

Student Loan Update – Critical Changes Happening Now

The One Big Beautiful Bill Act (“OBBBA”) is imposing significant changes to federal student loan repayment and borrowing. On paper, it appears that many of these changes won’t go into effect until June 30, but that’s not really the case. Everyone with federal student loans, especially parents carrying Parent PLUS loans and anyone who needs to take out any additional loans after June 30, needs to pay attention right now. There are steps you may need to take immediately.

If you’re a federal Parent PLUS loan borrower, the next few weeks could be critical.

1. You want to ensure that your Parent Plus loans have been consolidated and that you’re paying through the Income-Contingent Repayment plan, or “ICR.”
2. For Parent PLUS loan holders, the June 30th cutoff date works differently from prior federal student loan deadlines, for which you typically only had to have submitted a completed application by the date in question. This time, you’ll need to **complete** their consolidation before June 30, 2026. Considering that a consolidation can take two months or longer to complete, you’ll probably need to submit a consolidation application by the first week of April to make sure your loans have been consolidated by the end of June, and that you choose the ICR plan to repay the resulting consolidation loan.
3. You can use the “Loan Estimator” on studentaid.gov to give yourself an idea of what your monthly payment will be on the ICR plan. Many parents who file taxes jointly discover that the ICR payment is unaffordable. You may still have hope.
4. To reduce that monthly payment, consider changing the way you file your taxes. If you file “Married/Filing Separately,” only the income of the borrowing parent will be considered. This should reduce the payment, which is based on your adjusted gross income and family size. If you use an accountant to file your taxes, consult with them immediately to determine whether a change in tax filing status would have on your results. If you file taxes yourself, you could use last year’s tax numbers to calculate the difference, if any, that such a status change would have. If the change will not seriously impact your taxes, but would result in a significantly lower monthly student loan payment, file this year’s taxes immediately, then file the consolidation application by the first week of April.

And that’s not all, Parent PLUS loan borrowers. If your student is still in college and you need to take out additional Parent PLUS loans, you have some very difficult choices to make. That’s because a different part of the OBBBA contains a poison pill for you. If you take out any additional loans, your existing Parent PLUS loans will not only become ineligible for ICR, but they will also become ineligible for future income-driven repayment and would no longer be forgivable through Public Service Loan Forgiveness. For this reason, Cambridge Credit Counseling is advising anyone in this position to either have their spouse take out the additional federal loans, shielding the existing loans from damage, or to consider taking out private loans for the remainder of their child’s education.

As of this writing, the OBBBA prevents any Parent PLUS loans taken out after June 30th from being forgiven through PSLF—not existing loans, future loans. That’s why Cambridge Credit Counseling is suggesting that any future Parent PLUS loans be taken out by the spouse who has not borrowed until now.

If you’re one of the millions of borrowers who’ve been stuck in the SAVE forbearance since last August, it’s probably time for you to move into the IBR repayment plan. It’s been nice not having to make a payment, of course, but you haven’t been getting credit for the work time, either, and there are no signs that you’ll be able to do so retroactively down the road. Use the loan estimator tool on studentaid.gov to get a rough idea of what your monthly payment will be in the IBR plan and get back on the road to making 120 qualifying payments. **If you applied for the Income-Based Repayment Plan (or “IBR”) over the last year or so but were denied because you earn too much money, it’s time to submit a new application.** That’s because the U.S. Department of Education has just dropped the requirement that applicants must have a “partial financial hardship,” opening the door for everyone who wants to enroll in IBR. If your goal is Public Service Loan Forgiveness, switching to IBR as soon as possible makes sense.

If you’re not finished with your education and need to take out additional loans, you’re in a tough spot. That’s because any loan taken out after June 30, 2026, will make all of your loans, including all undergrad loans already enrolled in IBR, ineligible for any plans other than the new Repayment Assistance Plan (“RAP”), which will debut next summer, or the Standard Plan, which would repay your loans in full and leave no balance to be forgiven after ten years. Again, if your current loans are being repaid through IBR and you take out a new federal loan after June 30, 2026, your old loans and your new loans would have to be repaid through the Standard Plan or RAP.

Finally, if your household budget makes it impossible to afford your new or existing monthly student loan payments, consider contacting Cambridge Credit Counseling, to learn more about your options. Their clients who are taking advantage of the agency’s debt management plan repay their credit card balances in full, but at significantly lower interest rates (an average of just 8%), creating breathing room in the budget that could help you afford your student loan payments.

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