

To: RISE Rulemaking Committee
From: Ashley Naporlee and Tamar Hoffman
Date: November 4, 2025
Memo: Proposed Changes to the Phase-In of Loan Limits

During today's session, the Department proposed language that would amend 34 CFR 685.203(f)(2)(iv) and (g)(5) to specify that current borrowers retain their PLUS loan eligibility if their student is enrolled as of 6/30/2025 and the parent has received a Direct Loan for the program of study, where the program of study "means a program that confers an associate or baccalaureate degree."

We are concerned that this definition could needlessly interrupt the programs of study for students who are currently enrolled and whose parents are already taking on loans for their programs. This could ultimately force some students to drop out of their programs without earning their credential, unable to afford the costs of the program.

We are also concerned that the current language, as drafted, conflates Graduate and Parent PLUS loan eligibility for the phase-in, and does not clearly explain graduate and parent borrowers' continued eligibility during the transition period. We have suggested additional language to clarify this transition for Graduate PLUS.

Proposed Language Changes

We propose several amendments to the regulations to address the lack of clarity and to ensure institutions and current students both know what their eligibility as of July 1, 2026, will be.

(f) Direct PLUS Loans annual limit.

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(2) Annual Limits **for Parent PLUS Borrowers** On or After July 1, 2026

(i) Beginning on July 1, 2026, the total amount of all Direct PLUS Loans that all parents may borrow on behalf of each dependent student for any academic year of study may not exceed \$20,000 minus other financial assistance (as defined in Sec. 480(i) of the Act) for the student.

(ii) The limitation for annual loan limits described in paragraph (f)(2)(i) of this section shall not be applicable to parent borrowers, who borrowed a loan on behalf of a dependent student, during the period of the student's expected time to credential, if—

(A) the student is enrolled in a program of study at an institution as of June 30, 2026;
and

(B) a Direct Loan was made to the parent borrower for such program of study on behalf of the dependent student, or a Direct Loan was made to the dependent student for such program of study.

(iii) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (f)(2)(ii) of this section, the limitations under paragraph (f)(2)(i) of this section shall apply to the parent borrower of that dependent student.

(iv) For the purposes of this subparagraph (f)(2), a program of study means the credential level in which the student was enrolled as of June 30, 2026.

(3) Annual Limits for Graduate PLUS Borrowers On or After July 1, 2026

(i) Beginning on July 1, 2026, graduate students may not borrow Direct PLUS loans.

(ii) The limitation for annual loan limits described in paragraph (f)(3)(i) of this section shall not be applicable to graduate student borrowers who borrowed a loan during the period of the student's expected time to credential, if—

(A) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(B) a Direct Loan was made to the borrower for such program of study.

(iii) For the purposes of this subparagraph (f)(3), a program of study means the credential level in which the student was enrolled as of June 30, 2026.

(g) Direct PLUS Loans aggregate limit.

(1) Aggregate Limits Before July 1, 2026. The total amount of all Direct PLUS Loans that a parent or parents may borrow on behalf of each dependent student, or that a graduate or professional student may borrow before July 1, 2026, for enrollment in an eligible program of study may not exceed the student's cost of attendance minus other estimated financial assistance for that student for the entire period of enrollment.

(2)(i) Aggregate Limits for Parent PLUS Borrowers On or After July 1, 2026. Beginning on July 1, 2026, the total amount of all Direct PLUS Loans that all parents may borrow on behalf of each dependent student may not exceed \$65,000, without regard to any amounts repaid, forgiven, canceled, or otherwise discharged on any such loan. Any amount of loan funds that have been returned by the institution, or the borrower will not count against the aggregate loan limit under this paragraph (g)(2).

(ii) The limitation for aggregate loan limits described in paragraph (g)(2) of this section shall not be applicable to parent borrowers during the period of the student's expected time to credential, if—

(A) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(B) a Direct Loan was made to the parent for such program of study on behalf of the dependent student, or a Direct Loan was made to the dependent student for such program of study prior to July 1, 2026.

(iii) For the purposes of this subparagraph (g), a program of study means **the credential level in which the student was enrolled as of June 30, 2026.**

(4) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (g)(3) of this section, the limitations under paragraph (g)(2) of this section shall apply.

(3) Aggregate Limits for Graduate PLUS Borrowers On or After July 1, 2026.

(i) Beginning on July 1, 2026, graduate students who are eligible for additional loans under paragraph (f)(3) of this section may not have a total amount of all Direct PLUS Loans that exceeds the student's cost of attendance minus other estimated financial assistance for the student's entire period of enrollment.

Rationale

A broader definition of a program of study that aligns with the credential level the student was pursuing will help to avoid derailing the educational pursuits of a limited number of borrowers, avoiding disruption as institutions begin to implement these changes in just over six months.

Specifically, we agree with the Department's approach of accounting for students who may transfer majors (or institutions that may change the ways their programs are reported, or consolidate or eliminate those programs) by considering a particular credential level. This will also help to address the challenge of students whose majors are undeclared when they begin enrollment, and who will thus "switch" programs by declaring a major along the way.

However, we are concerned that the Department proposes to include only undergraduate degree programs for the purposes of assessing parent PLUS continued eligibility. Broadening that description to include undergraduate certificate programs, and to align with the credential level of the program the student was enrolled in, could help to support the educational pathways for a significant share of students each year. While not limited to Parent PLUS borrowers, [data](#) from the National Student Clearinghouse (see second page) show that about half a million students in 2024 transferred from a two-year to a four-year institution, and 230,000 from a two-year to another two-year institution. About 34,000 students a year transfer from vocationally oriented two-year institutions. Still other students will transfer across programs within an institution, even among career-training programs, as students find their footing and pursue alternative academic and career options. Those students should not have their higher education financing derailed simply because they slightly shifted their area of focus. See last page for data dashboard from the National Student Clearinghouse.

Data Request

Should the Department decline to adopt our proposal and/or to include undergraduate certificate programs in its definition of a program of study, we urge the Department to analyze its own administrative data to validate and confirm its assertion in today's session that students in undergraduate certificate programs do not transfer programs, unlike students in associate and bachelor's degree programs, and to share that information with the Committee.

Legal Authority/Statutory Citations

The change to Graduate PLUS loans in (f)(3) is needed to ensure that the authority for Graduate PLUS loans is continued for borrowers who are already enrolled and eligible under the transition period. The authority for this extension is included in the One Big Beautiful Bill Act, Sec. 81001, subparagraph (8), which reads (with bolded emphasis added):

(8) Interim exception for certain students.—

(A) Application of prior limits.—

Paragraphs (3)(C), (4), (5), and (6) shall not apply, and paragraph (3)(A)(ii) shall apply as such paragraph was in effect for periods of instruction ending before June 30, 2026, during the expected time to credential described in subparagraph (B), with respect to an individual who, as of June 30, 2026—

(i) is enrolled in a program of study at an institution of higher education; and

(ii) has received a loan (or on whose behalf a loan was made) under this part for such program of study.

* * *

Paragraph (3)(C), which the above language notes does not apply to borrowers who qualify for the phase-in, reads as follows:

Section 455(a) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)) is amended—

(1) in paragraph (3)—

* * *

(C) by adding at the end the following:

“(C) Termination of authority to make federal direct plus loans to graduate and professional students.—Subject to paragraph (8) and notwithstanding any provision of this part or part B, for any period of instruction beginning on or after July 1, 2026, a graduate or professional student shall not be eligible to receive a Federal Direct PLUS Loan under this part.”;

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- Two-to-four-year transfer from high vocational institutions (schools where 53.8% or more of awards are in career and technical disciplines) grew 6.5 percent in 2024, nearly three times the growth for two-to-four-year transfer from high transfer institutions (schools where 35.7% or fewer awards are in career and technical disciplines; +2.2%). Although two-to-four-year transfer from high transfer institutions grew for the second year in a row, this pathway is still down 3.5 percent compared to fall 2020.
- Fewer students transferred from a two-year to a four-year institution after having earned a credential from 2020 to 2024. Students transferring with a prior credential comprised 41.6% of the two-to-four-year transfer population in 2020, but this share has dropped to 39.3% in 2024. This decrease is driven by fewer students who transferred with an associate degree (-16,500, -8.5%). There are more students in 2024 who transferred from a two-year to a four-year institution with a certificate compared to 2020 (+3,700), with 20 percent growth in the last two years. However, this is a small portion of two-to-four-year transfer students (3.9% in 2024), that has not been enough to offset the losses among those transferring with an associate degree.
- More transfer students at highly selective four-year institutions in fall 2024 were transfers from two-year institutions (57.4%) than were transfers from other four-year schools (42.6%; see Appendix Table 5.1). Although fewer than 10 percent of two-to-four-year transfer students attended highly selective institutions, two-to-four-year transfer enrollment into these institutions is the closest to fall 2020 levels of any admissions selectivity category (-0.9%, compared to -1.2% to -3.4% for institutions in other admissions selectivity categories).



Figure 3.1 Transfer Enrollment Over Time by Pathway

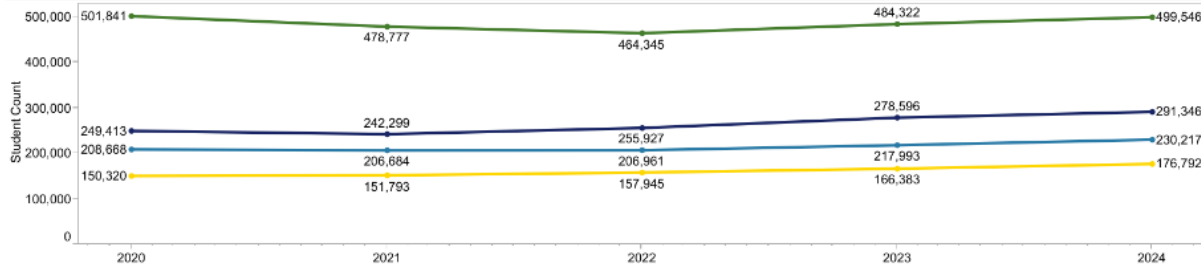


Figure 3.2 Change in All Transfer Enrollment by Current Sector



Focus on Transfer From Two-Year Schools

Select a student group to filter figures 3.3 and 3.4.

Figure 3.3 Percent Change in Transfer Enrollment by Program Focus of Prior Public Two-Year for All Students

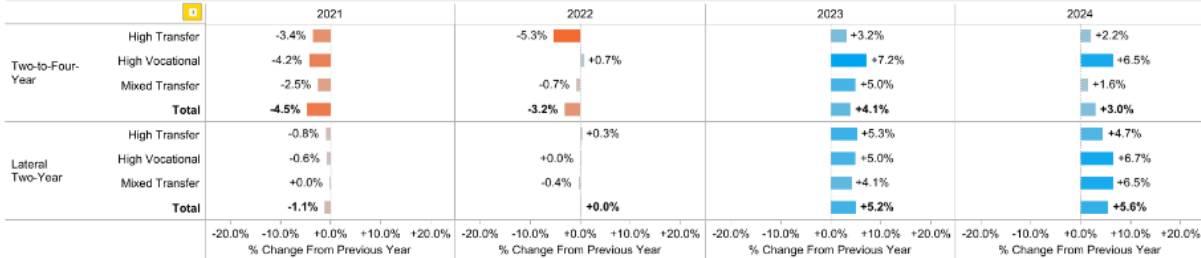


Figure 3.4 Percent Change in Two-to-Four-Year Transfer with a Prior Credential

