Governors State UNIVERSITY

Office of Financial Aid & Scholarships
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Financial Aid Changes – One Big Beautiful Bill (OBBB) Act
Frequently Asked Questions

On July 4, 2025, the One Big Beautiful Bill (OBBB) Act was signed into law, introducing significant changes to programs authorized under the Higher Education Act. This FAQ document seeks to address some common questions.

Will this impact my financial aid for 2025-2026?

- For the vast majority of students, these changes will not impact financial aid awards for the 2025-2026 award year. Most changes included within these provisions go into effect until July 1, 2026.

PELL GRANT PROGRAM

- **What is the Pell Grant shortfall and how is it being addressed?**
  - Congress allocated $10 billion in mandatory funding to cover the projected shortfall in the Pell Grant program, expected to reach $2.7 billion for FY25 and nearly $10 billion by FY26.

- **What is the new Workforce Pell Grant?**
  - Starting July 1, 2026, Workforce Pell Grants are available for short-term programs (150–600 clock hours, 8–14 weeks) leading to stackable credentials aligned with in-demand jobs. Programs must meet performance benchmarks (≥70% completion and job placement). Time used under Workforce Pell counts against the lifetime Pell limit.

- **Can students receive both regular Pell and Workforce Pell at the same time?**
  - No. Students may only receive one type of Pell Grant at a time.

FEDERAL DIRECT LOAN PROGRAM

- **What changes are coming to the Graduate PLUS Loan Program?**
  - Graduate PLUS Loans will be eliminated starting July 1, 2026. Existing borrowers may continue borrowing for up to three academic years or until they finish their current program.

- **What are the new Parent PLUS Loan limits?**
  - Beginning July 1, 2026, all parents combined may borrow up to $20,000 per year per dependent student, with a $65,000 lifetime limit.

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- **What are the new loan limits for graduate and professional students?**
  - Annual limits are $20,500 for graduate students and $50,000 for professional students, with aggregate limits of $100,000 and $200,000, respectively. Total lifetime borrowing (excluding Parent PLUS) is $257,500.

- **Can colleges set their own lower loan limits?**
  - Yes. Institutions can set program-level loan caps but must apply them to all students in that program.

STUDENT LOAN REPAYMENT

- **What is the new Repayment Assistance Plan (RAP)?**
  - Starting July 1, 2026, new borrowers can use RAP, an income-based plan with payments of 1–10% of AGI, $10 minimum, $50 per dependent discount, and a 30-year term. Negative amortization is eliminated.

- **What happens to current repayment plans?**
  - Borrowers with loans before July 1, 2026, can remain on current Standard, Graduated, Extended, or IBR plans, or opt into RAP. PAYE, ICR, and SAVE will be phased out by July 1, 2028.

- **How will Parent PLUS loans be repaid under the new rules?**
  - New Parent PLUS loans must be repaid under the standard plan and are not eligible for RAP. Consolidation loans for Parent PLUS are also ineligible for RAP.

NEED ANALYSIS AND ELIGIBILITY

- **How does the bill affect FAFSA asset reporting?**
  - Starting 2026–27, family farms, small businesses, and family-owned fisheries are exempt from the SAI calculation.

- **How is foreign income treated for Pell eligibility?**
  - Foreign income must now be included in AGI when calculating Pell eligibility.

- **Who is ineligible for Pell Grants under the new rules?**
  - Students with scholarships/grants covering the entire COA
  - Students with an SAI exceeding twice the maximum Pell Grant

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INSTITUTIONAL ACCOUNTABILITY

- **What is the new "low earnings outcomes" measure?**
    - Programs failing earnings benchmarks 2 out of 3 years will lose Direct Loan eligibility. Students must be warned if their program fails.

MISCELLANEOUS

- **What happens to Borrower Defense to Repayment and Closed School Discharge rules?**
    - Implementation of the 2022 rules is delayed until July 1, 2035. Loans issued before that date will follow the rules in effect before 2022.

- **What changes are made to forbearance and deferment?**
    - Economic hardship and unemployment deferments end for new loans made after July 1, 2027.
    - Forbearance is limited to 9 months in any 2-year period for new loans starting July 1, 2027.