The U.S. Department of Education's Proposal on OBBB RISE Notice of Proposed Rulemaking

Background

On July 4, 2025, President Trump signed the One Big Beautiful Bill (OBBB) Act into law. Among the many provisions, this bill made sweeping changes to the higher education landscape, impacting students and families and programs at institutions of higher education that can be offered on campuses.[1] To implement this bill, the Department of Education (Department) divided its efforts into two negotiated rulemaking committees: the Reimagining and Improving Student Education (RISE) Committee and the Accountability in Higher Education and Access through Demand-Driven Workforce Pell (AHEAD) Committee.[2] After the announcement of these committees, the American Council on Education (ACE) sent a letter to the Department expressing the views of the broader higher education community ahead of the negotiations.

This summary focuses on the proposed rule from the RISE committee. The committee began their negotiated rulemaking session in September 2025. This committee was directed to focus on the following elements:

- Phase out graduate and professional PLUS Loans;
- Establish new annual loan limits for graduate and professional students and parent borrowers;
- Implement new lifetime borrowing caps;
- Simplify student loan repayment plans into a standard repayment plan and a single income-based Repayment Assistance Plan (RAP) for new borrowers;
- Eliminate the Income-Contingent Repayment (ICR) plan;
- Streamline requirements for Income-Based Repayment plans for existing borrowers.
- Give institutions flexibility to apply lower annual limits for student and parent borrowers for selected programs of study;
- Modify loan rehabilitation, including allowing defaulted borrowers to rehabilitate their loans a second time;
- Set minimum monthly payment amounts for student loans;
- Phase out unemployment and economic hardship deferments;
- Place limitations on a borrower's ability to receive a general forbearance; and
- Other provisions included in OBBB that are effective, upon enactment, on July 1, 2026, on July 1, 2027, or on July 1, 2028.

The RISE committee completed its negotiated rulemaking session in November 2025 with a consensus vote on the entire package.[3] These proposed regulations will go into effect beginning on July 1, 2026.

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[1] A summary of OBBB provided by ACE can be found here: https://www.acenet.edu/Documents/Summary-One-Big-Beautiful-Bill-Act.pdf
[2] Public Hearing; Negotiated Rulemaking Committees, 90 F.R. 35261 (July 25, 2025). https://www.govinfo.gov/content/pkg/FR-2025-07-25/pdf/2025-13998.pdf
[3] Under the organizational protocols for negotiated rulemaking agreed to by all members of the negotiated rulemaking committee, if the committee reaches consensus on the proposed regulations, the Department agrees to publish, without substantive alteration, a defined group of regulations

Summary

Section 674.39: Loan Rehabilitation

Students can rehabilitate their loans twice beginning on July 1, 2027. Currently, students can only rehabilitate their loans once.

Section 682.215: Income-Based Repayment Plan

The partial financial hardship language in the regulations is removed from this section. What follows are the aspects of the regulation that were altered to remove "partial financial hardship."

The proposed language states that student loan borrowers enrolled in the Income-Based Repayment (IBR) plan may have their monthly payment recalculated by their lender, but the payment cannot exceed 15 percent of the borrower's adjusted gross income (AGI)—including spousal income, if applicable—above 150 percent of the poverty level. This amount is known as the applicable amount.

As in current regulations, a borrower may request a recalculation of their monthly payment if they learn that it includes loans not held by the loan holder. In that case, the loan holder will determine a borrower's monthly payment based solely on the eligible loans it holds. If the borrower is married and filed a joint federal tax return, the loan holder will recalculate the monthly payment based on the total loan debt for both.

Accrued interest will be capitalized on the loan if the borrower leaves the IBR plan or when the applicable amount is greater than the amount the borrower would have repaid under a Standard Repayment Plan based on a 10-year repayment period, also known as the maximum amount.

If a borrower's monthly payment is not sufficient to pay down the principal balance, the payment is postponed until the borrower either leaves the IBR plan or when the applicable amount exceeds the maximum amount.

The Department may make a special allowance payment to the lender while the borrower requests a recalculation of their aggregate monthly payment. This payment is based on the principal balance of the loan and unpaid accrued interest.

When a borrower elects to repay their student loan under IBR, the loan holder will recalculate the borrower's monthly payment so that it does not exceed the applicable amount. To help the loan holder make this determination, the borrower must provide AGI documentation (or proof of income if AGI is not available), information regarding spousal eligible loan information of a married borrower who files a joint federal income tax return, and family size. A borrower must be notified, initially and annually, of the requirements in the IBR plan.

To qualify for loan forgiveness after 25 years, a borrower must have made reduced monthly payments or stopped making income-based payments; made monthly payments under a different repayment plan that were no less than the payments that would have been made under a Standard Repayment Plan under the Federal Family Education Loan (FFEL) program; or received an economic hardship deferment on eligible FFEL loans.

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on which the Committee reached consensus—unless the Secretary reopens the process or provides a written explanation to the participants stating why she has decided to depart from the agreement reached during negotiations.

Section 682.405: Loan Rehabilitation Agreement

A borrower can only obtain a suspension of administrative wage garnishment once prior to July 1, 2027, and twice after July 1, 2027. Once the loan is rehabilitated, the borrower regains all benefits of the FFEL program, including any deferment eligibility that may remain.

Section 685.102: Definitions

The proposed rules include the following new definitions:

- **Expected time to credential**: Defined as the time a student takes to complete a program that is equal to or lesser of either three academic years or the difference between the length of the program and the amount of the program that has already been completed.
- **Graduate student:** Defined as a student who is enrolled in a program of study above the baccalaureate level and awards a graduate credential that is not a professional degree.
- **Professional student:**
  - Defined as a student who is enrolled in a program of study that awards a professional degree. A professional degree is a program that:
    - Satisfies the beginning requirements for a particular profession and a level of professional skill beyond what is required for a bachelor's degree;
    - Is generally at the doctoral level and requires at least six academic years of postsecondary education coursework;
    - Generally requires professional licensure to begin practice; and
    - Includes a four-digit Classification of Instructional Program (CIP) code in the same intermediate group as the identified professional degree fields.
  - A professional degree may be awarded in the following fields:
    - Pharmacy (Pharm.D.);
    - Dentistry (D.D.S. or D.M.D.);
    - Veterinary Medicine (D.V.M.);
    - Chiropractic (DC or DCM.);
    - 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.)
  - A professional student may not receive financial aid as an undergraduate while enrolled in a professional degree program, and a student is considered a professional student only if they are enrolled in one of the programs listed above.
- **Program length:** Defined as the minimum amount of time in weeks, months, or years specified in the catalog, marketing materials, or other official publications of an institution of higher education.

Section 685.200: Borrower Eligibility

Clarifies that a graduate or professional student can borrow a PLUS loan as long as the student meets certain requirements to include being enrolled or accepted for enrollment on a half-time basis, being considered an eligible student, and having received a determination of their annual loan maximum eligibility under the Direct Unsubsidized Loan program.

Beginning on July 1, 2026, a graduate or professional student may not borrow from the Direct PLUS loan program. However, such students may still continue to borrow PLUS loans if they are enrolled and received such loan prior to July 1, 2026. If a student withdraws from the program, they cannot borrow from the PLUS loan program.

Section 685.201: Obtaining a Loan

A borrower can obtain a PLUS loan by completing the Free Application for Federal Student Aid (FAFSA) and a Master Promissory Note for Direct PLUS loans. However, a borrower will only be able to apply for a Direct PLUS loan after July 1, 2026, if they are already enrolled in a graduate or professional degree program with such loans prior to July 1, 2026.

Section 685.203: Loan Limits

The proposed rule makes the following changes to the loan limits below as required by OBBB.

- Clarifies that a graduate or professional student cannot borrower more than $8,500 annually under the Direct Unsubsidized Loan Program if they took out the loan between July 1, 2012, and June 30, 2026.[4]
- Beginning on or after July 1, 2026, a first-time graduate student who is not a professional student may borrow $20,500 annually and $100,000 in the aggregate. A first-time professional student may borrow $50,000 annually and $200,000 in the aggregate. If a graduate student pursues another degree that is a professional degree, they may borrow an aggregate of $200,000, but they must subtract what they borrowed before. If a professional student seeks a second professional degree, they must subtract what they borrowed from their first professional degree and may use the remaining aggregate loan limit.
- The new lifetime maximum aggregate loan limit for students is $257,500.
- If a student was enrolled in a graduate or professional degree program prior to July 1, 2026, and is still completing that program, the newer loan limits will not apply to them unless they withdraw from, or cease to be enrolled in, the program.
- Parents of dependent students can borrow $20,000 annually and $65,000 in the aggregate. If a parent borrowed a Parent PLUS loan prior to July 1, 2026, and their dependent student is still enrolled in the program, the new loan limits will not apply unless the dependent student withdraws or ceases to be enrolled in the program.
- If a student switches majors in the same degree or certificate program, they will be considered to still be enrolled in the same program of study.

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[4] This is the amount that a graduate or professional student can borrow before an additional $12,000 is added in 34 CFR 685.203(c)(2)(v) to equal the $20,500 annual loan limit.

- If a student is enrolled in a program that awards both a graduate degree and professional degree, the student is considered a professional student if more than 50 percent of the credit hours in that program count toward the professional degree.

- A student enrolled less than full-time will have their Direct Loan amount reduced in proportion to their enrollment status as of the date the institution determines eligibility for disbursement. This also applies to terms that are less than a full academic year.

- Institutions can reduce loan limits beginning on July 1, 2026, as long as such new limits are applied consistently to all students enrolled in that program of study. If an institution does so, it must document its decision and follow the proper record retention and examination requirements. Such changes must be clearly communicated to current and prospective students beforehand and must be published in course catalogs, on the institution's website, and on award notifications.

Section 685.204: Deferment

The proposed rule terminates both unemployment and economic hardship deferments to align with OBBB.

Section 685.205: Forbearance

The proposed rule changes the period of forbearance from one year to no more than nine months in a 24-month period to align with OBBB.

Section 685.208: Fixed Payment Repayment Plans

The current repayment plans established before July 1, 2026, remain, but the proposed rule restructures the regulatory language to better explain each repayment plan that is not an IBR plan. This section also highlights that beginning on July 1, 2026, there will be a Tiered Standard Repayment Plan. A borrower under this plan will have to pay at least $50 a month except when a borrower's balance is less than $50. The repayment period for the Tiered Standard Repayment Plan is as follows:

- Less than $25,000 in Direct Loans, the borrower must repay the loans within 10 years of entering repayment;
- Equal to or greater than $25,000 but less than $50,000 in Direct Loans, the borrower must repay the loans within 15 years;
- Equal to or greater than $50,000 but less than $100,000 in Direct Loans, the borrower must repay the loans within 20 years; and
- Equal to or greater than $100,000 in Direct Loans, the borrower must repay the loans within 25 years.

Section 685.209: Income-Driven Repayment Plans

The Repayment Assistance Plan is added to the list of repayment plans, and the proposed rule restructures the regulatory language. Key aspects of this section include.

- The Repayment Assistance Plan has a certain level of base payments for each student loan borrower depending on the amount of their adjusted gross income.

Adjusted Gross Income (AGI)	Base Monthly Payment
$10,000 or less	$120
$10,001–$20,000	1% of AGI
$20,001–$30,000	2% of AGI
$30,001–$40,000	3% of AGI

Adjusted Gross Income (AGI)	Base Monthly Payment
$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
Over $100,000	10% of AGI

- A dependent, for the purposes of the Repayment Assistance Plan, is defined as someone who qualifies as a dependent under Section 152 of the Internal Revenue Code of 1986 and who were claimed on the borrower's federal income tax return. If a borrower is married but filed a separate tax return from their spouse, a person can only be a dependent if they are claimed as such on the return.

- An eligible loan is defined as any outstanding loan in the Direct Loan program and in the FFEL program except for a Parent PLUS loan under either program, or an excepted consolidation loan. An excepted consolidation loan is defined as a FFEL or Direct Consolidation loan if the loan repaid a FFEL or Direct Parent PLUS Loan. Or, an excepted consolidation loan is a FFEL or Direct Consolidation loan that repaid a FFEL or Direct Parent PLUS Loan but one of the types of loans were excluded because it was being repaid under the Income Contingent Repayment (ICR) Plan, the Pay As You Earn (PAYE) Plan, or IBR on any date on or after July 4, 2025 and through June 30, 2028.

- Defines the following additional terms: discretionary income, excepted loan, income, income-driven repayment plan, monthly payment or the equivalent, new borrower, poverty guideline, and support.

- If a loan is in default, it cannot be repaid under an income-driven repayment plan, but it can be repaid under an IBR Plan and the Repayment Assistance Plan.

- A borrower repaying their loans under the Revised Pay As You Earn (REPAYE) Plan may continue to do so through June 30, 2028, if the borrower has not received a Direct Loan on or after July 1, 2026, and has loans eligible for the program.

- A borrower repaying their loans under the PAYE plan may continue to do so until June 30, 2028, if they have not received a new Direct Loan on or after July 1, 2026, are a new student loan borrower, have eligible loans, have elected to have their monthly repayment recalculated to not exceed the applicable amount, and were repaying a loan under the PAYE plan on July 1, 2024. If a borrower switches repayment plans on or after July 1, 2024, they are not allowed to re-enroll in the PAYE plan.

- A borrower repaying their loans under the ICR plan may continue to do so until June 30, 2028, as long as they have not received a new Direct Loan on or after July 1, 2026, have eligible loans, have elected to have their monthly repayment recalculated to not exceed the applicable amount, and were repaying a loan under the ICR plan on July 1, 2024. A borrower can opt to use the ICR plan to repay a Direct Consolidation Loan that repaid a FFEL or Direct Parent Plus loan disbursed after July 1, 2006, but cannot do this if they have a Direct Loan that was disbursed on or after July 1, 2026.

- Through June 30, 2028, a borrower who has a Direct Consolidation Loan disbursed on or after July 1, 2025, that repaid a Direct Parent PLUS Loan, a FFEL Parent PLUS Loan, or a Direct Consolidation Loan that repaid a consolidation loan that included a Direct Parent PLUS or FFEL Parent PLUS Loan, may not choose any income-driven repayment plan except the ICR plan.
- A borrower repaying under the PAYE and ICR plan must switch to the Repayment Assistance Plan, either of the Standard Repayment Plans, the IBR plan, the Graduate Repayment Plans (depending on whether a borrower entered repayment before or after July 1, 2006), or the Extended Repayment Plans (depending on whether a borrower entered repayment before or after July 1, 2006).
- If a borrower does not elect a plan before June 30, 2028, they will be placed in the Repayment Assistance Plan or the IBR plan depending on loan eligibility.
- When determining the income for a borrower under the Repayment Assistance Plan and the ICR plan, only their income is used if they are unmarried; married filing separately; married and filing a joint federal income tax return but separated; or married but unable to access their spouse's income. For the Repayment Assistance Plan, a borrower's joint income with their spouse is considered if they are married and filing a joint federal income tax return. For the ICR plan, the income of married borrowers who choose to jointly repay their Direct loans (regardless of tax status) and married borrowers who file a joint federal income tax return is used.
- Reiteration of the regulatory text around the treatment of income, the treatment of loan debt, and monthly payment amounts.
- Clarification that borrowers can repay their loans over more than 10 years if they are enrolled in the IBR or PAYE plans and their monthly payment amount is less than what the borrower would have repaid on a standard 10-year repayment plan.
- For the Repayment Assistance Plan, the borrower's monthly payment amount is equal to the base payment divided by 12 months minus $50 for each dependent of the borrower, resulting in a reduced monthly payment. A borrower's monthly payment amounts under this plan would be adjusted when their spousal loan debt is included, and a $10 minimum payment is established if the borrower's adjusted monthly payment is less than $10.
- Any accrued interest not covered by the borrower's monthly payment would not be charged to the borrower. However, if a borrower credits a payment to a future monthly payment that equals or exceeds the future monthly payment, any accrued interest that was unpaid would be charged.
- A borrower would have their student loan payments in the IBR plan count towards forgiveness if they made payments before June 30, 2028, under the PAYE or ICR plan or had a monthly payment amount of zero dollars.
- Borrowers that are repaying at least one loan in the Repayment Assistance Plan will have their loans forgiven after 360 months of payments (the equivalent of 30 years). Payments would need to be on time. A qualifying monthly payment would include:
    - A payment under the Repayment Assistance Plan;
    - A payment under the Tiered Standard Repayment Plan;
    - A payment under any other repayment plan (other than the Repayment Assistance Plan) as long as the payment is equal to a payment under a standard repayment plan amortized over a 10-year period;

- A full payment under the IBR plan;
    - A full payment under the ICR plan before July 1, 2028;
    - A full payment under an alternative repayment plan before July 1, 2028;
    - Any unemployment or economic hardship deferment for loans disbursed prior to July 1, 2027; and
    - Other deferments and forbearances prior to July 1, 2026, such as a cancer treatment deferment or military service deferment.

- When recertifying income annually, a borrower (and their spouse if applicable) must provide approval for the disclosure of the needed tax information. If this information is not provided (either by the borrower or the Internal Revenue Service), the borrower must provide documentation of their income and family size if they are enrolled in the IBR plan or the documentation of their income, family size, and number of dependents in the Repayment Assistance Plan. If they do not, then their monthly payment amount is increased.

- A disclosure is sent to the borrower specifying their monthly payment amounts; how the monthly payments were calculated; the terms and conditions; how to contact the Department if the calculated amount is not representative of the borrower's current income and family size or, for the Repayment Assistance Plan, the income and the number of dependents; the rights of the Secretary of Education (Secretary) in requiring documentation of their family size, income, and number of dependents if needed; and their right to opt out at any time.

- A borrower can request that a monthly payment amount be recalculated.

- If a borrower repaying their loans under the PAYE, REPAYE, or Repayment Assistance Plan is unable to make a monthly payment that covers any of the principal amount that is due, then the payment of that principal is postponed.

- For each month that a borrower's monthly payment reduces the outstanding principal loan balance by less than $50, the Secretary would reduce the total outstanding principal amount by the lesser of $50 or the actual monthly payment minus the amount of the monthly payment applied to the total outstanding principal balance. This benefit would not apply if a future payment that meets or exceeds the required amount is credited to the borrower's account.

- If making a monthly payment of more than the amount due, the borrower can choose to opt out of advancing the due date for the next monthly payment. If the borrower does not opt out of advancing the due date, then those payments would count as qualifying monthly payments and payments toward the Public Service Loan Forgiveness (PSLF) program.

Section 685.210: Choice of Repayment Plans

- Student loan borrowers can select the new Tiered Standard Repayment Plan or the Repayment Assistance Plan to repay loans made on or after July 1, 2026. If a borrower does not select a loan that was made prior to July 1, 2026, then they will be placed in the Standard Repayment Plan. For loans made after July 1, 2026, they will be placed in the Tiered Standard Repayment Plan.

- If a borrower receives an excepted consolidation loan or a Direct PLUS loan that is ineligible for repayment under the Repayment Assistance Plan, those loans must be repaid separately under a different repayment plan. For a Parent PLUS loan received on or after July 1, 2026, the loan must be repaid under the Tiered Standard Repayment.

- Borrowers can switch between the Tiered and Standard Repayment plans. A borrower's eligibility to switch between the repayment plans for loans made before July 1, 2026, are still in effect.

Section 685.211: Miscellaneous Payment Provisions

- If a borrower defaults on a loan that is not an excepted consolidation loan, the Secretary may require the borrower to pay under the Repayment Assistance Plan or the Tiered Standard Repayment Plan.
- Before July 1, 2027, A borrower's monthly payment amount is considered to be reasonable as long as it is at least $5. On or after July 1, 2027, the borrower's reasonable payment amount will increase to $10.
- Borrowers can rehabilitate their loans twice.

Section 685.219: Public Service Loan Forgiveness Program

- Borrowers who elect to repay their loans under the Repayment Assistance Plan or an income-contingent repayment plan before June 30,2028, would qualify for PSLF.
- A borrower would be considered to have satisfied the 120 monthly payment requirement if, while enrolled in the Standard Repayment Plan with regular or consolidated loans, they make a lump-sum payment or a monthly payment equal to or greater than the full scheduled amount in advance of the due date, not to exceed a 12-month period.
- When a borrower who is enrolled in the Repayment Assistance Plan receives certain deferments or forbearances, they would not have those months count towards PSLF.
- A borrower must be employed full-time by a qualifying employer.[5]
- Borrowers who are repaying under the Repayment Assistance Plan may not count periods of deferment or forbearance as qualifying months of repayment towards PSLF.

Section 685.220: Consolidation

- A borrower is able to consolidate a Federal Consolidation Loan into a new consolidation loan without including any additional loans if they have a Federal Consolidation Loan in default or submitted to the guaranty agency by the lender for default aversion, and the borrower wants to consolidate the Federal Consolidation Loan into the Direct Loan Program to obtain an income-contingent repayment plan or an income-based repayment plan (if before July 1, 2028) or the Repayment Assistance Plan (if on or after July 1, 2028).
- For a Direct Consolidation Loan made on or after July 1, 2026, a borrower may choose the Tiered Standard Repayment Plan or the Repayment Assistance Plan. A borrower can choose from the following repayment plans for Direct Consolidation Loans made before July 1, 2026: Standard Repayment Plan, Extended Repayment Plan, Graduated Repayment Plan, PAYE plan, REPAY plan, IBR plan, ICR plan, and the Alternative Repayment Plan.

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[5] The Department released a final rule on October 31, 2025, modifying the PLSF program to align with Executive Order 14235 (Mar. 7, 2025) directing the Department to revise PSLF eligibility criteria to prevent Federal funds from subsidizing activities that undermine national security and American values.

- Repayment periods are determined based on whether the borrower entered repayment before or after July 1, 2006. The total amount of outstanding balances on other education loans that are used to determine the repayment periods may not exceed the amount of the Direct Consolidation Loan, and the lender of the other educational loan cannot be an individual.

Section 685.221: Alternative Repayment Plan

- The Secretary is allowed to approve an alternative repayment plan on or after July 1, 2026, if the current options do not suffice, but only for Direct loans made prior to July 1, 2026.

Section 685.303: Processing Loan Proceeds

- An institution must disburse loan proceeds in substantially equal installments. No installment may exceed one-half of the loan, except when borrowers are enrolled less than full-time and are subject to lower loan limits.