STUDENT LOAN PROFESSOR

THE STUDENT LOAN PULSE

Student Loan Professor's Dedicated Publication for Students

What Every Student Needs to Know About Borrowing (2026-2027)

The student loan landscape is evolving quickly. Depending on your borrowing history, these changes could affect how much you can borrow, which repayment plans you can use, and whether you'll need private loans to complete your degree. The changes that you are experiencing today will affect the financial lives of student loan borrowers for years to come.

Though, there are a few students that may qualify for **Legacy Borrower protections**, allowing them to retain valuable benefits from the current system.

Let's start there.

1. Legacy Borrower Status: What It Means

Under the new rules taking effect July 1, 2026, there are two types of Legacy Borrower protections students should understand:

Legacy Borrowers and Repayment Plan Protections

Students who only borrowed federal loans before July 1, 2026, may continue to access certain repayment plans that will no longer be available to future borrowers, including plans like Income-Based Repayment (IBR) for New Borrowers.

Key conditions to remember:

- To retain access to these Legacy Borrower Repayment Plan options, you must not take out any new federal student loans after July 1, 2026.

Why this matters: Maintaining access to these plans can offer greater flexibility and potentially lower payments and forgiveness once repayment begins.

Who benefits most:

- Students who Graduated prior to July 1, 2026, or current students who only borrowed federal loans before July 1, 2026.

Legacy Borrowers and Grad PLUS Loans

A second category of **Legacy Borrowers** applies to students currently enrolled in graduate or professional degree programs.

If these students **borrowed Grad Plus Loans prior to July 1, 2026**, they could retain access to borrow future Grad PLUS Loans for up to:

- Three additional academic years, or,
- Until completion of their current program within the program's expected time to credential.

➡️ **The key date is whichever comes first.**

Understanding "Expected Time to Credential"

Expected time to credential refers to the normal published length of your program as defined by your school.

Typical examples include:

- 4 years: Medical degree programs
- 3 years: Law degree programs
- 2 years: Many master's degree programs

Important Risk to Consider

If your enrollment is interrupted or extended, you may:

- Lose your Legacy Borrower status, and
- Become ineligible for future Grad PLUS Loans for the remainder of your program

Because policies can continue to evolve, it's important to talk to your Financial Aid Office to seek guidance before making enrollment changes that could affect your borrowing options.

What Does NOT Extend Your Timeline

Your expected time to credential does not automatically increase because you:

- Take a leave of absence
- Withdraw and later return
- Extend your enrollment beyond the standard program timeline
- Repeat courses or academic years

Important: Legacy Borrower status could be one of the most helpful student loan benefits available under the new law. If you have access to **Legacy Borrower** rights:

- Before you make any changes that could affect your future Grad PLUS eligibility, speak to your **Financial Aid Office** and take time to understand what those changes could mean for you.
- This includes things like taking a leave of absence, starting another degree program, or staying enrolled longer than your program's standard timeline.
- In some cases, these decisions could cause you to lose important **Legacy Borrower** protections.

Key Takeaway:
Legacy Borrower rights can be extremely valuable.

Before making decisions such as:

- Taking a leave of absence
- Starting another degree program
- Extending your time in school

➡️ Take time to understand how these choices could impact your eligibility.
Some decisions may limit or eliminate access to important loan benefits, so careful planning is essential.

2. Federal Loans May Not Cover Everything

Historically, graduate and professional students could use Grad PLUS Loans to bridge the gap between educational costs and federal loan limits.

Under the new law, flexibility is being significantly reduced through lower annual borrowing limits.

Beginning July 1, 2026, federal student loans may no longer cover the full cost of attendance. Students who previously relied on federal loans to finance tuition, fees, housing, and living expenses may now need to supplement their funding with scholarships, savings, family assistance, or private student loans.
As an example, if your annual cost of attendance is $85,000 and your federal borrowing limit is $50,000, you may need to identify an additional $35,000 through scholarships, savings, family support, or private loans.

Current regulation indicates annual limits of approximately:

Graduate Health Profession Programs

$50,000 per year

Other Graduate Programs

$20,500 per year

Students should begin planning early by evaluating:

- Total program costs
- Expected borrowing needs
- Scholarship opportunities
- Personal savings contributions
- Potential private loan requirements

Who Does This Affect?

Students who have not received a Direct Loan prior to July 1st, 2026, are now considered new borrowers and will be held accountable to the new Federal Loan limits taking effect on July 1st, 2026.

Who Does This Not Affect?

Those students that have **Legacy Borrower** rights, which allow the student to continue to borrow under the old loan limits while retaining access to Grad Plus Loans as long as enrollment requirements are met.

Bottom line: Many students who planned to rely solely on federal student loans may need an alternative financing strategy for the 2026-2027 academic year.

3. Why Are Federal Student Loan Rates So High?

Many students ask whether federal interest rates are “good” or “bad.”

The better question is:

How are federal interest rates determined?

Unlike private loans, federal loan rates are determined by Congress using a formula tied to the 10-Year Treasury Note. Once your loan is disbursed, that rate is fixed for the life of the loan.

The good news: Federal loan rates are fixed once disbursed. Even if rates increase in future years, your existing federal loans keep the rate assigned when they were originated.

Because Treasury yields remain elevated compared to the ultra-low-rate environment of several years ago, federal student loan rates will be relatively high for the 2026-2027 academic year.

Are Federal Loans Favorable?

In many cases, yes.

Federal loans continue to provide benefits unavailable in most private loans, including:

- Income-driven repayment options
- Federal deferment and forbearance protections
- Disability discharge provisions
- More forgiveness opportunities

When evaluating financing options, students should consider interest rates, borrower protections, payment flexibility, and forgiveness potential.

4. Private Loans Are Changing, Too

Many students assume private loans are a last resort. While federal loans should be evaluated first, today's private loan market can offer more borrower-friendly options than many students realize.

Depending on the lender and your qualifications, you may find:

- No cosigner requirements for some qualified borrowers
- No required payments while enrolled
- Reduced payments during residency or fellowship
- Competitive fixed-rate options
- Specialized programs for healthcare professionals

Shop Around

Not all lenders are created equal.

When comparing lenders, pay attention to:

- Interest rates
- Variable versus fixed rates
- Cosigner requirements
- Residency repayment options
- Deferment provisions
- Origination fees

Some lenders continue to charge origination fees that can significantly increase borrowing costs. So, since not all lenders are created equal, it makes shopping around for the best private loans critically important.

Your School's Preferred Lender List Is Only a Starting Point

Many schools provide preferred lender lists, but students are free to shop elsewhere.

We encourage students to compare multiple lenders before deciding.

You can review additional options through Student Loan Professor's lender resources and consultation services HERE.

Don’t Fall for the Marketing Hype

Most lenders advertise rates below 4%, but only those with exceptional credit profiles, current income, and immediate repayment timelines will qualify. Students with little or no income, and who need to defer (or make very small payments) during school, will see rates closer to 6% - 10% in most cases.

The headline rate may look attractive, but it often does not reflect the need for:

- Exceptional credit scores
- High income
- Significant assets
- Automatic payment discounts

Focus on the rate you qualify for, not the rate featured in an advertisement.

Need Help Navigating Your Financing Options?

As federal borrowing limits become more restrictive, many students find themselves considering private student loans for the first time.

The challenge isn't simply finding a lender: it's understanding how much you should borrow, which loan features matter, and how today's decision may affect your financial future.

That's where Student Loan Professor can help.

Our Approach: Education First

Student Loan Professor is not a lender. Our role is to help students and families understand their options, compare financing strategies, and make informed borrowing decisions.

During your consultation, we'll help you:

- Understand your federal borrowing eligibility and available funding sources
- Evaluate scholarships, savings, family support, and other resources that may reduce the need for private borrowing
- Determine how much you need to borrow
- Evaluate loan features beyond interest rates
- Understand the impact of cosigners, repayment terms, and residency options
- Compare lenders and loan products that may fit your circumstances

Access to Vetted Lending Options

The private loan marketplace can be overwhelming. New products continue to emerge, particularly for healthcare and graduate students, and not all lenders offer the same borrower protections or repayment flexibility.

To simplify the process, Student Loan Professor maintains relationships with lenders and loan products that we have reviewed and vetted. During your consultation, we can help you understand which options may be worth exploring based on your individual situation.

While students are always free to choose any lender, many appreciate having a starting point that has already been researched and evaluated.

Is a Consultation Right for You?

A consultation may be particularly helpful if:

- You're borrowing for graduate or professional school
- Federal loans won't fully cover your cost of attendance
- You're considering multiple private lenders
- You need help evaluating cosigner options
- You want confidence that you're borrowing strategically rather than simply borrowing the maximum available

The Bottom Line

Choosing how to finance your education is one of the most important financial decisions you will make.

Taking time to understand your options before borrowing can help you avoid unnecessary costs and make more informed decisions.

If you'd like personalized guidance, schedule a Private Loan Consultation HERE:

We're here to help you borrow wisely and plan confidently.

What Should You Do Next?

- [ ] Determine whether you have Legacy Borrower rights and can access Grad Plus Loans.
- [ ] Estimate your total cost of attendance for next year.
- [ ] Calculate how much federal aid you expect to receive.
- [ ] Identify any remaining funding gap.
- [ ] Compare private loan options before borrowing.
- [ ] Seek guidance before taking a leave of absence or making enrollment changes that could affect Legacy Borrower rights.