

Student Loan Types and Limits in the FY2025 Budget Reconciliation Act

July 10, 2025

P.L. 119-21, the FY2025 budget reconciliation act, amends the types of student loans available to borrowers under the Direct Loan program—the single largest source of federal financial assistance to support students’ postsecondary education pursuits—and their borrowing limits.

Loan Types

The Higher Education Act (HEA) authorizes four Direct Loan types: (1) Subsidized Loans to undergraduate students, (2) Unsubsidized Loans to undergraduate and graduate/professional students, (3) PLUS Loans to graduate/professional students (Grad PLUS Loans) and to parents of dependent undergraduate students (Parent PLUS Loans), and (4) Consolidation Loans, which allow individuals to combine debt from existing qualifying federal student loans into a single, new Direct Loan.

P.L. 119-21 [eliminates Grad PLUS Loans](#) and retains all other Direct Loan types.

Loan Limits

Direct Loans are subject to annual and aggregate loan limits. Annual limits cap the amount a student may borrow in Direct Loans during a single academic year and vary by loan type, borrower characteristics, and program and class level. Aggregate limits cap the cumulative amount of outstanding loan principal a student may owe in non-PLUS Loans at any time. If some of a borrower’s principal balance is paid down, discharged, or forgiven, their remaining aggregate limit then increases proportionally. PLUS Loans do not have aggregate limits.

P.L. 119-21 amends the [annual and aggregate limits](#) an individual may borrow in Direct Loans and institutes new [lifetime maximum aggregate limits](#), which limit the total amount of loans an individual may ever borrow under the HEA federal student loan programs, regardless of whether their principal balance is paid down, discharged, or forgiven.

Table 1 compares applicable current loan limits and as amended by P.L. 119-21.

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Table I. Current Direct Loan Limits and as Amended by P.L. 119-21

Limit	Current Limits ^a	As Amended by P.L. 119-21 ^b
Annual		
Undergraduate (Subsidized)	\$3,500 (first-year, dependent or independent) \$4,500 (second-year, dependent or independent) \$5,500 (third-year and beyond, dependent or independent)	Unchanged
Undergraduate (Unsubsidized)	\$5,500 minus Subsidized Loans (first-year, dependent) \$6,500 minus Subsidized Loans (second-year, dependent) \$7,500 minus Subsidized Loans (third-year and beyond, dependent) \$9,500 minus Subsidized Loans (first-year, independent) \$10,500 minus Subsidized Loans (second-year, independent) \$12,500 minus Subsidized Loans (third-year and beyond, independent)	Unchanged
Graduate (Unsubsidized)	\$20,500 (in general; higher limits apply to certain health professions programs)	\$20,500 ^c
Professional (Unsubsidized)	\$20,500 (in general; higher limits apply to certain health professions programs)	\$50,000 ^c
PLUS Loans (graduate/professional students)	Up to COA minus EFA	Loan type is eliminated
PLUS Loans (parents of dependent undergraduate students)	Up to COA minus EFA	\$20,000 ^d
Aggregate		
Undergraduate (Subsidized)	\$23,000 (dependent or independent)	Unchanged
Undergraduate (Unsubsidized)	\$31,000 minus Subsidized Loans (dependent) \$57,500 minus Subsidized Loans (independent)	Unchanged
Graduate (Unsubsidized)	Limit unspecified	\$100,000 ^e or \$200,000 minus amounts borrowed as a professional student
Professional (Unsubsidized)	Limit unspecified	\$200,000 ^f or \$200,000 minus amounts borrowed as a graduate student
Combined undergraduate (Subsidized and Unsubsidized) plus graduate/professional (Unsubsidized)	\$138,500 (in general) \$224,000 (students enrolled in certain health professions programs)	\$257,500
PLUS Loans (graduate students)	Not limited	Loan type is eliminated
PLUS Loans (parents of dependent undergraduate students)	Not limited	Limit unspecified

Limit	Current Limits ^a	As Amended by P.L. 119-21 ^b
Lifetime Maximum Aggregate		
Unsubsidized, Subsidized, and PLUS Loans to graduate/professional students	n.a.	\$257,500
PLUS Loans (parents of dependent undergraduate students)	n.a.	\$65,000 per dependent undergraduate student ^d

Sources: 20 U.S.C. §§ 1078, 1078-2, 1078-8, 1087a, and 1087e; CRS analysis of P.L. 119-21.

Notes: COA = cost of attendance; EFA = estimated financial assistance (amount of aid anticipated to be available to a student from all sources for a period of enrollment); n.a. = not applicable.

- a. The HEA delineates [distinct annual loan limits](#) for preparatory coursework for an undergraduate program, preparatory coursework for a graduate program, and teacher certification programs. P.L. 119-21 does not amend those limits.
- b. Amended limits do not apply to individuals who, as of June 30, 2026, are enrolled in a program of study and received a Direct Loan (or on whose behalf a loan was borrowed in the case of Parent PLUS Loans) for that program, for the lesser of three academic years or the remaining time to completion in their program of study.
- c. Limit applies to all qualifying student borrowers, regardless of type of program of study.
- d. Reflects the total amount of Parent PLUS Loans that may be borrowed on behalf of a dependent undergraduate student (i.e., two parents of the same dependent undergraduate student cannot each borrow up to the limit on behalf of the student).
- e. Applies to a graduate student who is not (and has not been) a professional student.
- f. Applies to a professional student who is not (or has not been) a graduate student.

Students Potentially Impacted by These Amendments

P.L. 119-21's changes to Direct Loan types and limits [apply to individuals](#) who, as of June 30, 2026, either (1) are not enrolled in a program of study or (2) are enrolled in a program of study for which they did not (or their parents did not) borrow a Direct Loan. That is, if an individual, as of June 30, 2026, is enrolled in a program of study and has received a loan (or a loan was made on their behalf) for that program, the new limits do not apply for a period of time. Current loan limits and availability apply to such individuals for the lesser of three academic years or the remaining time to completion in their program of study ([expected time to credential](#)).

Other Amendments

P.L. 119-21 makes two other changes to annual loan limits. It requires that a student's loan amount for an academic year be [prorated based on their enrollment intensity](#) if they are enrolled on a less-than-full-time basis. Also, beginning July 1, 2026, [institutions of higher education may limit](#) the dollar amount of Direct Loans an individual may borrow for a particular program of study and academic year, if the limit is applied consistently to all students enrolled in the program.

Author Information

Alexandra Hegji
Specialist in Social Policy

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