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Navigating College Costs in the Wake of the Big Beautiful Bill

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act into law, ushering in sweeping reforms across multiple sectors, including tax policy, immigration, healthcare, food assistance, and energy. However, some of the most significant and immediate impacts of the legislation will be felt by students and families navigating the cost of higher education.

This landmark bill introduces substantial changes to the landscape of college financing. It overhauls the rules governing federal student loans for both students and parents, modifies Pell Grant eligibility, alters graduate loan access, and reshapes the use of 529 college savings plans. Additionally, it introduces new repayment structures for student loans post-graduation. Notably, the legislation also imposes higher taxes on the endowment income of institutions with the largest financial reserves, an action likely to influence tuition pricing strategies at elite universities.

Collectively, these provisions are poised to redefine how students plan, pay for, and manage the cost of a college education, both now and in the future.

In this blog, we'll break down the key changes to each of these programs, explore how they may affect you or your family, and offer practical strategies for affording college in light of the new loan limitations.



BACKGROUND

Each year on October 1, the Free Application for Federal Student Aid (FAFSA) opens up for U.S. citizens and eligible non-citizens (e.g., individuals born in American Samoa or Swains Island or U.S. permanent residents with a Form I-551 or I-151, aka green card). Students who plan on attending college in the upcoming school year and are looking to receive some form of aid, whether through loans, scholarships, grants, or work-study programs, must fill out this form annually to be considered eligible for aid. The application, filled out by undergraduate and graduate students, asks a wide range of questions, including your income, assets, and family size, as well as information about your parents if you're considered a dependent student (someone who is assumed to have financial support from their parents or guardians).

After applying, the Department of Education processes it, sends the information to the colleges and career schools you listed on the application, and then, in turn, the school sends an aid offer to students who meet their eligibility requirements. The aid offer will outline what type of aid the school is offering and give you an option to accept or decline the aid.

HOW FEDERAL AID IS CHANGING

The FAFSA process has enabled millions of students each year to afford the cost of tuition. However, due to this new bill, there will be limitations on how much can be taken out in federal student loans and Pell Grants. Below are some key changes that will go into effect on July 1, 2026, which will impact those filing the FAFSA form for the 2026-2027 academic year.

1. Parent PLUS Loans

Parents of dependent undergraduate students will be limited to taking out \$20,000 a year per student, with a lifetime maximum of \$65,000. Previously, the limit was calculated based on the total cost of attendance minus any student aid the student receives.

2. Graduate Loans

Graduate students seeking unsubsidized federal loans will be capped at borrowing \$20,500 per year with a total limit of \$100,000. For professional programs like law, dental, or medical school, the annual borrowing limit will be capped at \$50,000 a year with a total limit of \$200,000.¹ Graduate PLUS loans—a type of graduate loan that had no cap and allowed the student to borrow up to their school's full cost of attendance—will be eliminated for new borrowers starting July 1, 2026. Current borrowers will be grandfathered in and allowed access to these loans.

3. Pell Grants

Pell Grants—student aid awards for low-income students—will no longer be available for students who receive a full scholarship to a college or university. Pell Grant recipients will also be able to use their awards on short-term work training—educational programs that last more than eight weeks but are less than 15 weeks at accredited institutions.

4. All Federal Loans

New borrowers will face a lifetime federal student loan limit of \$257,500, excluding the amount that students whose parents borrowed Parent PLUS loans on their behalf.

HOW THIS AFFECTS AFFORDABILITY

Since 1983, college tuition has risen by an average of 5.6% annually, outpacing the growth of most other household expenses.³ For the 2024-2025 school year, the average annual cost of tuition and fees at a public, four-year university for out-of-state undergraduates who lived on campus was \$30,780 per year, whereas the average cost for a private university was \$62,990.⁴ For graduate students in professional programs, the costs are even steeper: medical school can range from \$238,420 to \$390,848 for a four-year program,⁵ while law school averages around \$217,480.⁶

New borrowing limits have widened the gap between the cost of education and what many students can afford. After the July 1st deadline, students unable to cover tuition through federal loans will need to explore alternative funding sources, such as scholarships or private student loans. However, private loans often come with higher interest rates and are not eligible for federal loan forgiveness programs, making them a less favorable option.

These financial constraints are also shaping students' decisions about where to attend college. Many students dream of enrolling in a particular school or pursuing an advanced degree, but rising costs and limited borrowing options may put those goals out of reach. As a result, students from lower- and middle-income backgrounds may find themselves excluded from key academic opportunities, deepening the divide in access to higher education.



HOW STUDENT LOAN REPAYMENT IS CHANGING

One of the most significant changes in the “Big Beautiful Bill” for student borrowers is the overhaul of loan repayment plans. Many college students rely on these plans to manage their debt through manageable monthly installments. As of July 2025, there are four income-driven repayment (IDR) plans available:

- Pay As You Earn (PAYE)
- Saving on a Valuable Education (SAVE)
- Income-Based Repayment (IBR)
- Income-Contingent Repayment (ICR)

However, the bill eliminates several of these options. Starting July 1, 2026, only two repayment plans will be available for new federal loan borrowers:

1. A revised standard repayment plan
2. A new income-driven option called the Repayment Assistance Plan (RAP)

Borrowers with loans disbursed before July 1, 2026, who are enrolled in one of the current four IDR plans, will have until July 1, 2028, to switch to one of the new options. If they don’t make a selection, a plan will be assigned to them automatically.

The SAVE plan, which has been in forbearance since July 2024 due to legal challenges, will resume collecting interest on August 1, 2025.

NEW REPAYMENT TERMS AND STRUCTURES

With the elimination of the previous IDR plans, repayment terms are also changing. Previously, all borrowers were placed in a standard 10-year repayment plan, regardless of loan size. Those seeking lower monthly payments could opt into one of the IDR plans.

Under the new bill, the repayment period for the standard plan will vary based on loan balance, with some borrowers facing terms as long as 25 years.

This chart outlines the repayment period based on your loan balance:

| Total Outstanding Balance Amount | Repayment Period |
|----------------------------------|------------------|
| Less than \$25,000 | 10 years |
| \$25,000 to \$49,999 | 15 years |
| \$50,000 to \$99,999 | 20 years |
| \$100,000 or more | 25 years |

Source: Guevara, E. (2025, July 10). How the ‘Big, Beautiful Bill’ will change student loan payments for future borrowers. Investopedia. <https://www.investopedia.com/how-the-big-beautiful-bill-is-going-to-impact-new-student-loan-borrowers-11767481>

Borrowers who cannot afford the standard plan payments can enroll in the RAP plan. Unlike current IDR plans that calculate payments based on discretionary income (income after taxes and essential expenses), RAP bases payments on a percentage of the borrower's adjusted gross income (AGI). This change may result in higher monthly payments for some. Below is a chart that outlines the amount you will have to pay each month, based on your income.

| Borrower's Adjusted Gross Income | Monthly Payment Amount |
|----------------------------------|------------------------|
| Less than \$10,000 | \$10 a month |
| \$10,001 to \$20,000 | 1% of monthly AGI |
| \$20,001 to \$30,000 | 2% of monthly AGI |
| \$30,001 to \$40,000 | 3% of monthly AGI |
| \$40,001 to \$50,000 | 4% of monthly AGI |
| \$50,001 to \$60,000 | 5% of monthly AGI |
| \$60,001 to \$70,000 | 6% of monthly AGI |
| \$70,001 to \$80,000 | 7% of monthly AGI |
| \$80,001 to \$90,000 | 8% of monthly AGI |
| \$90,001 to \$100,000 | 9% of monthly AGI |
| \$100,000 or more | 10% of monthly AGI |

Source: McNair, K. (2025, July 10). 3 ways Trump's "big beautiful" bill will change how students and families pay for college. CNBC. <https://www.cnbc.com/2025/07/10/how-trumps-big-beautiful-bill-will-change-college-financing.html>

The new \$10 monthly minimum will be a change for lower-earning graduates, as some of the current income-driven payment plans have a \$0 minimum payment requirement. Also, impacting lower-earning graduates is the elimination of Economic Hardship Deferment. Applying for up to three years of deferment based on economic hardship and unemployment had been an option for students facing unprecedented financial challenges. However, like the other changes on July 1, 2026, students who face hardship will no longer be able to defer their payments. This new rule will create significant strain for college graduates who are working a low-paying job, have been laid off, or need to exit the workforce for external circumstances.

WHAT STUDENTS AND BORROWERS CAN DO

Overall, these changes can pose challenges for students who plan to enroll, are currently enrolled, or are recent graduates trying to repay their student loans. Current and prospective college students will need to understand what resources are available to help cover the cost of education.

The first, and most popular, option is to research and apply for scholarships and grants. There are nearly two million private scholarships available to students.⁷ These scholarships vary widely in their eligibility criteria—some are based on financial need, community service, demographics, or identity, and academic performance. Others have more unusual requirements, such as being tall, loving Minecraft, or being left-handed. You can find these opportunities through your school, your state's education agency, or online databases like the College Board.

The second option is to contact your school's financial aid office. Counselors in the financial aid department can provide guidance on how to pay for tuition. This may include appealing for additional aid, setting up a tuition payment plan through the school, or helping you understand eligibility for grants or work-study programs.

Those who have graduated and are currently repaying their student loans have options too. In some cases, consolidating your student loans can help you better manage monthly payments, either by extending the repayment term or locking in a fixed interest rate. However, consolidation doesn't always reduce your monthly bill, so it's best to speak with your loan servicer to understand how consolidation would affect your payments.

Additionally, borrowers who are in good standing and employed full-time by a government or nonprofit organization may be eligible for Public Service Loan Forgiveness (PSLF) after making 120 qualifying monthly payments under an approved repayment plan. However, it's important to note that the Trump administration has recently challenged this program, stating that organizations with a "substantial illegal purpose" could lose eligibility. It remains unclear what qualifies as "illegal," but draft regulations from the Department of Education suggest that organizations providing medical care to transgender youth or facilitating violations of immigration laws could be affected.⁸

Lastly, if you find that you can't afford payments—even under a standard or income-driven plan—you can contact your loan servicer to request forbearance. This can temporarily pause or reduce your monthly payments. While interest typically continues to accrue during forbearance, it can help you avoid default, which negatively impacts your credit report.

how your advisor can help

Higher education is likely the biggest investment you'll make outside of purchasing a home. That's why it's essential to work with a financial advisor who understands the complexities of college planning. If you already have a 529 plan in place, we can help you make tax-smart withdrawals for qualified expenses while also preserving your child's eligibility for financial aid.

Even if you don't have a 529 plan, we can still guide you through the intricacies of financial aid, scholarships, and how to balance college savings with your other financial goals.

Our experience goes beyond college planning. We also help clients navigate the ever-changing student loan landscape. Whether you work for a nonprofit or government agency and are pursuing loan forgiveness, or you're looking for a strategy to efficiently repay your student loans, we're here to help.

Reach out to us—we're ready to provide personalized advice and support to help you manage your education-related debt with confidence.



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¹ Trump signs sweeping domestic policy bill at White House ceremony. (2025, July 9). [Video]. NBC News. <https://www.nbcnews.com/politics/congress/medical-students-fret-student-loan-cap-big-beautiful-bill-rcna217228>

² Trump's "big beautiful bill" caps student loans. Here's what it means for borrowers. (2025, July 16). <https://www.msn.com/en-us/money/careersandeducation/trump-s-big-beautiful-bill-caps-student-loans-here-s-what-it-means-for-borrowers/ar-AA1IHVGE>

³ Dickler, J. (2025, July 8). Here's what the endowment tax in Trump's "big beautiful bill" may mean for your college tuition. CNBC. <https://www.cnbc.com/2025/07/08/endowment-tax-big-beautiful-bill-impact-colleges.html>

⁴ Zinn, D. (2025, March 10). Average cost of college 2024-2025. Bankrate. <https://www.bankrate.com/loans/student-loans/average-cost-of-college/>

⁵ Zinn, D. (2025, March 10). Average cost of college 2024-2025. Bankrate. <https://www.bankrate.com/loans/student-loans/average-cost-of-college/>

⁶ Hanson, M. (2025, July 7). Average Cost of Law School [2025]: Tuition + expenses. Education Data Initiative. <https://educationdata.org/average-cost-of-law-school>

⁷ Hanson, M. (2024, November 10). College Scholarship Statistics [2023]: Yearly Total + analysis. Education Data Initiative. <https://educationdata.org/scholarship-statistics>

⁸ Minsky, A. S. (2025, July 11). Trump rules revoking student loan forgiveness advance. Forbes. <https://www.forbes.com/sites/adamminsky/2025/07/11/trump-rules-revoking-student-loan-forgiveness-advance/>

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