FEDERAL FINANCIAL AID CHANGES FOR FALL 2026

UNIVERSITY OF CALIFORNIA

Administrator Summary · Effective July 1, 2026

Beginning July 1, 2026, new federal student loan rules will affect how some students and families borrow for college. These changes are part of federal legislation and may impact undergraduate, graduate, and professional students differently.

1. Enrollment Level May Affect Student Loan Eligibility

ALL STUDENTS

Students enrolled less than full-time may receive reduced federal loans.

- Undergraduate full-time enrollment is **12 units per term**
- Graduate full-time enrollment depends on the program

For example, an undergraduate student normally eligible for **$1,800** in student loans may see that offer reduced to **$1,350** (75% of the original offer) if they enrolled in only 9 units.

IMPLICATIONS FOR UC

- Students considering part-time enrollment should consult with financial aid before finalizing their schedules.
- Graduate programs need to work with financial aid to define full-time status.
- Basic needs and other student services will need to be prepared to support part-time students who see their student loan eligibility reduced.

2. Parent PLUS Loan Limits Are Changing

UNDERGRADUATES & PARENTS

Beginning in Fall 2026:

- Annual borrowing will be capped at **$20,000 per year**
- Lifetime borrowing will be capped at **$65,000 per dependent student**

Although only about **6% of UC undergraduates** use Parent PLUS loans, those who do rely heavily on the program. In 2024–25, more than half of California resident Parent PLUS borrowers and over 90% of nonresident Parent PLUS borrowers exceeded the new annual limit.

IMPLICATIONS FOR UC

- Families who need to borrow more than the new federal limits should talk to the financial aid office about private educational loans.
- Nonresident enrollment could be impacted.

3. Graduate PLUS Loans: Not Available to New Borrowers

GRAD & PROFESSIONAL

Continuing students who borrowed a PLUS loan in their current degree program will continue to have access. However, new students will need to seek alternatives. The law also establishes new lifetime federal borrowing caps of **$100,000** for academic graduate students and **$200,000** for professional-degree students. UC will meet the needs of students who might have otherwise borrowed through Graduate PLUS in three ways:

1. **Federal Direct Loans** are a separate federal loan program open to all students who qualify for federal support. Certain federally designated professional programs—including medicine, dentistry, law, pharmacy, optometry, and clinical psychology—will see annual Direct Loan limits increase from **$20,500 to $50,000**. Many programs that UC considers "professional," such as public health, do not meet the federal definition.

2. **Private student loans** will serve most students who might have previously used Graduate PLUS. The UC Office of the President vets a list of preferred private loan products,.

Private student loans often require strong credit or a creditworthy co-signer and do not come with the same protections and opportunities for public service loan forgiveness that federal loans do.

3. **University student loans** are very limited, but may help meet the needs of some students. In total, UC made $9.7 million in university loans to 4,300 students in 2024–25, most of which (87%) went to undergraduate students. Some campuses do not currently have University loans for graduate students.

SYSTEM-WIDE LOAN SHORTFALL

UC estimates that in the first year, the loss of Graduate PLUS loans will create a financing challenge of nearly **$70 million affecting more than 2,200 students**. Once fully implemented, this could grow to approximately **$178 million affecting nearly 5,800 students**.

IMPLICATIONS FOR UC

- Graduate students will increasingly turn to private loans, although some may not qualify due to adverse credit.
- Enrollment in programs that rely heavily on loans could be impacted.

4. Program Accountability & Repayment Changes

ADMINISTRATORS

Longer term, the law introduces a new accountability system that evaluates academic programs by graduates' earnings. Programs that fail federal earnings benchmarks in two out of three years could see their students lose access to federal Direct Loans starting in 2028.

The law also simplifies student loan repayment by reducing to only two plans: a **standard repayment plan** and a new **Repayment Assistance Plan (RAP)**. Existing income-driven plans will be phased out in 2028.

IMPLICATIONS FOR THE CAMPUS

- Programs that do not meet the earnings test will need to prepare for loss of enrollment if their students lose eligibility for student loans.
- Programs with heavy borrowing may want to consider loan repayment assistance programs for their graduates.

Contact your campus financial aid office for guidance on how these changes apply to your programs and students.