Federal student loans and the One Big Beautiful Bill Act

This document is a summary of the major provisions in H.R.1, the One Big Beautiful Bill Act, as they apply to medical students and does not include all provisions that impact federal student loans.

	Current Federal Student Loan Rules	New Federal Student Loan Rules (One Big Beautiful Bill Act)[1]
Loan Types That Can Be Taken by Medical Students	Federal Direct Unsubsidized Stafford Loans	Federal Direct Unsubsidized Stafford Loans
	Graduate Direct PLUS Loans	Beginning July 1, 2026, **eliminates** Graduate Direct PLUS Loans
	If a borrower has a Federal Direct Loan made before July 1, 2026, while enrolled in a credentialed program, the borrower can borrow from the GradPLUS program for 3 academic years or the remainder of their expected time to credential, whichever is less.	
Annual Loan Maximums for Medical Students	Medical Student Direct Unsubsidized Loans[2] = $20,500 a year + ○ Additional $20,000 for an Academic Year Covering 9 months ○ Additional $26,667 for an Academic Year Covering 12 months Direct PLUS Loans = Student's Estimated Cost of Attendance minus Other Financial Assistance *Borrower must be enrolled at least half time.*	Professional Student = $50,000 a year *The amount of loans a student that is not full-time can borrow will be reduced in direct proportion to the degree to which the student is enrolled in courses.*
	If a borrower has a Federal Direct Loan made and dispersed before July 1, 2026, and is enrolled in a credentialed program, the borrower can continue to borrow under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less.	
Total Loan Maximums for Medical Students	Medical Student[3] = $224,000 (subsidized and unsubsidized) Federal Direct PLUS Loan Limit = Student's Estimated Cost of Attendance minus Other Financial Assistance	Professional Student = $200,000 minus the amount borrowed for any graduate education **Does not include amounts borrowed for undergraduate education* Overall loans (not including parental loans or loans under section 428B) = $257,500

[1] https://www.law.cornell.edu/uscode/text/20/1087e.
[2] https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/vol8/ch4-annual-and-aggregate-loan-limits.
[3] https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/vol8/ch4-annual-and-aggregate-loan-limits.

	If a borrower has a Federal Direct Loan made and dispersed before July 1, 2026, and is enrolled in a credentialed program, the borrower can continue to borrow under current loan limits for 3 academic years or the remainder of their expected time to credential, whichever is less.	
Loan Maximum for Parents	Federal Direct Parent PLUS Loan Limit:[4] o Student's Estimated Cost of Attendance minus Other Financial Assistance	Beginning July 1, 2026, Federal Direct Parent PLUS Loan Limit: o Annual maximum = $20,000 per dependent o Total = $65,000 per dependent
	If a borrower has a Federal Direct Loan made and dispersed before July 1, 2026, and the dependent student is enrolled in a credentialed program, the parent can continue to borrow under current loan limits for 3 academic years or the remainder of the student's expected time to credential, whichever is less. *All Parent PLUS loans taken out on or after July 1, 2026, must be repaid under the standard repayment plan. This includes Parent PLUS loans that were borrowed in part before July 1, 2026, and had subsequent amounts borrowed/dispersed on or after July 1, 2026.*	
Loan Repayment Restart		Before July 1, 2028, every borrower who has loans that are in repayment status or on administrative forbearance via an income contingent repayment plan must choose to continue to repay their loans per the Repayment Assistance Plan, the income based repayment plan under 493C, or any other repayment plan authorized under 455(d)(1).
Loan Repayment Plans[5,6]	**Standard Plan[7]** Based on the total outstanding principal of all borrowed loans. o Minimum of $50 a month o 10 years of payments **Standard Plan with Consolidated Loan** Based on the total outstanding principal of all borrowed loans. o Less than $7,500 = 10 years o $7,500–9,999 = 12 years o $10,000–19,999 = 15 years o $20,000–39,999 = 20 years o $40,000–59,999 = 25 years o More than $60,000 = 30 years **Extended Repayment Plan** o Fixed or graduated payment amount o 25 years of payments o Must owe more than $30,000	**Standard Plan** Based on the total outstanding principal of all the loans borrowed/dispersed on or after July 1, 2026, at the time the borrower enters repayment. o <$25,000 = 10 years o $25,001 - $50,000 = 15 years o $50,001 - $100,000 = 20 years o More than $100,000 = 25 years

[4] https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/vol8/ch4-annual-and-aggregate-loan-limits.
[5] https://studentaid.gov/announcements-events/big-updates.
[6] https://studentaid.gov/manage-loans/repayment/plans/income-driven.
[7] https://studentaid.gov/manage-loans/repayment/plans/standard.

	Graduated Repayment Plan ○ Payments start out low and increase every two years ○ 10 years of payments **Graduated Repayment Plan with Consolidated Loan** ○ Less than $7,500 = 10 years ○ $7,500–10,000 = 12 years ○ $10,000–20,000 = 15 years ○ $20,000–40,000 = 20 years ○ $40,000–60,000 = 25 years ○ More than $60,000 = 30 years	
	Borrowers who took out a loan prior to July 1, 2026, can continue to utilize the standard, graduated repayment, and extended repayment plans.	
	Income-Based Repayment (IBR) Plan Based on income and family size but payments never go higher than the Standard Plan. ○ First borrowed after July 1, 2014 = 10% of discretionary income and remainder forgiven after 20 years ○ Borrowed before July 1, 2014 = 15% of discretionary income and remainder forgiven after 25 years ○ Need a partial financial hardship	**Income-Based Repayment (IBR) Plan**[8] Based on income and family size but payments never go higher than the Standard 10-year Plan. ○ First borrowed after July 1, 2014 = 10% of discretionary income and remainder forgiven after 20 years ○ Borrowed before July 1, 2014 = 15% of discretionary income and remainder forgiven after 25 years ○ Do **not** need a partial financial hardship ○ Parent PLUS borrowers who have consolidated their parent PLUS loans into Direct Consolidation Loans and who have enrolled in the Income-Contingent Repayment (ICR) Plan immediately before enrolling in the IBR Plan can now enroll in the IBR Plan *Some borrowers will not have access to this plan including:* ○ *Parent PLUS borrowers whose PLUS loans have not been consolidated* ○ *Recipients of Perkins loans and other smaller loan programs who have not consolidated those loans into a Direct or Federal Family Education Loan (FFEL) Program consolidation loan*
	Continued access to IBR will be available only for loans taken out and dispersed before July 1, 2026. Loans taken out or dispersed after July 1, 2026, will not be eligible for IBR.	
	Income-Contingent Repayment (ICR) Plan Based on your income and family size and payments can be higher than under the Standard Plan. The payment is the lesser of: ○ 20% of your discretionary income **or**	**Income-Contingent Repayment (ICR) Plan** Eliminated on July 1, 2028.

[8] https://studentaid.gov/announcements-events/big-updates.

	○ Payment on a repayment plan with a fixed payment over the course of 12 years, adjusted according to income ○ Remainder forgiven after 25 years	
	Payments already made under ICR will still count towards forgiveness, but borrowers must switch into one of the valid repayment plans.	
	Pay As You Earn (PAYE) Repayment Plan Based on income and family size but payments never go higher than the Standard Plan. ○ 10% of discretionary income and remainder forgiven after 20 years ○ Must be a new borrower on or after 10/1/2007 and have a Direct Loan disbursement on or after 10/1/2011 ○ Partial Financial Hardship	**Pay As You Earn (PAYE) Repayment Plan** Eliminated on July 1, 2028.
	Payments already made under PAYE will still count towards forgiveness, but borrowers must switch into one of the valid repayment plans.	
	Saving on a Valuable Education (SAVE) Plan Based on your income and family size and payments can be higher than under the Standard Plan. ○ 10% of discretionary income and remainder forgiven after 20 years for borrowers with only undergraduate loans ○ 10% of discretionary income and remainder forgiven after 25 for borrowers with any graduate or professional loans Borrowers who enrolled in or applied for the SAVE Plan are currently in forbearance unless they obtained a different status. Interest began accruing again for borrowers with loans in the SAVE forbearance on August 1, 2025. Borrowers working towards Public Service Loan Forgiveness, and who are enrolled in the SAVE Plan, who want to start making qualifying payments, must apply to switch to a currently available eligible IDR plan. Some borrowers who are on the SAVE Plan can “buy back” months of PSLF credit for time spent in forbearance due to the court injunction.	**Saving on a Valuable Education (SAVE) Plan**[9] Eliminated on July 1, 2028.
		Income-Based Repayment Assistance Plan (RAP) ○ 360 payments (30 years) = Forgiveness

[9] https://studentaid.gov/announcements-events/idr-court-actions.

- Ontime payment = No interest accrual + at least $50 reduction in principal owed
- $50 reduction in monthly payment amount for each dependent
- The minimum payment under this plan will be $10 a month, otherwise payment is based on a percentage of the borrower's adjusted gross income (AGI):
  - <$10,000 = $120 annually
  - $10,001 - $20,000 = 1% of AGI
  - $20,001 - $30,000 = 2% of AGI
  - $30,001 - $40,000 = 3% of AGI
  - $40,001 - $50,000 = 4% of AGI
  - $50,001 - $60,000 = 5% of AGI
  - $60,001 - $70,000 = 6% of AGI
  - $70,001 - $80,000 = 7% of AGI
  - $80,001 - $90,000 = 8% of AGI
  - $90,001 - $100,000 = 9% of AGI
  - $100,001 or more = 10% of AGI

Can use this repayment plan for the PSLF Program

Available beginning July 1, 2026.

General Notes: Payment Plans

Borrowers with **any new loans** made on or after July 1, 2026, only have two repayment plans:

1. The new standard repayment plan
2. The RAP

This includes borrowers that choose to consolidate their loans on or after July 1, 2026. Borrowers who receive disbursements on new loans, or on a new consolidation loan, on or after July 1, 2026, will not have access to IBR, ICR, or PAYE even if they were previously enrolled in those plans. This means that if any new federal student loans are taken out or dispersed after July 1, 2026, the borrower will have to repay all their loans, even preexisting ones, on either the RAP or the new standard plan because all loans must now be repaid under the same plan.

Borrowers with no new loans on or after July 1, 2026, are eligible to enroll in the current Standard, Graduated, Extended, or IBR repayment plans, and may also choose to repay their loans using the new RAP. Current borrowers may also switch between, enter, or remain on existing IDR plans until July 1, 2028.

Current borrowers enrolled in ICR, PAYE, or SAVE plans must transition to a different repayment plan including the current IBR, current standard plans, or RAP, by July 1, 2028.

General Notes: Consolidated Loans

A consolidation loan taken out before July 1, 2026, will have access to the current repayment plans unless they are in an IDR plan which will necessitate the selection of a new repayment plan including the standard plan, IBR, or RAP on or before July 1, 2028. If no action is taken on or before July 1, 2028, all eligible loans will be automatically moved to RAP, and the rest of the loans will be placed into IBR.

Borrowers who must consolidate to access the IBR, ICR, and PAYE Plans must have their consolidation loan disbursed no later than June 30, 2026, to access IBR, ICR, and

	PAYE. Borrowers who must consolidate their Parent PLUS loans to access IBR and ICR must be enrolled in an IDR plan before July 1, 2028, to be eligible for IBR.	
Loan Rehabilitation	FEEL, Direct, and Perkins Loans can be rehabilitated **once.**	Beginning July 1, 2027, FEEL, Direct, and Perkins Loans can be rehabilitated **twice** with a minimum monthly payment of $10.
Loan Deferment[10]	**Economic Hardship Deferment** ○ Receiving a means-tested benefit, like welfare (e.g., Temporary Assistance for Needy Families (TANF)). ○ Work full-time but have a monthly income that is not more than the minimum wage rate or 150% of the poverty guideline for your family size and state of residence (whichever is greater). ○ Are serving in the Peace Corps. ○ Can receive this deferment for up to three years.	**Economic Hardship Deferment** Eliminated on July 1, 2027.
	Loans made on or before July 1, 2027, can still utilize this deferment.	
	Unemployment Deferment ○ Receive unemployment benefits or are seeking and unable to find full-time employment. ○ Can receive this deferment for up to three years.	**Unemployment Deferment** Eliminated on July 1, 2027.
	Loans made on or before July 1, 2027, can still utilize this deferment.	
Loan Forbearance[11]	Loans are eligible for forbearance for a maximum of 12 months at a time with a cumulative maximum of 3 years.	Loans issued on or after July 1, 2027, are eligible for forbearance for 9 months out of a 24-month period.
	As a physician resident you are entitled to a Medical Internship or Residency Deferment, but interest will still accrue during this deferment.	
School Responsibilities		Beginning July 1, 2026, if a program is low earning, then students who enroll in that program will not be able to take federal student loans. Low earning means: ○ Individuals with only a high school diploma earn more (per the median) than an individual with an undergraduate degree from that program. ○ Individuals with only an undergraduate degree earn more (per the median) than individuals with a graduate or professional degree from that program.

10 https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/deferment.
11 https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance.

Federal Student vs. Private Student Loans

Federal student loans have certain benefits that most private loans do not offer. Some of these benefits include:[12]

- Deferment of payments under certain conditions.[13]
- Loan forgiveness for things such as making a certain number of eligible payments, participating in PSLF, disability, or death.
- Flexible repayment plans.
- Loan Forbearance under specific conditions.[14]
- Most do not require a credit check.
- Fixed interest rates.

However, private student loans can have lower interest rates if you have a good credit score and a job that pays well, or someone that is willing to cosign your loans with you.

Interest rates for federal student loans as of October 2025[15] are:

- 7.94% for Direct Unsubsidized Loans
- 8.94% for Direct PLUS Loans

Interest rates for private student loans as of October 2025 range between 3% -18%.

Refinancing

If you have federal student loans and decide to refinance, remember that this cannot be reversed. Make sure that you understand the benefits and drawbacks of refinancing and shop around to get the best rate. Also remember that if you take out a loan with a variable interest rate, the interest you are expected to pay by the time you graduate from medical school or complete residency could be much higher than when you received your first disbursement.

Student Loan Calculator

You can use the Federal Student Aid Loan Calculator to estimate monthly student loan payments, choose a loan repayment option, and decide whether to consolidate your student loans.

Association of American Medical Colleges (AAMC) also has the MedLoans Organizer and Calculator which provides a secure location to organize and track student loans while also displaying possible repayment plans and costs based on the borrower's student loan debt.

Student Loan Repayment and Forgiveness

To help address the high student loan burden that physicians face several federal loan forgiveness programs have been created including the Public Service Loan Forgiveness Program (PSLF) and the National Health Service Corps.

[12] https://studentaid.gov/understand-aid/types/loans/federal-vs-private.
[13] https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/deferment.
[14] https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief/forbearance.
[15] https://studentaid.gov/understand-aid/types/loans/interest-rates.

PSLF forgives the remaining balance on your Direct Loans if you:[16]

- are employed by a U.S. federal, state, local, or tribal government or not-for-profit organization;
- work full-time for that agency or organization;
- have Direct Loans (or consolidate other federal student loans into a Direct Loan);
- repay your loans under an income-driven repayment plan; and
- make 120 qualifying payments.

Amounts forgiven under the PSLF Program are not considered income by the Internal Revenue Service. Therefore, you will not have to pay federal income tax on the Direct Loans that are forgiven.

National Health Service Corps repays student loans in exchange for service in urban, rural, or tribal communities with limited access to care.[17] You can join this program if you:

- work for two years full time at an approved site = up to $75,000 loans repaid
- work for two years part time at an approved site = up to $37,5000 loans repaid
- Amounts repaid through this program are not taxable.

Additionally, 35 states and the District of Columbia have at least one kind of loan forgiveness/repayment program to encourage physicians to practice in primary care and or/underserved areas. There generally are stipulations as to how long the service must be, and maximum award dollar amounts allowed.

For more information please see the 2025 Compendium of Graduate Medical Education Initiatives Report beginning on page 22. Additionally, the AAMC has a Loan Repayment, Forgiveness, Scholarship, and Other Programs Database that can help provide detailed information about programs available to medical students and physicians looking to engage in loan forgiveness programs as well as information about federal loan forgiveness programs.

Questions

For further information, contact your school financial aid office, your loan provider, or the Federal Student Aid Office.

[16] https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service.
[17] https://nhsc.hrsa.gov/sites/default/files/nhsc/loan-repayment/nhsc-lrp-fact-sheet.pdf.