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How Will Graduate Student and Parent Borrowing Be Affected by New Federal Loan Limits?

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The One Big Beautiful Bill Act (OBBBA) that became law this past July included significant changes affecting the way Americans will pay for higher education. Since 2006, both graduate students and the parents of dependent students have been able to borrow up to the full cost of attendance of their program of study—limited only by the cost of attendance that postsecondary institutions set—from the U.S. Department of Education's PLUS loan programs.[1] One of the most consequential provisions in the OBBBA law, however, is the introduction of loan limits that cap both the annual and cumulative amounts that parents and graduate students will be able to borrow from the federal government, set to go into effect on July 1, 2026. Based on our analysis of recent borrowing levels, OBBBA's new loan limits will curtail borrowing for about one-third of both all parent and all graduate student borrowers.

This brief note presents a high-level assessment, using publicly available survey data, of how parent borrowers and graduate students will see their eligibility for federal loans affected by these new rules. For the data tables included in this report, see Appendix A. For additional underlying data used in our analysis, see Appendix B. The PEER Center is also working on analyses of administrative data that enable more detailed field-, institution-, and program-specific estimates of impact, which will be published in a follow-up report.

THE OBBBA LOAN LIMITS AND CONSIDERATIONS FOR UNDERSTANDING THEIR IMPACT

Under current law, graduate students can borrow up to $20,500 in graduate unsubsidized loans (or more for some healthrelated programs), and can use Graduate PLUS loans to cover any additional eligible costs up to the full cost of attendance of their program, which is set by institutions. OBBBA eliminates Graduate PLUS loans altogether, and sets an annual maximum borrowing limit of $20,500 per year for students in graduate programs (up to $100,000 in aggregate) and $50,000 per year for students in professional programs (up to $200,000 in aggregate).[2]

Some have estimated the impact of the new loan limits by simply assuming students will lose access to their Graduate PLUS loans and need alternate financing for that amount. However, the limits for graduate unsubsidized loans are *increasing* for professional programs, which will allow students enrolled in such programs to borrow more in graduate unsubsidized loans and thus offset part of the Graduate PLUS loans they would have borrowed. For example, a law student (law is considered a professional program) might have borrowed $60,500 under current law by maxing out their unsubsidized loans (at $20,500) and then additionally borrowing $40,000 from Graduate PLUS. Under OBBBA, the student will be able to borrow $50,000 in graduate unsubsidized loans, leaving $10,500 (not $40,000) for which they will need to find alternate financing.

In other cases, because some graduate health professions currently have *higher* graduate unsubsidized limits than they presumably will under the new limits, the access to credit lost by students could be even greater than their current Graduate

PLUS borrowing. For example, Master's in Public Health students are currently among programs granted a higher graduate unsubsidized loan limit of $33,000.[3] But, if their program is considered a 'graduate' program rather than a 'professional' program under OBBBA, they will be subject to the new annual loan limits of $20,500 per year and will face a $12,500 *lower* unsubsidized loan limit. For such programs, the total amount of alternate financing they would need includes not only their current Graduate PLUS borrowing but also the additional $12,500 in graduate unsubsidized loans for which they were previously eligible. Accordingly, we model the impact of the new loan limits by analyzing the difference between total federal graduate borrowing from all sources relative to the new loan limits.

Since the reauthorization of the Higher Education Act in 1992,[4] parent borrowers have been able to borrow up to the full cost of attendance of an institution through the federal Parent PLUS loan program. Starting July 1 of next year, however, the OBBBA will limit Parent PLUS loans, for each dependent student, to $20,000 per year, and an aggregate (over the student's time in college) of $65,000. Below we present estimates of how the annual limit of $20,000 will constrain parent borrowing, but note that this is likely an underestimate of the impact of the new law since the aggregate limit may additionally bind for some students. For example, a parent borrowing the maximum annual amount to finance a bachelor's degree will hit the aggregate limit in the child's senior year, and only be able to borrow $5,000 that year (and nothing in additional years if their child remains enrolled).

As we noted in an earlier report, the loan limits put in place by OBBBA are low relative to existing borrowing levels and so will curtail access to credit from the federal government for many borrowers. This brief provides estimates of the impact of these limits for different types of borrowers based on the 2019-2020 National Postsecondary Student Aid Study—the most recent publicly available data with relevant information. As tuition has risen for graduate programs since 2020, it is likely that our estimates of impact based on these data underestimate the number of borrowers and volume of loan dollars that will be affected when the new limits take effect in 2026.

IMPACTS ON GRADUATE BORROWERS

As shown in Table 1, about 40 percent of all graduate students—or about 1.4 million students—borrowed from the federal government to pay for their education in 2020. There is variation across credentials, with about one-fourth and one-fifth of students borrowing in graduate certificate and doctoral programs respectively; about 40 percent of master's students borrowing; and about 70 percent of students in professional programs taking out federal loans.

Table 1. Graduate Student Federal Borrowing by Credential Level

	Total Number of Students Enrolled	Number Who Borrowed Any Federal Loan	Share of All Students with Any Federal Loans (%)	Average Loan Amount of Those Who Borrowed ($)	Total Volume Disbursed in the Year ($ in Millions)
Certificate	213,063	54,716	25.7	13,503	739
Master's	2,050,540	867,838	42.3	19,669	17,069
Doctoral	822,698	178,025	21.6	21,594	3,844
Professional	481,081	333,466	69.3	44,769	14,929
Total	**3,567,382**	**1,434,045**	**40.2**	**25,447**	**36,581**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

Among those who borrow from the federal government, average borrowing amounts are close to the new loan limit amounts. Still, Table 2 shows that 26 percent of all federal graduate borrowers—or about 370,000 students—borrowed more than the new limits will allow, with borrowers for professional programs especially likely (38 percent) to borrow in excess of the new limit. Across all credentials, the typical graduate borrower over these limits borrowed about $22,000 more than the limit for their credential level. Putting these figures together, the NPSAS data together suggest that just over $8 billion in federal loans will be newly 'capped' and no longer available to students as a result of the new limits—an amount equivalent to about 22 percent of annual federal loan disbursements. Note that this $8 billion is the amount of new loans that would need to be made to existing borrowers to 'make up' for their loss of federal loan eligibility under the new limits, but the potential loss of revenue to higher education institutions is much larger. If institutions don't lower their prices and students are unable to find alternate financing, they may not be able to attend graduate school at all. In that case, the institution would lose all the revenue from the student, including the $20,500 (or $50,000) the student would have financed from the Direct Loan program, as well as out-of-pocket payments.

Table 2. Graduate Student Borrowing Relative to the New OBBBA Loan Limits by Credential Level

	Applicable Annual OBBBA Loan Limit ($)	Number of Federal Borrowers With Annual Loans Above the OBBBA Limit	Share of Federal Loan Borrowers Above the OBBBA Limit (%)	Among Borrowers Above the OBBBA Limit, Average Amount of Annual Federal Loans Above New Limits ($)	Total Federal Loan Volume Above New Limits ($ in Millions)
Certificate	20,500	5,294	9.7	19,051	101
Master's	20,500	190,055	21.9	21,660	4,117
Doctoral	20,500	49,341	27.7	22,062	1,089
Professional	50,000	125,596	37.7	22,047	2,769
Total		**370,286**	**25.8**	**21,807**	**8,075**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

An open question in projecting how the loan limits will affect graduate student enrollment and attainment is whether the private sector will fill the gaps left by reduced federal credit availability. Table 3 shows that in 2020, only about 4.6 percent of all graduate students relied on private loans to finance their studies. If the sector were to fully cover the $8 billion reduction in federal loan volume created by the caps, it would need to grow to an annual volume nearly four times larger than its current scale of about $2.9 billion per year. Of course, many graduate students are currently borrowing from the federal government because they either cannot secure private loans at all due to poor or thin credit, or because the interest rates and other loan terms offered by the private market are less affordable. A primary concern about impact of the new loan limits is that a sizable share of the 370,000 students affected may either decline to pursue graduate school or incur much larger costs in financing their degrees as a result.

Table 3. Private Student Loan Borrowing of Graduate Students by Credential Level

	Number of Students with Private Graduate Student Loans	Share of All Students with a Private Loan (%)	Average Private Loan Amount Among Those with Private Loans ($)	Total Private Loan Volume ($ in millions)
Certificate	11,916	5.6	8,545	102
Master's	111,597	5.4	19,024	2,123
Doctoral	13,991	1.7	13,148	184
Professional	27,465	5.7	20,717	569
Total	**164,969**	**4.6**	**18,051**	**2,978**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

Data in the appendix show that these aggregate statistics by credential level mask some heterogeneity across fields of study. For example, while 22 percent of all federal borrowers pursuing master's degrees will likely have their borrowing constrained by the new limits, those shares are 35 percent in life and physical science programs and 32 percent in other health programs. Similarly, while 38 percent of all federal borrowers in professional programs will have their borrowing constrained, 71 percent of borrowers in dentistry programs, 60 percent of borrowers in chiropractic programs, and 56 percent of borrowers in M.D. programs will likely need to seek alternate financing. On the other hand, only 22 percent of law borrowers will see their borrowing constrained by the new limits.

Table 4 shows there is variation in the share of borrowers and amount borrowed above the limit by student race and ethnicity. For example, while 22 percent of borrowers pursuing master's degrees will see their borrowing constrained, this rate is particularly high for Asian graduate student borrowers at 33 percent. Among professional student borrowers, 46 percent of Black students and 52 percent of Asian students borrowed more than the new limits, compared with 38 percent of professional students overall.

Table 4. Current Borrowing of Graduate Students Beyond the New OBBBA Loan Limits, by Credential Level and Race/Ethnicity

	Applicable Annual OBBBA Loan Limit ($)	Share of All Students with Any Federal Loans (%)	Number of Federal Borrowers with Annual Loans Above the OBBBA Limit	Share of Federal Borrowers Above the OBBBA Limit (%)	Among Borrowers Above the OBBBA Limit, Average Amount of Annual Federal Loans Above New Limits ($)	Total Federal Loan Volume Above New Limits ($ in Millions)
MASTER'S TOTAL						
White	20,500	40.2	92,146	21.9	20,987	1,934
Black or African American	20,500	63.2	37,058	21.2	19,411	719
Hispanic or Latino	20,500	54.2	24,704	18.7	17,717	438
Asian	20,500	21.2	22,548	33.3	31,025	700
More than one race	20,500	46.0	13,594	21.3	23,982	326
DOCTORAL TOTAL						
White	20,500	21.8	25,058	29.5	22,167	555
Black or African American	20,500	43.2	9,803	23.1	17,435	171
Hispanic or Latino	20,500	32.3	6,515	24.2	25,613	167
Asian	20,500	4.1	‡	‡	‡	‡
More than one race	20,500	24.9	‡	‡	‡	‡
PROFESSIONAL TOTAL						
White	50,000	71.4	66,724	34.4	19,643	1,311
Black or African American	50,000	80.2	12,528	47.7	23,744	297
Hispanic or Latino	50,000	75.3	9,720	30.6	19,194	187
Asian	50,000	63.0	29,142	51.7	27,234	794
More than one race	50,000	55.4	5,524	25.7	27,947	154

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars. The symbol '‡' notes categories where NPSAS reporting standards are not met so no estimate is available: Either there are too few cases for a reliable estimate or the standard error is at least 50 percent of the estimate.

The above estimates may also underestimate the full impact of the new loan limits because loan limits will also be prorated for students attending less than full time based on the number of credits they complete each year. The table below shows the share of federal loan borrowers that attended exclusively part-time or mixed full-time and part-time by credential type. Across all credential types, 33 percent of graduate student borrowers attended part-time. To get a sense of how many of these borrowers may be impacted by the new loan limits, we show the share of part-time federal loan borrowers who borrowed above the new full-time loan limit and the share of part-time federal loan borrowers who borrowed above a prorated half-time loan limit. Estimates of the share of part-time federal loan borrowers with loans above the new full-time loan limit range from 9 percent in certificate programs to more than 20 percent in professional programs. If we assume all part-time students are subject to the half-time prorated loan limit, the shares of borrowers affected are significantly higher. In master's and doctoral programs, over 60 percent of part-time borrowers may be constrained by the new loan limits. The exact number of credit hours in which part-time students are enrolled is not available in NPSAS, making it difficult to estimate precisely the number of borrowers and amount of loan volume affected by the new loan limits when taking part-time status into account. If we assume that all part-time students will be subject to the half-time loan limit, we estimate that over 500,000 graduate student borrowers (rather than about 370,000 shown in Table 2) and a total of $10 billion in loan volume will be affected by the new loan limits.

Table 5. Share Attending Part-Time and Share Borrowing Above Limits Among Graduate Federal Loan Borrowers

	Share of Federal Borrowers Attending Part-Time (%)	Applicable Half-Time Annual OBBBA Limit ($)	Share of Part-Time Borrowers with Loans Above Half-Time Limit (%)
Certificate	51.1	10,250	49.1
Master's	38.1	10,250	61.7
Doctoral	37.1	10,250	67.7
Professional	14.7	25,000	59.8

NOTE: Part-time includes those attending exclusively part-time and those attending mixed full-time and part-time. Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

IMPACTS ON PARENT PLUS BORROWERS

As shown in Table 6, nearly 8 percent of dependent undergraduate students had parents who took out Parent PLUS loans in 2020. There is variation across institutions, with borrowing rates ranging from 5.7 percent at public institutions to 14.6 percent at private institutions. Among those who borrowed, the average Parent PLUS loan was $16,273.

Table 6. Current Borrowing of Parent PLUS Loans

	Total Number of Dependent Undergraduate Students	Number of Undergraduates Whose Parents Took Out Parent PLUS Loans	Share of Undergraduates Whose Parents Took Out Parent PLUS Loans (%)	Average Parent PLUS Loan Amount Among Those with Parent PLUS Loans ($)	Total Volume Disbursed ($ in Millions)
Public	7,431,328	420,272	5.7	15,152	6,368
Private	2,256,333	328,706	14.6	17,706	5,820
Total	**9,687,661**	**748,978**	**7.7**	**16,273**	**12,188**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

While the average amount borrowed was less than the new annual limit of $20,000, 29 percent of parent borrowers took out PLUS loans above this amount. On average, these parent borrowers took out $10,583 in excess of the new limit. Similar to patterns in overall Parent PLUS borrowing, the share of parent borrowers borrowing above the new limit and the average amount borrowed are higher at private institutions than public institutions. These estimates suggest that $2.3 billion in annual borrowing—18 percent of the current total Parent PLUS loan volume—will be unavailable to parents of undergraduate students going forward.

Table 7. Current Borrowing of Parent PLUS Loans Above New OBBBA Loan Limits

	Annual OBBBA Loan Limit ($)	Number of Undergraduates Whose Parents Took Out PLUS Loans Above New Limit	Share of Undergraduates Whose Parents Took Out PLUS Loans Above New Limit (%)	Average Amount of Parent PLUS Loan Above New Limit ($)	Total Parent PLUS Loan Volume Above New Limit ($ in Millions)
Public	20,000	109,842	26.1	8,255	907
Private	20,000	107,043	32.6	12,972	1,389
Total	**20,000**	**216,885**	**29.0**	**10,583**	**2,295**

Note: Authors' analyses of the 2019-2020 National Postsecondary Student Aid Study, with dollar values presented in 2020 dollars.

These aggregate figures also mask significant heterogeneity in borrowing rates, borrowing amounts, and repayment rates by family income, race/ethnicity, and institution type, recently analyzed by Dharmagadda and Turner in a recent brief. Using the same NPSAS data used above, they show that higher-income families and parents of students attending private nonprofit four-year institutions are more likely to borrow, and to borrow amounts above the new loan limit. They also document that Black parents have higher rates of borrowing than Hispanic, white, and Asian parents, though Black parents are less likely to borrow amounts above the new loan limit. They find that their analysis suggests the borrowers most likely to be affected by the new annual loan limits are those who are the most likely to be able to repay—disproportionately higher-income parents with lower debt-to-income ratios—which may affect the fiscal viability of the program while doing little to address concerns about debt burdens for financially vulnerable families.

CONCLUSION

The analyses in this short brief suggest that the new loan limits for both graduate and parent borrowers will have a significant impact on how many students and their families pay for college. Based on recent borrowing patterns, about one-fourth of graduate borrowers and one-third of parent borrowers will no longer be able to get the access to credit they require to finance their education. Federal loan programs exist precisely to address failures in the private market for education loans—namely that many students may not have enough credit history for lenders to establish their credit-worthiness and so may not be able to obtain credit to pay for even very valuable education investments. A recent study by Black, Turner, and Denning (2025) found that the creation of the Graduate PLUS program in 2006 had no detectable effect on increasing access to low-income or minority students in graduate programs in Texas, and some analysts have cited this finding as a reason to expect that reduction in federal credit access will have limited effects on access. But the cost of attendance of both graduate and undergraduate programs is much higher relative to the Direct Loan limits than was the case in 2006, and private lenders seem to have updated their sense for the riskiness of educational loans in the wake of the Great Recession, so today's landscape of private educational loans looks very different than twenty years ago. Future PEER research will continue this work to understand how the private sector is likely to respond to fill gaps in credit access created by the federal government's retreat, how institutions might adjust their prices in response, and how the opportunities for advanced study are impacted by these loan limits.

ENDNOTES

1 The Graduate PLUS program was created in 2006, but parents have had access to uncapped federal loans since 1992. Both parent and graduate PLUS borrowers must pass a basic test for adverse credit history in order to qualify.

2 The Department of Education is currently developing regulations to define a professional program. For these purposes, we rely on the classification of programs in the NPSAS data, which includes chiropractic, dentistry, law, medicine, optometry, pharmacy, podiatry, and veterinary medicine programs.

3 See, for example, the Office of Federal Student Aid Handbook, Volume 8, Chapter 4, for a list of programs that were granted higher graduate unsubsidized loan limits.

4 For a brief history of the Parent PLUS program, including recent trends, see Baum, Blagg, and Fishman (2019). Reshaping Parent PLUS Loans.