



Fact Sheet: Trump Administration Implements Student Loan Provisions of the Working Families Tax Cuts Act

The final rule implements reforms to higher education by introducing commonsense loan limits, simplifying student loan repayment, and restoring fiscal responsibility to federal student lending.

Background

On April 30, 2026, the U.S. Department of Education (the Department) announced a final rule amending its regulations to implement the student loan provisions of the Working Families Tax Cuts Act (the Act).¹ This fact sheet provides a summary of the major provisions of the final rule, which amends 17 regulatory provisions. Key changes implement commonsense loan limits, provide institutions greater discretion to reduce loans, revise forbearance and deferment eligibility, allow borrowers to rehabilitate a defaulted loan twice, and introduce two new repayment plans: the Tiered Standard plan and the Repayment Assistance Plan.

For years, college tuition – particularly for graduate programs – has steadily increased. Unrestricted borrowing has enabled institutions to raise tuition and fees without sufficient constraint, contributing to rising student loan debt. In many cases, students have taken on substantial debt for programs with minimal or negative return on investment, while institutions have had limited incentives and tools to prevent overborrowing or to curb excessive debt accumulation.

Borrowers have also faced a complex loan repayment system with too many confusing and, in some cases, obsolete options.² Certain repayment plans have increased borrower debt by capitalizing unpaid interest, and many borrowers have spent extended periods in forbearance, delaying their progress toward repayment.

Thanks to President Trump and Republicans in Congress, many of these chronic problems were addressed in the Act. In November 2025, the Department convened a negotiated rulemaking committee to develop proposed regulations implementing the student loan provisions of the Act. The Reimagining and Improving Student Education (RISE) Committee included a broad range of stakeholders, such as higher education institutions, student loan borrowers, and organizations representing taxpayers. The Committee [reached consensus](#) on the language included in the proposed rule. The Department adopted the vast majority of this consensus language in the final rule, making only minor revisions for clarity and in response to public comments.

¹ The final rule will be available for public inspection in the Federal Register on April 30, 2026, and will be published on May 1, 2026.

² The Saving on a Valuable Education (SAVE) plan has been held as unlawful in Federal court. *See Missouri v. Biden*, 112 F.4th 531, 538 (8th Cir. 2024).

As demanded by students, parents, and taxpayers, the Act made historic changes to the Higher Education Act of 1965, as amended. The final rule advances the Trump Administration's efforts to reform higher education by encouraging institutions to reduce tuition costs, establishing commonsense limits and guardrails on borrowing, and helping borrowers enter and remain in repayment.

The final rule's provisions will be effective in staggered phases, with most beginning on July 1, 2026, and additional provisions following on July 1, 2027, and July 1, 2028. The Department will continue to provide resources to institutions, borrowers, and other stakeholders to support effective implementation by each applicable deadline.

Loan Limits

The amended regulations cap federal student loan borrowing for both graduate and professional students,³ as well as cap loans for parents who borrow on behalf of dependent undergraduates. Beginning on or after July 1, 2026:

- Graduate student loans are capped annually at \$20,500, with an aggregate cap of \$100,000;
- Professional student loans are capped annually at \$50,000, with an aggregate cap of \$200,000;
- For the first time, Parent PLUS borrowers are capped annually at \$20,000, with an aggregate cap of \$65,000 per dependent;
- All borrowers who receive a loan made on or after July 1, 2026, are subject to an aggregate lifetime loan limit of \$257,500, with narrow exceptions discussed below:
 - Grad PLUS loans that a borrower has received will be **included** in this new aggregate lifetime limit, unless the borrower qualifies for the interim exception discussed below, in which case they will continue to be subject to the former (pre-Act) limits during the interim exception period; and
 - Parent PLUS loans made to a borrower for their dependent students are **excluded** from a borrower's lifetime limit.

Interim exception: for borrowers enrolled in a program before July 1, 2026, and who have already received a loan for that program, an interim exception to the new loan caps will apply. Under this exception, borrowers may continue borrowing under the prior (pre-Act) annual, aggregate, and lifetime loan limits for the lesser of three years or their expected time to credential (defined as the period determined by subtracting from the program length the portion

³ Professional student is a narrower classification tied directly to the incorporated professional-degree framework enacted by Congress in its amendments to Section 455(a)(4) of the HEA, rather than institutional labeling or the broader fact that many graduate programs lead to professional employment. These definitions serve a loan-administration function: they identify borrower categories for solely for the purposes of obtaining the higher loan limits for Direct Loan purposes. They do not express a value judgment about the importance of any occupation or field.

of the program the borrower has already completed), provided that they remain continuously enrolled. If a borrower ceases enrollment or withdraws from the program, they will no longer qualify for the interim exception and will instead be subject to the new annual, aggregate, and lifetime loan limits.

The proposed regulations also eliminate the ability for the Department to make new loans under the Grad PLUS program to borrowers who do not qualify for the interim exception.

Professional Student Definition: For the purposes of loan limits, Congress required the Department to use a narrow and limited definition to determine which postbaccalaureate programs would be eligible for higher loan limits for “professional students”. Building on the statutory definition contained in the Act, the Department arrived at the definition contained within the final rule, which achieved consensus among the all stakeholders represented during negotiated rulemaking.

The definition includes a list of 11 core program fields: pharmacy (Pharm.D.), dentistry (D.D.S. or D.M.D.), veterinary medicine (D.V.M.), chiropractic (D.C. or D.C.M.), law (L.L.B. or J.D.), medicine (M.D.), optometry (O.D.), osteopathic medicine (D.O.), podiatry (D.P.M., D.P., or Pod.D.), theology (M.Div., or M.H.L.), and clinical psychology (Psy.D. or Ph.D.). Nearly all of these fields have long been classified as professional degrees under the Department’s existing regulations,⁴ and no program has lost its professional degree classification under the final rule.

The Department’s definition also contains a multi-part test that other programs must meet to be eligible for the higher loan limits. To be classified as a professional degree, the degree:

- (1) Signifies both completion of the academic requirements for beginning practice in a given profession, and a level of professional skill beyond that normally required for a bachelor's degree;
- (2) Is generally at the doctoral level,⁵ and that requires at least six academic years of postsecondary education coursework for completion, including at least two years of post-baccalaureate level coursework;
- (3) Generally requires professional licensure to begin practice; and
- (4) Is within a four-digit Classification of Instructional Programs (CIP) code in the same intermediate group as the core list of 11 program fields.

Streamlining Repayment

The Act replaces all prior repayment plans with two streamlined options to better support borrowers: the Tiered Standard plan and the Repayment Assistance Plan (RAP). These plans will be available to new and current borrowers beginning on July 1, 2026.

⁴ 34 CFR 668.2(b) “Professional degree”

⁵ Of the core list of 11 core program fields, all but one – theology – are at the doctoral level.

The Tiered Standard plan will be the only fixed repayment option available to borrowers who receive a Direct Loan on or after July 1, 2026. It provides fixed monthly payments over a period ranging from 10 to 25 years, based on the borrower's outstanding principal balance (10 years for less than \$25,000; 15 years for \$25,000-\$49,999; 20 years for \$50,000-\$99,999; and 25 years for \$100,000 or more). This structure gives borrowers with higher loan balances more time to repay. In addition, monthly payments are set at a minimum of \$50, helping borrowers make progress toward reducing their balance.

The RAP, a new income-based repayment option, is designed to benefit borrowers by allowing their payments to adjust based on income and family size, meaning borrowers pay more during years when their income is higher and less during years that their income is lower. Under RAP, some borrowers will see reduced monthly payments compared to existing income-driven repayment plans. The plan also waives unpaid interest for borrowers who make on-time payments that do not fully cover accruing interest.

Unlike prior lawful income-driven repayment plans, balances under RAP will decline with each on-time payment, as unpaid interest is fully waived and the Department then reduces principal by an amount equal to the borrower's payment, up to \$50. In addition, monthly payments are set at a minimum of \$10.

Further, RAP avoids unfairly penalizing married borrowers by prorating monthly payment amounts. Without proration, each spouse's payment would increase based on the other spouse's income, effectively double-counting that income and resulting in substantially higher payments for both borrowers.

The final rule also clarifies and confirms that on-time payments made under RAP will count as qualifying payments for the purposes of the Public Service Loan Forgiveness program.

In implementing the Tiered Standard plan and RAP, the final rule streamlines the current array of repayment options. Beginning on July 1, 2026, new borrowers will be required to repay their loans under either the Tiered Standard plan or RAP, and existing income-contingent repayment plans will sunset on July 1, 2028. Borrowers will then have two clear, flexible options best tailored to their repayment needs, replacing the current system of multiple, often confusing plans.

Rehabilitation

The final rule will allow a borrower to rehabilitate a defaulted loan twice over the loan's lifetime. Previously, borrowers were only able to rehabilitate a defaulted loan once. By rehabilitating a loan through nine, on-time, voluntary payments, borrowers can restore their loans to good-standing and regain access to the federal student loan programs.

Importantly, this limit applies to each loan a borrower holds, rather than the borrower. Borrowers will be able to take advantage of this opportunity beginning on July 1, 2027. Additionally, the Department has made important changes to the process for borrowers who successfully complete

a rehabilitation. At the same time a borrower signs their rehabilitation agreement, they will have the opportunity to ‘opt-in’ to enroll in an income-driven repayment plan (effective once their rehabilitation is completed). This language provides two important changes:

- A borrower’s payment under their rehabilitation will be similar to their payment under their future repayment plan, which the Department can calculate based on the borrower’s tax information (with their approval); and
- A borrower will not have to contact their servicer again after completing a rehabilitation in order to enroll in a viable repayment plan, allowing seamless, continued repayment.

Deferments and Forbearances

The final rule streamlines and simplifies the range of deferment and forbearance options available to borrowers. Consistent with the Act, the final rule sunsets access to economic hardship and unemployment deferments for loans made on or after July 1, 2027. Borrowers will still have access to a general forbearance of up to 9 months within a 24-month period. Critical deferments for cancer treatment, military service, and time spent in-school remain.

Institutionally Determined Loan Limits

The final rule gives institutions greater flexibility to help prevent borrowers from incurring unreasonable levels of debt, a reform that was long urged by financial aid administrators. Beginning on July 1, 2026, institutions may limit the total amount of loans a student, or a parent borrowing on a dependent student’s behalf, may incur for a program of study, provided any such limit is applied consistently to all students enrolled in that program.

Loan Limits for Part-time Students

Beginning on July 1, 2026, institutions will be required to apply a schedule of reductions formula to reduce the annual loan eligibility for students who are enrolled less than full-time.