



An Analysis of the One Big Beautiful Bill Act's Effects on Student Loans

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Key Points

- Congress passed the One Big Beautiful Bill Act (OBBA), which makes numerous changes to the federal student loan program, saving \$307 billion.
- Graduate students and parents of undergraduates will be subject to new caps on federal lending. Loan limits for undergraduate students remain unchanged.
- The bill creates a new income-driven student loan repayment plan that will prevent borrowers' balances from rising over time and ensure that most borrowers pay down their loans quickly.
- Colleges and universities are held accountable for poor student outcomes; degree programs where graduates' earnings are too low will lose access to federal funding.

At the beginning of July, President Donald Trump signed into law the One Big Beautiful Bill Act (OBBA), a comprehensive package of reforms to taxes and government spending.¹ While the package touches on myriad policy areas, it includes a comprehensive set of reforms to the federal student loan program. These represent some of the most consequential changes to federal higher education policy in years.

Taken together, the changes to student loans will save taxpayers \$307 billion over a decade, according to preliminary estimates from the Congressional Budget Office (CBO).² But as this report's analysis shows, the changes could also rein in the growth of tuition, prevent excessive interest accumulation on student debts, and hold colleges accountable for poor student outcomes.

The bill pursues these goals through three principal mechanisms. First, it sets limits on how much students may borrow from the federal government. Second, it

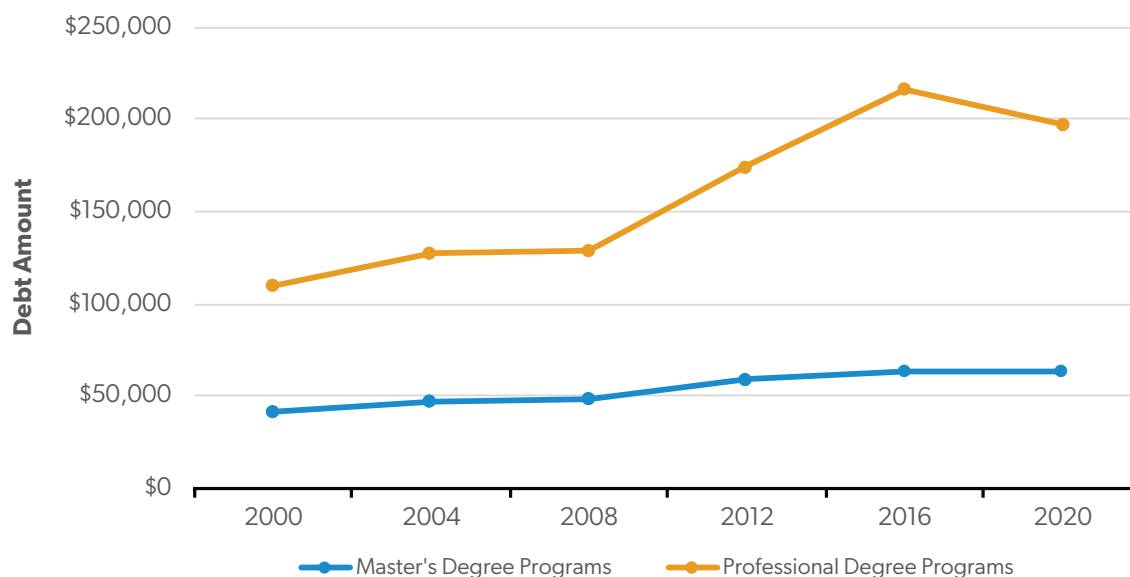
overhauls student loan repayment to reverse some of the repayment system's costliest aspects and ensure borrowers can pay down their debts. Finally, it creates a new accountability framework to deny student loans to colleges with poor outcomes. This report analyzes each of the three policies in turn.

Loan Limits

The federal student loan program suffers from excessive levels of borrowing. While the government caps lending to undergraduate students at modest levels, graduate students and parents of undergraduates may borrow up to their college's cost of attendance—which is defined by the college.³ Because institutions set their own prices, this means that lending to graduate students and parents is effectively unlimited.

Under current policy, the federal government is expected to originate just over \$1 trillion in new student

Figure 1. Average Student Debt upon Completion, Graduate Programs



Source: Institute of Education Sciences, National Center for Education Statistics, Digest of Education Statistics, “Table 332.45: Percentage of Graduate Degree Completers with Student Loan Debt and Average Cumulative Amount Owed, by Level of Education Funded and Graduate Degree Type, Institution Control, and Degree Program: Selected Academic Years, 1999–2000 Through 2019–20 [Corrected],” January 2024, https://nces.ed.gov/programs/digest/d23/tables/dt23_332.45.asp.

Note: Includes federal and private debt; excludes nonborrowers. Figures are in 2022–23 dollars.

loans over the coming decade. Of that, around half (\$511 billion) will go to graduate students,⁴ even though graduate students account for just 17 percent of overall postsecondary enrollment.⁵

Because graduate students have access to effectively unlimited loans, their per-student debt burdens are significantly higher—and rising (Figure 1). In 2020, average debt for those completing a master’s degree stood at \$62,820, a 50 percent increase over the past 20 years. Average debt for professional programs (including law and medicine) was \$197,750 in 2020, an 80 percent increase since 2000.⁶

Another \$123 billion in federal loans will go to parents of undergraduates over the coming decade.⁷ While it is a small piece of student loans in absolute terms, Parent PLUS, the federal parent-lending program, is borderline predatory: The loans carry a 9.08 percent interest rate and a 4.228 percent origination fee, and they are ineligible for many safety-net benefits available on other student loans.⁸ Wealthy universities have pushed tens of thousands of dollars of debt on lower-income parents who have subsequently failed to pay down balances.⁹ One-fifth of Parent PLUS borrowers have an “expected family contribution”

of zero—meaning the federal government has determined these families have too low an income to contribute anything toward their children’s education.¹⁰ For the federal government to determine that a parent has little means to repay a loan, then turn around and give that parent an effectively unlimited loan, is unconscionable.

In addition to higher debt burdens, researchers have concluded that unlimited lending to graduate students¹¹ and parents of undergraduates¹² has led colleges to raise tuition.

How OBBB Changes Loan Limits

OBBB introduces new annual loan limits for graduate students and parents of undergraduates (Table 1). Most graduate programs, including most master’s degree and PhD programs, will face an annual loan limit of \$20,500. Students in professional graduate degree programs, which include medicine, dentistry, law, theology, and other degree types as defined in the Code of Federal Regulations, will be able to borrow up to \$50,000 per year.¹³

Colleges may set lower annual loan limits for particular programs if they so choose. Loan limits are prorated

Table 1: Federal Student Loan Limits Under Previous Law and OBBB

Category of Borrower	Loan Limits Under Previous Law	Loan Limits Under OBBB
Undergraduate Students	\$5,500 to \$12,500 annually; \$31,000 to \$57,500 in aggregate	\$5,500 to \$12,500 annually; \$31,000 to \$57,500 in aggregate
Nonprofessional Graduate Students	Cost of attendance (as defined by the institution)	\$20,500 annually; \$100,000 in aggregate
Professional Graduate Students	Cost of attendance (as defined by the institution)	\$50,000 annually; \$200,000 in aggregate
Parents of Undergraduates	Cost of attendance (as defined by the institution)	\$20,000 annually; \$65,000 in aggregate (per child)

Source: US Department of Education, Federal Student Aid, <https://studentaid.gov/help-center/answers/article/how-much-money-can-i-borrow-federal-student-loans>; and One Big Beautiful Bill Act, H.R. 1, 119th Cong. (2025).

for students who enroll in college less than full time; a student who enrolls half-time would be eligible for half the loan limit of a full-time student.

In addition to annual limits, OBBB also subjects students to aggregate loan limits that represent the total maximum a student can borrow across their academic career. For most graduate students, the limit is \$100,000 (not including any debt the student took on for their undergraduate education). Professional students will face an aggregate limit of \$200,000.

OBBB will not change loan limits for undergraduate students, which currently range from \$5,500 to \$12,500 annually depending on the student's class level and dependency status.¹⁴ However, Parent PLUS loans will now be subject to an annual per-child limit of \$20,000. Parents may borrow no more than \$65,000 in aggregate for the education of each child.

How the New Loan Limits Will Affect Students and Taxpayers

To understand how the new loan limits will affect students' ability to borrow, we can turn to the National Postsecondary Student Aid Study, which collects information on the annual borrowing of current graduate students.

Figure 2 shows the percentage of graduate students who currently borrow above the loan limits in OBBB for different degree categories. For instance, 31 percent of graduate students pursuing a master's degree in education or teaching do not borrow,

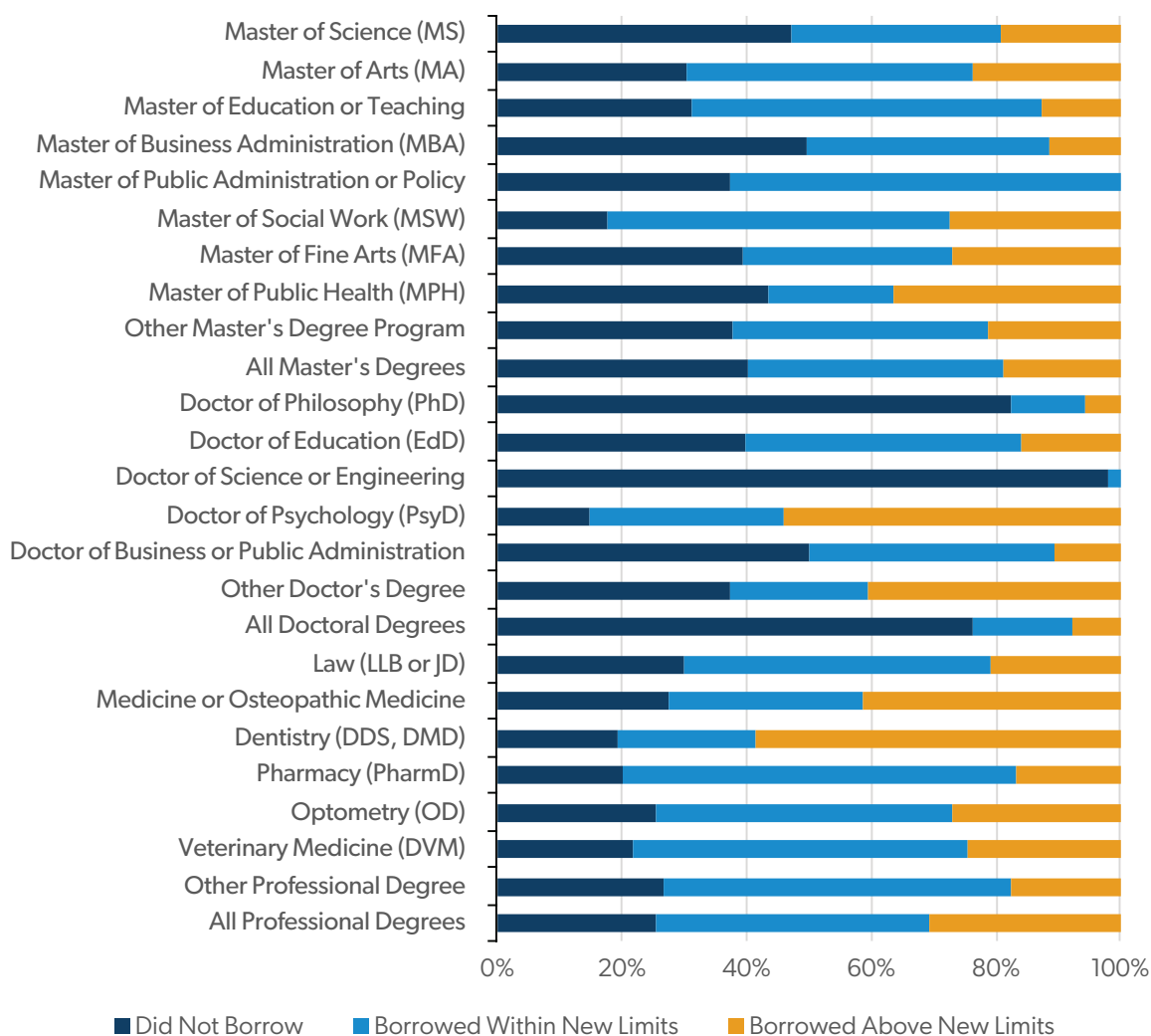
while 56 percent borrow less than \$20,500 per year. Thirteen percent, however, borrow more than the OBBB limit of \$20,500 and would thus be "constrained" by the law's loan caps. While this provision will not affect access for the median master's of education student, the loan limits will constrain borrowing (and likely tuition) for the highest-cost master of education programs.

Overall, just under 20 percent of master's students borrow above the proposed limits, along with 8 percent of students in doctoral programs. Some specific degree types, especially master of public health, master of fine arts, and master of social work, will see around a quarter to a third of students constrained by the new caps. Also constrained are master's degree programs at private nonprofit universities, where 25 percent of students borrow above the caps. By contrast, just 10 percent of master's students at public universities exceed the new annual borrowing limits.

The goal of these loan limits is to encourage the highest-cost programs to reduce their prices. That is likely to be true for programs on the extreme ends of the price distribution. Master of social work programs, for instance, have wildly varying prices and debt burdens; students enrolled in the most expensive degrees will see their ability to borrow reduced.¹⁵ This will encourage those expensive schools to lower their prices, or else drive students to choose lower-priced programs instead.

Professional programs are more likely to be affected by the new limits. Just over 40 percent of medical

Figure 2. Share of Current Graduate Students Borrowing Above Loan Limits in OBBB



Source: 2019–20 National Postsecondary Student Aid Study (NPSAS:20), November 2023.
Note: Excludes part-time students and international students.

students today borrow over OBBB's \$50,000 annual limit. However, professional students in programs with a high return on investment could likely borrow additional sums in the private student loan market. Research has shown that when graduate student loans were capped prior to 2006, most students who needed them could secure private loans at reasonable interest rates.¹⁶ Moreover, private lenders may be better equipped than the federal government to impose price discipline on universities.

The new limits on Parent PLUS loans are far less likely to be a constraint. According to the National Postsecondary Student Aid Study, just 10 percent of parents

of dependent undergraduate students use Parent PLUS loans; of those who do, only one-third borrow more than OBBB's \$20,000 annual cap on Parent PLUS loans. That means only 3 percent of dependent undergraduates will face a liquidity constraint due to the Parent PLUS cap. The Parent PLUS cap is most likely to limit students at private nonprofit institutions charging the highest tuition prices; these are precisely the institutions where it is necessary for the federal government to step in and impose cost discipline through loan limits.

According to CBO's score of the legislation, OBBB's loan limits will save taxpayers \$44 billion over the coming decade.¹⁷

Repayment Reform

Congress and the Education Department have created several income-driven repayment (IDR) plans, which allow borrowers to tie their payments to their incomes, with any remaining balances forgiven after a set period of time. The concept makes sense in principle because borrowers' incomes fluctuate over time; the loan payment for a recent college graduate earning \$50,000 should be different from the payment for a mid-career professional earning \$150,000. Moreover, IDR protects borrowers who lose their jobs; research has shown that the plans prevent loan defaults.¹⁸

But Democratic administrations have transformed IDR into a vehicle to provide mass loan cancellation. Presidents Barack Obama and Joe Biden created new IDR plans that slashed monthly payments and delivered loan forgiveness faster. This trend reached an apogee with the 2023 Saving on a Valuable Education (SAVE) plan, which gave half of borrowers a \$0 monthly payment, forgave loans in as little as 10 years, and would have cost taxpayers \$276 billion.¹⁹ (Even if Congress hadn't repealed it, SAVE would likely have been struck down in court as an unconstitutional over-extension of executive authority.)²⁰

But IDR was problematic even before SAVE. Over one-third of borrowers had a \$0 monthly payment in 2018 under IDR plans that predated the Biden administration.²¹ The CBO issued a projection in 2020 that IDR plans would result in over \$200 billion in loan forgiveness over 10 years.²² This toxic combination of unlimited loans and unlimited forgiveness at the graduate level encouraged overborrowing, with institutions such as Georgetown Law School actively encouraging their students to take on higher debts.²³

Yet many borrowers do not accurately weigh the risks of IDR, because the plans' structure often results in negative amortization—or rising balances over time. This often occurs when low payments do not cover accrued interest; between 2013 and 2019, over three-quarters of new borrowers who enrolled in IDR saw their balances rise.²⁴ IDR borrowers not on track to receive loan forgiveness often pay more in the long run, thanks to interest accrual. Rising balances are a common source of complaints about the student loan program and have partially fueled the political demand for loan forgiveness.

How OBBB Changes Student Loan Repayment

For new borrowers, OBBB eliminates all current repayment plans and replaces them with just two: a standard plan and a new IDR plan called the Repayment Assistance Plan (RAP). The standard plan sets level “mortgage-style” payments over an amortization period of 10 to 25 years, depending on the borrower's initial balance. Borrowers who choose the standard plan will pay the same amount every month regardless of their incomes.

RAP, by contrast, varies payments with incomes. It sets a minimum monthly payment of \$10, which is binding on only the lowest-income borrowers. For other borrowers, payments are a set percentage of income: 1 percent for borrowers earning between \$10,000 and \$20,000, 2 percent for borrowers earning between \$20,000 and \$30,000, and so on up to 10 percent for borrowers who earn more than \$100,000. The plan reduces the borrower's scheduled monthly payment by \$50 for each dependent child.

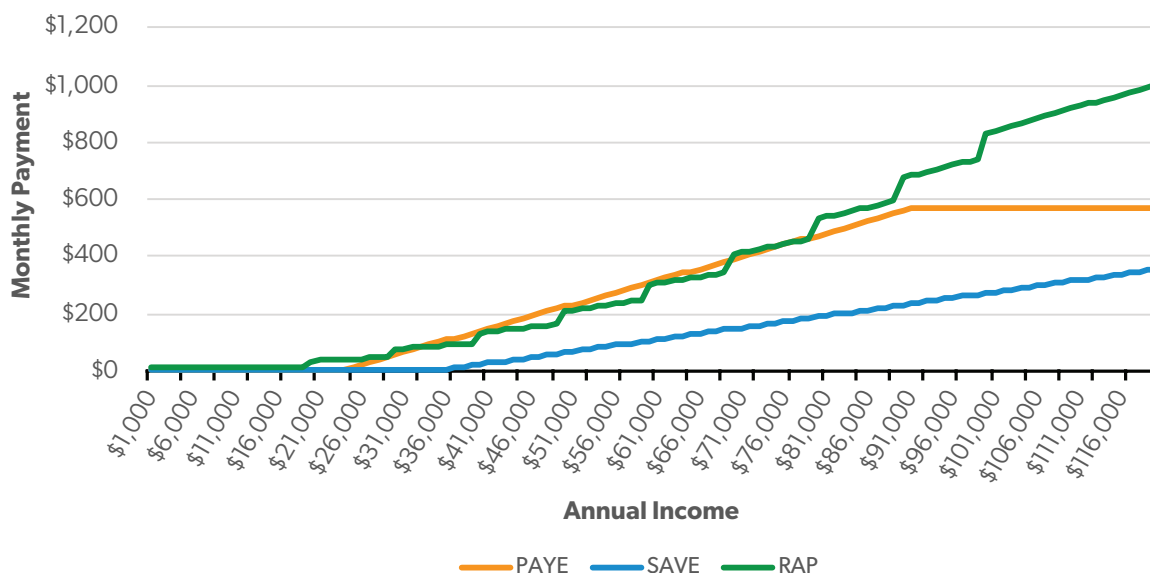
As with all IDR plans, sometimes payments under RAP are insufficient to cover accrued interest. The plan therefore waives unpaid interest for borrowers who make on-time payments, to ensure balances do not rise over time. The plan also provides a matching credit to the borrower's principal—worth up to \$50—to ensure borrowers pay down their principal balances every month.

For example, if a borrower makes a \$50 payment but faces monthly accrued interest of \$75, under normal circumstances their balance would rise by \$25. But under RAP, the borrower's \$25 of unpaid interest is waived. The government also provides a credit of \$50 to the borrower's principal balance, to ensure the amount they owe goes down.

RAP cancels any unpaid outstanding balances after the borrower makes 30 years' worth of payments, though most borrowers are likely to pay their debts in full long before reaching the 30-year mark.²⁵

New borrowers as of July 1, 2026, will be able to choose only the new standard repayment plan or the Repayment Assistance Plan. (Current borrowers will maintain access to some of the existing repayment plans.) OBBB also eliminates the vague statutory language that allowed the Education Department to create new repayment plans such as SAVE without explicit Congressional assent. This will most likely block the

Figure 3. Scheduled Monthly Payments Under Different IDR Plans



Source: Author's calculations.

Note: Monthly payment figures assume a single, childless borrower who owes \$50,000 of undergraduate debt.

executive branch from unilaterally creating new repayment plans going forward.

How RAP Will Affect Typical Borrowers

Scheduled monthly payments under RAP are significantly higher than those under the Biden administration's SAVE plan for borrowers of the same income levels (Figure 3). For instance, a borrower who earns \$80,000 per year would pay \$179 per month under SAVE but \$533 per month under RAP. These increases in monthly payments drive the bill's cost savings.

However, scheduled monthly payments under RAP are comparable to historical norms on IDR plans. For most borrowers, payments under RAP are comparable to scheduled payments under the Pay as You Earn (PAYE) plan, which was created under the Obama administration and is the most heavily subsidized extant IDR plan other than SAVE. Because PAYE caps monthly payments, borrowers at the higher end of the income spectrum pay substantially more per month under RAP than under PAYE.

Consider the example of a typical undergraduate borrower who finishes college with \$30,000 in debt and a \$45,000 starting salary. Under RAP, that borrower's monthly payment in the first year of repayment stands at \$150. This is insufficient to cover their accrued

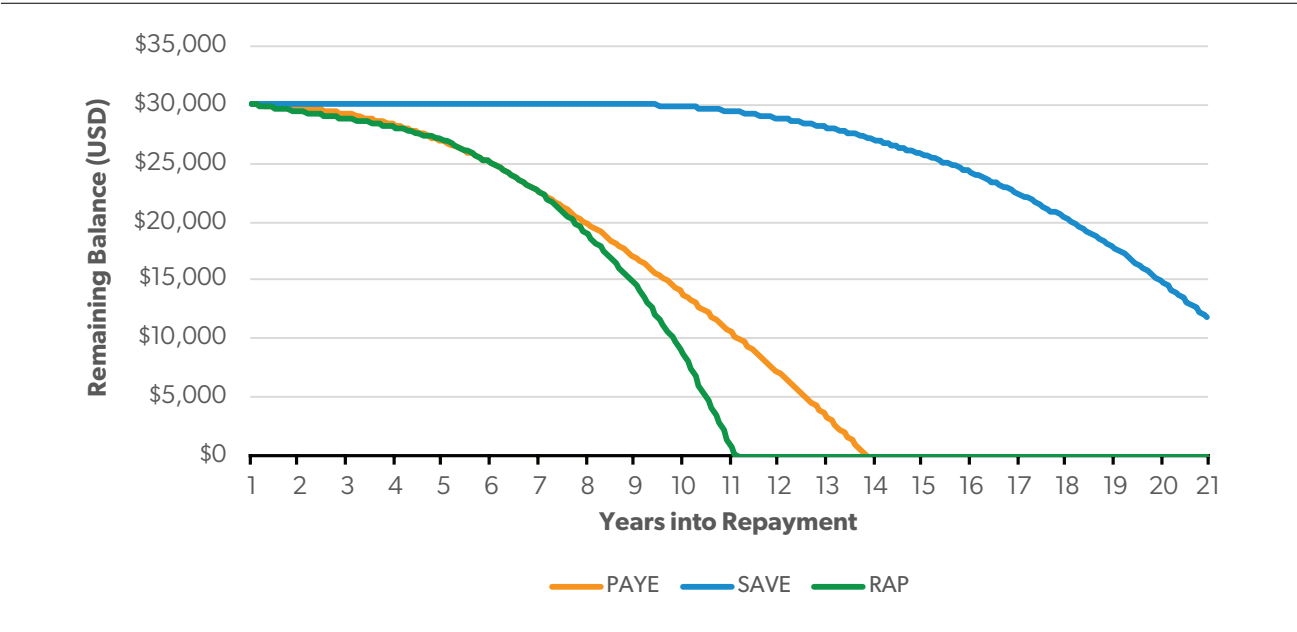
monthly interest of \$163, so the government waives the \$13 of unpaid interest and provides a \$50 credit to their principal balance. Their balance therefore drops by \$600 during the first year of repayment.

As the borrower progresses through their career, their income rises—and so do their monthly payments. In the fourth year of repayment, their salary is \$57,000 and their monthly payment is \$237, which is sufficient to fully cover interest and pay down principal. The higher payments enable the balances to be paid down faster, and the borrower retires their loans in full in just over 10 years.

While monthly payments under PAYE are comparable to those under RAP, accrued interest under PAYE keeps balances higher for longer, and the same borrower would take 13 years to pay off their loans under that plan (Figure 4). Under the SAVE plan, which waives unpaid monthly interest but slashes payments to minimal levels, the same borrower hangs onto their loans for two decades before they are finally forgiven.

Table 2 compares repayment outcomes for the same borrower under RAP, PAYE, and SAVE. Under RAP, this typical undergraduate borrower pays \$32,788 over the lifetime of their loan, in present value terms. This is a savings of approximately \$1,500 relative to total payments under PAYE. Though the borrower pays more

Figure 4. Progression of Balances for a Typical Undergraduate



Source: Author’s calculations.
Note: The model assumes undergraduate debt of \$30,000 with 2024–25 interest rates. The borrower’s salary starts at \$45,000 and rises at a nominal annual rate of 8.1 percent until the 10th year of repayment, after which it rises at a 4.4 percent nominal annual rate.

Table 2. Repayment Plan Comparison, Typical College Graduate (\$30,000 Debt with a \$45,000 Starting Salary)

Repayment Plan	RAP	PAYE	SAVE
First Payment	\$150	\$182	\$43
Total Payments	\$32,788	\$34,280	\$27,036
Years to Pay Off	11	13	20
Forgiveness	\$0	\$0	\$11,474

Source: Author’s calculations.
Note: Interest rates are at 2024–25 levels. The borrower’s salary rises at a nominal annual rate of 8.1 percent until the 10th year of repayment, after which it rises at a 4.4 percent nominal annual rate. Total payments are in present value terms. To calculate the present value of total payments, I discount future payments at a 4.3 percent annual rate (the yield on a 10-year Treasury bond at the time of writing).

under RAP than they would under SAVE, they also retire their debts much faster.

The same basic trends hold for lower-income college graduates. A college graduate with a starting salary of just \$30,000 will start out making payments of \$75 under RAP (Table 3). They collect interest and principal subsidies for the first several years of repayment, but these keep the balance to a manageable level. They repay their loans in full within 16 years. By contrast, PAYE and SAVE set this borrower’s payments lower and do not provide the same degree of repayment

assistance. Under both plans, the borrower pays for 20 years and receives loan forgiveness.

For many undergraduate borrowers, total payments are lower under RAP than under PAYE. But RAP produces significant savings for the government on graduate student loans. In large part, this is because RAP substantially scales back the loan forgiveness aspects of IDR—which overwhelmingly benefited graduate borrowers, even under pre-SAVE IDR plans such as PAYE.

Consider a typical master’s degree holder who owes \$80,000 and earns a starting salary of \$60,000

Table 3. Repayment Plan Comparison, Low-Income College Graduate (\$30,000 Debt with a \$30,000 Starting Salary)

Repayment Plan	RAP	PAYE	SAVE
First Payment	\$75	\$57	\$0
Total Payments	\$28,754	\$33,845	\$9,004
Years to Pay Off	16	20	20
Forgiveness	\$0	\$3,455	\$30,000

Source: Author's calculations.

Note: Interest rates are at 2024–25 levels. The borrower's salary rises at a nominal annual rate of 8.1 percent until the 10th year of repayment, after which it rises at a 4.4 percent nominal annual rate. Total payments are in present value terms. To calculate the present value of total payments, I discount future payments at a 4.3 percent annual rate (the yield on a 10-year Treasury bond at the time of writing).

Table 4. Repayment Plan Comparison, Typical Master's Degree Graduate (\$80,000 Debt with a \$60,000 Starting Salary)

Repayment Plan	RAP	PAYE	SAVE
First Payment	\$300	\$307	\$184
Total Payments	\$96,324	\$84,521	\$72,198
Years to Pay Off	19	20	25
Forgiveness	\$0	\$67,909	\$69,546

Source: Author's calculations.

Note: Interest rates are at 2024–25 levels. The borrower's salary rises at a nominal annual rate of 5.7 percent until the 10th year of repayment, after which it rises at a 3.2 percent nominal annual rate. Total payments are in present value terms. To calculate the present value of total payments, I discount future payments at a 4.3 percent annual rate (the yield on a 10-year Treasury bond at the time of writing).

(Table 4). Under PAYE and SAVE, this borrower has nearly \$70,000 forgiven at the end of their repayment term; under RAP, they pay off their loans in full after 19 years. Total discounted payments under RAP are \$96,324, an increase of roughly \$12,000 relative to PAYE and over \$24,000 relative to SAVE.

The same is true for a hypothetical law school graduate who owes \$150,000 and enjoys a starting salary of \$75,000 (Table 5). Under PAYE and SAVE, this individual enjoys loan forgiveness at the end of their repayment term but repays in full after 19 years under RAP. RAP also increases total payments by a significant margin.

The key to RAP is consistently declining balances, which allow the plan to avoid the large loan forgiveness outlays of PAYE and SAVE. Most RAP borrowers pay off their loans in a reasonable amount of time. Borrowers with typical debt burdens and earnings trajectories for their degree levels will not get close to paying their loans for 30 years. Moreover, borrowers who see

their balances go down over time will have more confidence that they will eventually pay off their debts. This increases the likelihood that they will remain engaged with the loan system.

RAP produces significant fiscal savings relative to SAVE for all types of borrowers. In terms of total payments, undergraduate borrowers pay less under RAP than they do under PAYE, but the government gets its money back with higher total payments for graduate borrowers.

Overall, CBO estimates that OBBB's changes to loan repayment will save taxpayers \$271 billion over a decade relative to a baseline in which the SAVE plan is extant.²⁶ But OBBB saves slightly more money than simply repealing SAVE would have. CBO estimated in 2023 that a clean repeal of the SAVE plan would have saved taxpayers \$261 billion.²⁷ It is likely that RAP and the other changes to loan repayment under OBBB would save money even if SAVE had never existed.

Table 5. Repayment Plan Comparison, Typical Law School Graduate (\$150,000 Debt with a \$75,000 Starting Salary)

Repayment Plan	RAP	PAYE	SAVE
First Payment	\$438	\$432	\$302
Total Payments	\$186,977	\$167,419	\$173,436
Years to Pay Off	19	20	25
Forgiveness	\$0	\$108,516	\$38,806

Source: Author's calculations.

Note: Interest rates are at 2024–25 levels. The borrower's salary rises at a nominal annual rate of 9.9 percent until the 10th year of repayment, after which it rises at a 4.0 percent nominal annual rate. Total payments are in present value terms. To calculate the present value of total payments, I discount future payments at a 4.3 percent annual rate (the yield on a 10-year Treasury bond at the time of writing).

Accountability for Colleges

Too often, higher education does not produce an ROI for students. Many who pursue postsecondary education end up worse off financially if the increase in earnings resulting from their education does not exceed its costs. Degree and certificate programs with mediocre earnings, high tuition, and low completion rates often leave students with no ROI.

According to my research for the Foundation for Research on Equal Opportunity, 23 percent of bachelor's degree programs, 43 percent of associate degree programs, and 43 percent of master's degree programs have no ROI. Many colleges use low-ROI programs as cash cows: Overall, roughly a third of federal student loan and Pell Grant funding flows to programs with negative ROI.²⁸

A lack of ROI is a problem for students who don't enjoy the benefits from a college education that they hoped for. It is also a problem for taxpayers, who must bear the costs when students fail to pay back their loans in full. Finally, low college ROI harms the broader economy, because it prevents students from reaching their full potential in the labor force.²⁹

How OBBB Holds Colleges Accountable: The “Do No Harm” Test

OBBB institutes a “do no harm” test for higher education. The law revokes a degree program's eligibility for federal student loans if the earnings of its graduates are too low.

Specifically, the government measures the median annual earnings of graduates four years after completing their programs (excluding any who are enrolled

in school elsewhere). It then compares these earnings to a benchmark chosen by program to represent what those students might have earned had they not pursued the degree in the first place. The rationale is that if graduates do not out-earn this benchmark, the degree program is likely producing no economic value—and may even be harmful to students.

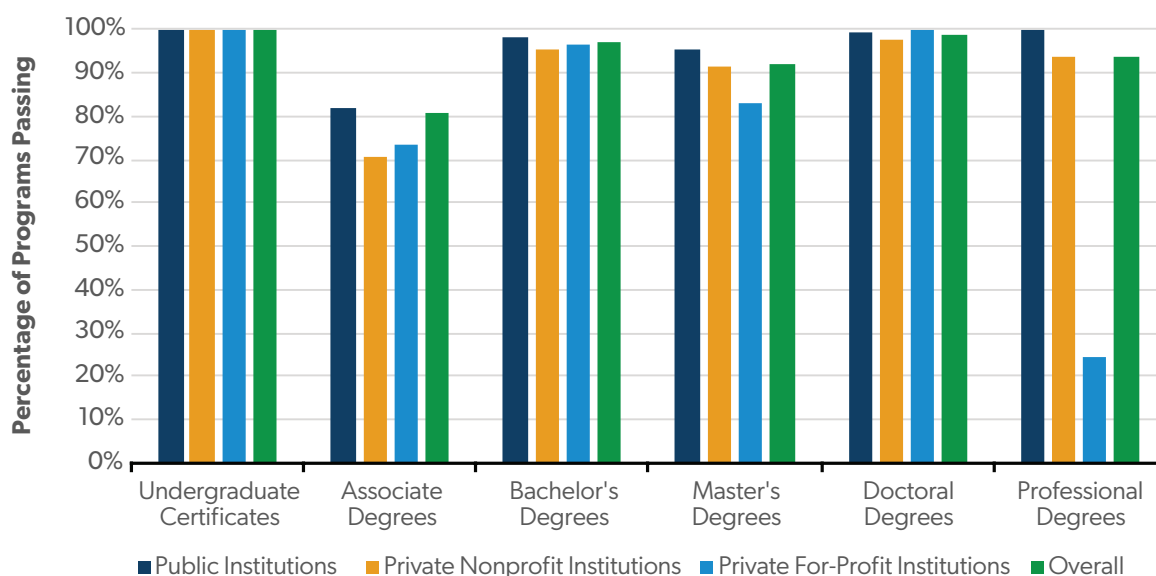
For undergraduate degree programs, the benchmark is equal to the median earnings of working individuals age 25 to 34 in the same state as the institution who have only a high school diploma. For institutions where more than half of students hail from out of state, the benchmark is based on the national population of high school graduates.

For graduate programs, the benchmark is equal to the median earnings of working individuals age 25 to 34 who have only a bachelor's degree and are in the same state as the institution, have an undergraduate degree in the same field of study as the program, or are in the same state and field of study. The benchmark is the lowest of these three options. Again, the benchmarks are calculated based on national populations if more than half of students at the institution are out of state.

These benchmarks are applied at the program level. A school's engineering program may pass the earnings benchmark test, while the gender studies program fails. The law empowers the secretary of education to group small programs together in order to achieve a minimum sample size for measuring graduates' earnings.

If a program fails the earnings benchmark test for two out of any three consecutive years, the institution can no longer disburse federal loans to students enrolled in

Figure 5: Share of Programs Passing the OBBB Earnings Benchmark Test, by Credential Type and Institutional Sector



Source: College Scorecard and American Community Survey, 2018–22.

Note: Results are weighted by enrollment.

that program. Students in the program may continue to access Pell Grants. After a program loses eligibility, its institution may apply to the secretary of education to regain eligibility for that program provided at least two years of ineligibility have passed.

The law includes some exemptions. Undergraduate certificate programs are not subject to the earnings benchmark test. Students who enroll at an institution but do not finish a degree program do not have their earnings included in any cohort for accountability purposes. This is a concern for institutions with high drop-out rates, who might continue to enjoy access to federal loans despite not increasing their students' earnings above the benchmark.

The Impact of “Do No Harm” on Colleges and Universities

The “do no harm” test in OBBB will leave the vast majority of degree and certificate programs untouched. But a subset of degree programs with abysmal earnings outcomes are likely to fall below the bill’s earnings benchmark and lose access to federal student loan funding.

Figure 5 illustrates the types of programs most likely to pass the “do no harm” test. Undergraduate certificate programs universally pass, as they are exempt. Around

a fifth of two-year (associate) degree programs are expected to fail, especially two-year degrees in liberal arts and general studies. It is important to keep in mind, though, that students in these programs are less likely to use loans to begin with; many will be able to continue operating even if they lose loan access.

Just 3 percent of bachelor’s degree programs would fail the “do no harm” test. These are largely in fields with extremely low earnings, including drama (24 percent pass rate) and dance (27 percent).

A smattering of higher degree programs are also likely to lose access to federal loans. Around 8 percent of master’s degree programs—especially those at private institutions—do not generate sufficient earnings to pass the “do no harm” test. Programs with especially low pass rates include alternative medicine (0 percent), mental and social health services (16 percent), music (18 percent), fine arts (25 percent), and English literature (33 percent).

Doctoral and professional degree programs are mostly unaffected, given their higher earnings, though professional programs at private for-profit colleges are an exception. Professional programs in mental and social health services, which are disproportionately offered at for-profit colleges, universally fail the “do

Table 6: Institutions with over 5,000 Students in Failing Programs

Institution Name	State	Sector	Number of Title IV Students in Failing Programs (2021–22)	Loans to Students in Failing Programs (2021–22)
American InterContinental University	AZ	Private, for-profit	10,751	\$56,531,784
Ashford University	CA	Private, for-profit	6,920	\$29,753,634
Brigham Young University–Idaho	ID	Private, nonprofit	7,152	\$6,257,093
Bryant & Stratton College–Buffalo	NY	Private, for-profit	6,664	\$31,016,546
Capella University	MN	Private, for-profit	13,294	\$84,820,608
Colorado Technical University	CO	Private, for-profit	5,924	\$36,969,636
Community College of Rhode Island	RI	Public	7,373	\$3,187,540
Eastern Gateway Community College	OH	Public	23,558	\$656,122
El Paso Community College	TX	Public	12,785	\$1,127,174
Full Sail University	FL	Private, for-profit	10,734	\$94,730,960
Grand Canyon University	AZ	Private, for-profit	7,947	\$75,287,016
Hinds Community College	MS	Public	5,884	\$7,333,823
Ivy Tech Community College	IN	Public	24,287	\$12,729,728
Liberty University	VA	Private, nonprofit	18,563	\$113,323,800
South Texas College	TX	Public	8,813	\$0
Southern New Hampshire University	NH	Private, nonprofit	5,969	\$36,264,940
Ultimate Medical Academy	FL	Private, nonprofit	23,051	\$123,379,080
Walden University	MN	Private, for-profit	9,407	\$88,950,792

Source: College Scorecard, American Community Survey, GE Informational Data.

no harm” test and are the drivers of this sector’s low pass rate.

While the field of study is generally a stronger predictor of which programs will fail the “do no harm” test, certain institutions disproportionately offer programs that lead to poor earnings outcomes. Table 6 lists the 18 institutions with more than 5,000 students enrolled in programs that are likely to fail, as of the 2021–22 academic year. Combined, these 18 institutions enrolled over 200,000 students in failing programs in

2021–22, disbursing over \$800 million in federal loans to these students.

The list includes major for-profit colleges such as Ashford University and Capella University, along with private nonprofits with a significant online presence such as Southern New Hampshire University and Liberty University. Some of these institutions, including Liberty and Ultimate Medical Academy, stand to lose over \$100 million apiece in annual federal student loan funding.

Several large community college systems such as Indiana’s Ivy Tech Community College and Ohio’s Eastern Gateway Community College also enroll thousands of students in programs that are likely to fail the “do no harm” test. However, the effect of the legislation on these institutions may be more modest because they tend to rely far less on student loans than private institutions. South Texas College, which enrolls over 8,800 students in failing programs, does not participate in the federal student loan program at all.³⁰ The “do no harm” test will therefore not affect this school.

Overall, in 2021–22 the federal government disbursed \$3.3 billion worth of federal loans to students in programs that are likely to fail the “do no harm” test. While this represents a small portion (4 percent) of the \$93 billion in overall student loan disbursements that year,³¹ the programs’ poor outcomes mean students are likely to repay those loans at low rates. Avoiding loan disbursements to those programs in the future means the federal government will save money; CBO estimates that the accountability provisions of OBBB will save roughly \$800 million over 10 years.³²

While that is a relatively small savings compared to the other components of the bill, the impact could be

greater in the long term. The “do no harm” standard means that colleges and universities will think twice before creating new low-quality programs and relying on student loans to fund them. Introducing a new degree only to lose loan access after a few years due to poor earnings outcomes will be a riskier proposition for colleges going forward. That caution will protect students—and limit the student loan program’s downside risk for taxpayers.

Conclusion

The “big beautiful bill” contains significant reforms to the student loan program. Student loan limits, repayment reform, and accountability for colleges will transform the federal role in higher education, largely for the better. While the changes will save taxpayers over \$300 billion, they will also ameliorate some of the most vexing problems in the student loan system: excessive borrowing, runaway interest, and lavish funding for degree programs with a poor ROI for students. The reforms enacted in OBBB represent a significant improvement for the student loan program, which will better protect students and taxpayers.

About the Author

Preston Cooper is a senior fellow at the American Enterprise Institute, where his work focuses on higher education ROI, student loans, and higher education reform.

Endnotes

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