



# BORROWING PARENT LOANS

## COLLEGE FINANCING – JULY 2026 AND BEYOND

Parents face some new limitations when borrowing money for their child's college education following the recent passage of the federal Budget Reconciliation law.

Beginning in July 2026, parents will be limited to borrowing \$20,000 annually per student with a lifetime limit of \$65,000.

Parents who have already borrowed or will borrow before July 1, 2026, can continue to borrow under the current limits for three years or until the student's program ends.

Parents who want to borrow more money for their child's education may need to consider private loans or other financing options.

If one parent has not borrowed a Parent Plus Loan for the student, that parent may be able to borrow their own Parent Plus Loan.

Another option is for the parent to co-sign on any private student loans taken out by the student.

Before borrowing, parents should carefully consider how repayment of the loans will impact their own financial future.

### UNDERSTANDING PARENT PLUS LOANS

- Parents are responsible for repayment. Even though the loan benefits the student, the loan is in the parent's name – not the student's name – and the parent is responsible for repaying the loan.
- The student must complete a Free Application for Federal Student Aid (FAFSA) before a parent can apply for a Direct PLUS Loan. No collateral is needed, but a credit check is required.
- Parents are required to start repaying the loan after the loan is fully disbursed. The loan servicer will provide notification when the first payment is due. However, parents can request a deferment or other repayment options.
- New interest rates are determined annually. Effective July 1, 2025 to June 30, 2026, the interest rate is 8.94%.
- Borrowers must also pay a loan fee, which is a percentage of the loan amount. Currently, the fee is 4.228% of the loan.
- A parent loan may be forgiven, canceled or discharged in certain situations. The most common way a parent loan is forgiven is through the Public Service Loan Forgiveness program, which requires employment by a government or nonprofit organization.
- Colleges may set lower annual loan limits as long as the policy is applied consistently.