

MEMORANDUM

Date: October 1, 2025

To: U.S. Department of Education

From: Tamar Hoffman, Ashley Naporlee, Faisal Sulman

Re: Institutionally Determined Loan Limits

The passage of OBBB allows institutions of higher education, for the first time, to limit federal loan eligibility for specific programs of study. The Department's emphasis on ensuring that students are clearly informed about such limits is essential. Transparency must remain a guiding principle: students deserve to know, in plain terms, how loan limits may differ for their program of study from the federally set annual limits. At the same time, safeguards must ensure that institutions do not exploit these new authorities by steering students toward more expensive or riskier credit products through preferred lending arrangements.

First, the Department already has a ready-made consumer disclosure tool to ensure such transparency: the [College Financing Plan \(CFP\)](#). The CFP was developed and is annually updated by the Department to provide a standardized, student-facing format for college price and financial aid information. It is already widely recognized as a model of transparency and simplicity. Currently, the CFP includes a dedicated section on loan amounts that can be easily adapted to show when an institution imposes loan limits for a particular program of study.

This disclosure must not be voluntary. The Department has clear precedent for requiring use of the CFP in certain scenarios. Institutions participating in the [Principles of Excellence](#) program are already required to use the CFP for veteran students, and the [Veterans Health Care and Benefits Improvement Act of 2020](#) further codified the practice. Requiring the CFP as the vehicle for disclosure of institutionally determined loan limits builds on this established precedent and ensures that students and families receive the information in a format that is clear, visible, and consistent.

Second, allowing institutions to set limits on federal loans for particular programs that are lower than the statutory limits creates the opportunity for unscrupulous schools to enter into arrangements to steer students to [riskier and/or more expensive private or institutional loans](#) or similar credit products. To reduce this risk, institutions that place lower limits on federal loans for particular programs should be prevented from entering into arrangements, such as preferred lender arrangements, that could create incentives for schools to steer students into private loans or related credit products in place of federal loans.

Suggested Regulatory Text

We recommend amending § 685.203(m)(2) to require institutions that exercise loan-limiting authority to (1) disclose this information through the Department's College Financing Plan, which must be updated to include a disclosure that the program is subject to the loan limitation, and (2) prevent preferred lender arrangements with private financial institutions. Suggested insertion (new paragraph (v)) is shown below, following the disclosure requirements in paragraph (iii). The blue text is the Department of Education's proposed amendment, and the red text is our suggested addition.

§ 685.203(m)(2) Institutionally Determined Loan Limits

(i) Beginning on July 1, 2026, an institution may limit the total amount of Direct Subsidized, Unsubsidized, and PLUS loans that a student, or a parent on behalf of such student, may borrow for a program of study for an academic year, as long as any such limit is applied consistently to all students enrolled in that program of study.

(ii) An institution that limits the total amount of Direct Loans for an eligible program under paragraph (m)(2)(i) of this section must document its decision and follow the record retention and examination requirements in 34 CFR 668.24.

(iii) An institution must provide clear and conspicuous information describing any program of study that is subject to the loan limitation to current and prospective students, including, but not limited to: publication in the institution's course catalog, publication on institution's website(s), and award notifications.

(iv) Prior to taking such action under paragraph (m)(2)(i) of this section, an institution must notify the student who plans to enroll or is enrolled in the program subject to this limitation.

(v) An institution that limits the total amount of Direct Loans for a program of study must disclose this limitation to all current and admitted students using the College Financing Plan, in the form and manner prescribed by the Secretary.

(vi) Institutions that limit loan amounts pursuant to (1)(2)(i) are prohibited from:

- (a) Offering institutional, state, or private loans (other than a zero-interest tuition payment plan), including a private loan termed an Income Share Agreement, or similar credit products to students enrolled in the programs subject to the loan limits pursuant to (1)(2)(i);**
- (b) Entering into an arrangement, contract, partnership, or affiliation, including but not limited to a preferred lender arrangement (as defined in 20 U.S.C. § 1019(8)), with any company that offers financing for its programs through a**

loan, including a private loan termed an Income Share Agreement, or similar credit product.