/latest-acp-advocacy