Federal Student Aid Changes Effective

July 1, 2026

The Working Families Tax Cuts Act (formerly known as the One Big Beautiful Bill - OB3) was signed into law on July 4, 2025. It brings significant changes to how students and families pay for college, starting **July 1, 2026**. Those changes, as we know them currently, are summarized below by type of aid.

As the Department of Education (ED) releases further guidance and finalizes the rules, we will continue to update this page with the most accurate and actionable information available. We understand that students, families, and others have questions, and we are here to help.

Legacy Students

There are legacy provisions put in place to allow current students to continue borrowing under previous rules while in a continued degree program. Below are the three criteria a student must meet to be considered a legacy student.

- Student must have been enrolled in their program of study before July 1st, 2026. Student cannot have withdrawn or ceased enrollment in their program before July 1st, 2026.
- Student must have received any direct loan disbursement (unsub or GRAD PLUS) for their program of study before July 1st, 2026.
- Student must be within their expected time to credential

Federal PLUS Loan Changes

Parent PLUS Loans will continue to be available, but new borrowing limits will apply. Some students will be able to qualify for legacy protections. See the legacy section above for more details.

New Annual Limit

- Parents may borrow up to $20,000 per student, per year.

New Lifetime Limit

- Parents may borrow up to a total of $65,000 per student in total

Under the New Rules

- Families who borrow $20,000 per year could reach the $65,000 lifetime limit before a student completes four years of undergraduate study.

New Proration Rules

- PLUS, Loan eligibility is tied to the student's cost of attendance and enrollment level. If a student is enrolled less than full-time, the PLUS loan amount borrowed will be prorated (reduced).

Loan Limit Changes

The One Big Beautiful Bill Act (OB3) introduces new federal loan limit provisions that may affect how much students and parents can borrow through federal student loan programs. These changes include updates to annual and lifetime borrowing caps and may vary by loan type and academic program.

Students and families should review the revised limits carefully to understand how future borrowing eligibility may be impacted. Detailed information about the updated loan limits is provided below.

New Aggregate Limits Under OB3

First Year Undergrad	Second Year Undergrad	Third Year + Beyond Undergrad	Graduate	Professional	Parent PLUS
Dependent Yearly: Total Annual Max $5,500 Sub Loan Max $3,500 **Independent Yearly:** Total Annual Max $9,500 Sub Loan Max $3,500	**Dependent Yearly:** Total Annual Max $6,500 Sub Loan Max $4,500 **Independent Yearly:** Total Annual Max $10,500 Sub Loan Max $4,500	**Dependent Yearly:** Total Annual Max $7,500 Sub Loan Max $5,500 **Independent Yearly:** Total Annual Max $12,500 Sub Loan Max $5,500	**Yearly** $20,500	**Yearly** $50,000	**Yearly** $20,000 per dependent
Undergraduate Lifetime	**Dependent** Total $31,000 Sub Loan $23,000	**Independent** Total $57,500 Sub Loan $23,000	**Lifetime** $100,000	**Lifetime** $200,000	**Lifetime** $65,000 per dependent
Lifetime	$257,500				

Less-Than-Full-Time Loan Adjustments

The One Big Beautiful Bill Act (OB3) includes provisions that affect federal student loan eligibility and borrowing amounts for students enrolled less than full-time. This adjustment is referred to as the **Schedule of Reduction**. Students who plan to enroll part-time should review the information below to understand how these changes may affect their federal loan options.

Beginning with the 2026–2027 award year, if a student is enrolled less than full-time in an eligible program, their annual Federal Direct Loan limit will be reduced based on the number of credits they are taking compared to full-time enrollment.

The reduction:

- Is proportional to the student's enrollment level

- Is based on the student's enrollment status when the school determines loan eligibility at disbursement
- Is rounded to the nearest whole percent

In short:
If you are not enrolled full-time, you cannot borrow the full loan amount. Your annual loan amount is reduced based on how close you are to full-time enrollment.

These proportional loan adjustments apply to:

- All undergraduate, and graduate student Direct Loan borrowers—Direct Subsidized Loans, Direct Unsubsidized Loans, and graduate PLUS Loans (for legacy borrowers).
- **Parent PLUS Loans are not subject to these adjustments.**

Undergraduate Examples

Full time enrollment for undergraduate students at Dillard is 12 hours per each semester.

An undergrad student is enrolled in:

- 7 credit hours in the fall
- 12 credit hours in the spring
- This equals 19 credit hours for the full academic year

Calculating the Reduction

- 19 (total year credit hours)/24 (full time) = 79%
- This means the student is enrolled at 79% of full-time status for the academic year

Apply that percentage to the annual loan limit

- For this example, this student is eligible for $7,500 if enrolled in full time for both semesters

- $7,500 x 79% = $5925 = new maximum loan amount the student is eligible for.
- The student's annual loan eligibility may be reduced equally or proportionally based on what is best for the student