

# PENDING LEGISLATION

## Parent PLUS Loans in 2026: How New Borrowing Caps Will Change College Financing



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If you've been relying on Parent PLUS loans to help fund your child's education, the rules are about to change in a major way. The One Big Beautiful Bill Act (OBBA) introduces strict new borrowing limits that will fundamentally reshape how families pay for college — and the clock is ticking on several critical decisions.

The changes take effect July 1, 2026, but families need to act well before that date to protect their options. Whether you're currently borrowing, planning to borrow soon or have multiple children at different stages, understanding these new rules could save you tens of thousands of dollars.

### The new Parent PLUS borrowing limits

Under the old system, Parent PLUS loans were essentially unlimited. As long as the loan amount didn't exceed the school's cost of attendance, parents could borrow whatever they needed. That flexibility is ending.

Starting July 1, 2026, Parent PLUS loans will be capped at:

- **\$20,000 per year** (annual limit)

- **\$65,000 per student** (aggregate lifetime limit)

The key date is when the loan is first disbursed. If your first Parent PLUS loan disbursement for a particular student happens before July 1, 2026, you fall under the old rules. If it happens on or after that date, the new limits apply.

There's also a legacy provision worth understanding. If you've already borrowed Parent PLUS loans before July 2026, you can continue borrowing under the old unlimited system for up to three more years, but only if your child stays at the same school and in the same program. Switch schools or degree programs, and you're subject to the new caps.

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# What happens to Parent PLUS repayment options

The borrowing limits aren't the only change. The OBBB Act also eliminates Income-Contingent Repayment (ICR) as an option for Parent PLUS loans.

For years, parents used a strategy called **double consolidation** to access income-driven repayment (IDR) plans. That loophole is now officially closed. Going forward, parents with new Parent PLUS loans will only have one federal repayment option: the standard 10-year repayment plan.

If you're a parent working in public service and hoping to qualify for Public Service Loan Forgiveness (PSLF), this is a significant blow. Without access to ICR or other IDR plans, your required monthly payments will be much higher, and the path to forgiveness becomes far less accessible.

The good news? Parents who consolidate their existing Parent PLUS loans before a specific deadline can be grandfathered into the old system and preserve access to ICR.

# Critical deadline: June 30, 2026 for consolidation

If you want to keep ICR as a repayment option, your Parent PLUS consolidation must be disbursed by June 30, 2026. Not applied for. Actually processed and disbursed.

This distinction matters more than you might think. [Federal student loan consolidation timelines](#) can take weeks or even months to process, especially during high-volume periods. Add in the possibility of government shutdowns, system outages or processing backlogs (all of which have happened in recent years), and waiting until spring 2026 could be a costly mistake.

The federal loan system has proven unpredictable. The Saving on a Valuable Education (SAVE) plan shut down, came back online, then stopped again. COVID-era forbearance caused massive processing delays. There's no reason to assume consolidations will move smoothly in early 2026 when everyone realizes the deadline is approaching.

If you're planning to consolidate, start the process now. Don't wait.

## Four strategic scenarios for parent borrowers

Different families face different situations. Here's how to think through the most common scenarios.

### Scenario 1: Single child, already borrowing

If you've already taken out at least one Parent PLUS loan for your child before July 1, 2026, you're covered under the legacy provision. You can continue borrowing up to the school's cost of attendance for the next three years, assuming your child stays at the same school and in the same program.

This is the simplest situation. You're protected from the new limits as long as you stay on track.

One strategic consideration: if your child has multiple years left and you know you'll need significant funding, consider maximizing your federal borrowing now while the limits don't apply. Federal loans often carry better terms than private alternatives.

## **Scenario 2: Multiple children, mixed timeline**

This is where things get interesting. Let's say you have one child currently in college (already borrowing under the old rules) and two younger children who will start school after July 2026.

For the younger kids, you'll face the \$20,000 annual cap. But for the older child, you can still borrow unlimited amounts under the legacy provision.

The strategy here: maximize borrowing for the child who qualifies under the old rules, even if you don't need all the money immediately. Bank those funds in a high-yield savings account or short-term investment. When your younger children start school and hit the new borrowing caps, you'll have federal loan dollars available to cover the gap, potentially avoiding higher-rate private loans.

This approach requires careful planning, but it can save thousands in interest over time.

## **Scenario 3: Two-parent household options**

In a two-parent household, you have an additional lever to pull: deciding which parent borrows the loans.

Here's a real example: one parent has been borrowing Parent PLUS loans historically. The child has one more year of school, but the next disbursement will happen after July 1, 2026. If that same parent continues borrowing, all of their existing loans get pulled into the new system and lose access to ICR.

The solution? Switch borrowers. Have the second parent take out new loans for the final year. This keeps the first parent's existing loan balance grandfathered under the old repayment rules, preserving access to ICR and IDR plans.

The new loans the second parent takes out will be subject to standard 10-year repayment only, but that's better than losing favorable repayment options on a much larger existing balance.

## **Scenario 4: Need to separate loans by child**

Some parents want to manage repayment separately for each child. The reason might be because one child is pursuing PSLF-eligible work or that the family wants flexibility in repayment strategies.

If you need to separate your Parent PLUS loans by child, you'll need to complete separate consolidation applications. This can't be done through the online consolidation tool. You'll need to submit paper applications, one for each child whose loans you want to consolidate separately.

Paper applications add time to the process, which brings us back to the earlier point: don't wait. Start this process in early 2026 if you need it done before the June 30 deadline.

## Action steps before July 2026

Here's what you need to do right now:

- **Determine your legacy status.** Have you already borrowed a Parent PLUS loan for your current student before July 1, 2026? If yes, you're protected under the old rules for now.
- **Decide on consolidation.** If you want to preserve access to ICR, plan to **consolidate existing Parent PLUS loans** well before June 30, 2026. Don't wait for the deadline.
- **Maximize borrowing strategically.** If you have a child covered under the legacy provision, consider borrowing up to your full need now while the option exists.
- **Plan which parent borrows.** In two-parent households, think through which parent should take new loans to preserve favorable repayment terms on existing balances.
- **Start early.** System disruptions, shutdowns and processing delays are real risks. The earlier you act, the more margin for error you have.

## What this means for college affordability

The new Parent PLUS limits will create significant gaps between financial aid packages and actual college costs, especially at expensive private schools or out-of-state public universities.

For a student attending a school with \$50,000 annual costs, the \$20,000 Parent PLUS limit leaves a \$30,000 gap to fill. Families will increasingly turn to **private student loans**, home equity lines of credit or other financing sources, often at higher rates and with fewer protections than federal loans offer.

This shift puts more pressure on families to start financial planning earlier. Waiting until high school to figure out how to pay for college won't cut it anymore. Families need to model out costs, borrowing capacity and repayment scenarios well in advance.

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