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How Federal Student Loan Limits Could Slow California's Health Workforce Pipeline

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Explainer

A seismic shift is underway for students pursuing degrees in health professions: New federal lending rules will reshape how future doctors, nurses, and therapists pay for their education. With the passage of the One Big Beautiful Bill Act in 2025, Congress dramatically altered federal student lending rules for graduate and professional students by eliminating the Graduate PLUS Loan program, mandating a delineation between "graduate" and "professional" degree programs, and establishing new annual, aggregate, and lifetime limits for these two types of programs. An analysis of historical patterns found that at least four in 10 California graduate and professional student borrowers borrowed more than the new federal loan limits.[1]

The new federal lending rules will create affordability gaps for many students. These gaps may prevent students — disproportionately first-generation, low-income, or students of color — from entering health professions at all.

Although the new lending rules have gone into effect, some elements have been paused due to pending litigation. Because of the court's pause, many students in graduate and professional degree programs face uncertainty about the financial support they may receive for the 2026–27 academic year and beyond.

This publication outlines these newly implemented federal student lending rules for graduate and professional students and their impacts on students seeking a degree in a health field.

Financing Graduate and Professional Education Before OBBBA

Before the One Big Beautiful Bill Act (OBBBA) in 2025, federal student loans were widely accessible to graduate and professional students through Direct Unsubsidized Loans and the Graduate PLUS Loan program. For two decades, graduate and professional students could borrow up to $20,500 per academic year through unsubsidized loans. For students whose cost of attendance, including tuition, fees, and living costs, exceeded that amount, Graduate PLUS Loans covered the remainder. This system was enacted as part of a 2005 budget reconciliation bill in order to curb the use of risky private loans to finance graduate and professional education.[2]

Since 1996, students enrolled in certain health degree programs were eligible for increased Direct Unsubsidized Loans.[3] These increased limits allowed students in health profession programs to borrow additional funds via the lower-cost federal student loan program, before utilizing the higher-cost Graduate PLUS Loans. For the 2025–26 academic year, students in 11 designated health programs could borrow above the standard cap for the Direct Unsubsidized Loan, with higher annual and lifetime limits available (See Table 1).[4]

Direct Unsubsidized Loans. Federal loans not tied to income eligibility or credit history and available for undergraduate, graduate, and professional students. These loans have annual caps and begin accruing interest when they are disbursed. The federal government sets the loan origination fee and interest rate annually. This type of loan is sometimes called a Stafford Loan.

Graduate Direct PLUS Loans. Referred to as Grad PLUS loans, these federal loans are available to graduate and professional students to cover the additional cost of attendance beyond the amount covered by Direct Unsubsidized Loans. Federal policymakers eliminated this loan program as part of the OBBBA. These loans were capped at the full cost of attendance, including tuition, fees, and living costs, and accrued interest from the time they were disbursed. The federal government typically set higher origination fees and interest rates for these loans, and eligibility depended on a basic credit check.*

* "Federal Direct Loans," Association of American Medical Colleges, accessed June 8, 2026.

Table 1. Health Profession Programs Eligible for Higher Annual Direct Unsubsidized Loan Limits Before OBBBA

HEALTH PROFESSIONS ELIGIBLE FOR $33,000 TO $37,167 ANNUALLY	HEALTH PROFESSIONS ELIGIBLE FOR $40,500 TO $47,167 ANNUALLY
➤ Doctor of Chiropractic	➤ Doctor of Allopathic Medicine
➤ Doctoral degree in Clinical Psychology	➤ Doctor of Dentistry
➤ Master's or doctoral degree program in health administration	➤ Doctor of Naturopathic Medicine / Doctor of Naturopathy
➤ Doctor of Pharmacy	➤ Doctor of Optometry
➤ Master's or doctoral degree program in public health	➤ Doctor of Osteopathic Medicine
	➤ Doctor of Podiatric Medicine

Note: Students in a nine-month program were eligible for an additional $12,500 or $20,000, depending on the health profession program, while students enrolled in a 12-month program were eligible for $16,667 or $26,667, depending on the program.

Source: *2025-26 Federal Student Aid Handbook*, vol. 8, The Direct Loan Program, US Department of Education, June 5, 2025.

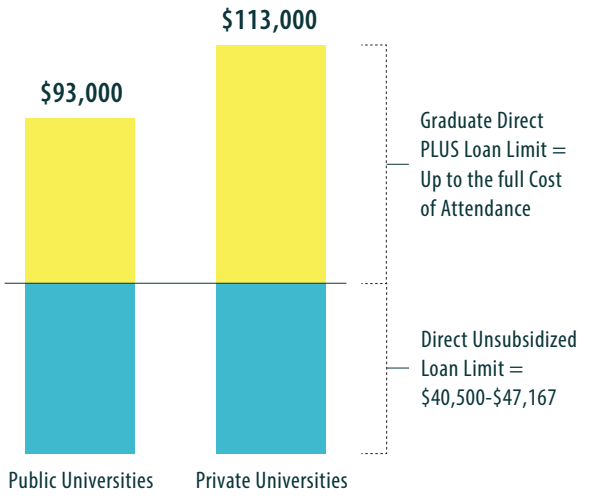
For example, the average estimated cost of attendance for the second year of medical school at a public university in California is roughly $93,000, and $113,000 for students attending private universities. Depending on the length of the academic year, medical school students who must finance their education could receive $40,500 to $47,167 in a Direct Unsubsidized Loan. The remaining costs would then be covered by a Graduate PLUS Loan (see Figure 1).

Together, the Direct Unsubsidized Loan and the Graduate PLUS Loan programs significantly expanded access to advanced degrees in the health professions, especially for historically underrepresented students less likely to have family or community resources to finance the full cost of graduate or professional degree programs.

Increased access to nearly unlimited student loans also meant soaring student loan debt. In California, graduate and professional students made up about 12% of enrollment at degree-granting postsecondary institutions but were responsible for more than half of all student loan borrowing for the 2024–25 academic year.[5] In total, 3.92 million California residents have a collective student loan balance of $156.7 billion.[6] Nationally, that figure rises to roughly $1.7 trillion.[7]

The rise in debt levels sparked concerns about borrowers' ability to repay their loans, the potential burden on taxpayers from costly federal loan programs, and how colleges set prices for their graduate programs. This led to bipartisan calls to reform federal graduate loan programs, notably by imposing limits on both annual and total borrowing.[8]

Figure 1. Average Estimated Cost of Attendance for Medical School at Public and Private Universities in California for the 2025–26 Academic Year Compared to Graduate Student Loan Limits



Notes: Data do not reflect financial aid from other sources. Cost of attendance reflects reported tuition and fees typical for the second year of study for the 2025–26 academic year, along with other estimated cost of living expenses reported by each program. Insurance, fees related to professional associations, licensing exam preparation and test fees, and federal student loan fees were not included in the cost of attendance due to a lack of comparability across universities. Universities were excluded if they did not have publicly available data on the cost of attendance.

Source: Author's analysis of medical school program websites.

Changes Made to Graduate and Professional Student Loan Borrowing

Federal policymakers made significant changes to federal student loan programs for graduate and professional students as part of the OBBBA. These changes went into effect on July 1, 2026, and included eliminating the Graduate PLUS Loan program, mandating a delineation between "graduate" and "professional" degree programs, and establishing new annual, aggregate, and lifetime limits for these two types of degree programs. These changes will affect future graduate and professional students seeking a degree in a health profession.

Elimination of the Graduate Direct PLUS Loan Program

Congress created the Graduate Direct PLUS Loan program in 2005 to expand access to graduate and professional degree programs and to reduce reliance on private education loans.[9] This loan program allowed graduate and professional students to take out loans to cover the full cost of attendance, including tuition, fees, and living expenses such as housing, food, and child care. Educational institutions set the cost of attendance, and student borrowers could generally obtain unlimited funding for graduate education regardless of their ability to repay the loan.[10]

In recent years, the loan program failed to generate revenue because of rising tuition and living costs, additional repayment options and shorter loan forgiveness periods, and higher enrollment in graduate programs in fields with earnings too low to repay student loan debt.[11] For these and other reasons, federal policymakers eliminated the Graduate PLUS Loan program as part of the OBBBA — ending unlimited student borrowing for graduate and professional degree programs. Students already enrolled in programs with a PLUS loan as of June 2026 have a limited legacy exception.[12]

Defining Graduate and Professional Degree Programs

Before the OBBBA, there was no distinction between graduate and professional students in relation to graduate student loans. Annual and aggregate student loan limits under the Direct Unsubsidized Loan Program were the same regardless of the program.[13] Federal law did give the Secretary of Education the authority to increase annual and aggregate limits for degree programs with exceptionally high costs. Since 1996, students enrolled in certain health profession programs were granted higher Direct Unsubsidized Loan limits (see Table 1).[14]

The OBBBA changed this practice by establishing separate Direct Unsubsidized Loan limits for standard graduate students and limits for professional students that are at least double that for graduate students. Congress also directed the Department of Education to use the negotiated rulemaking process to define "graduate" and "professional" degree programs for application of the new student loan limits.[15] This process resulted in a fixed list of 11 degree programs that are defined as professional and that qualify for higher loan limits. Of these, eight are health profession programs.[16] The final rule was published in spring 2026 and was to take effect on July 1.[17]

After the final rule's publication, trade organizations representing advanced practice nurses, physician assistants, therapists, public health practitioners, and others filed suit challenging the definition of "professional" degree programs. The elimination of the Grad PLUS Loans and the new loan limits remain in effect, but the court paused parts of the professional degree definition from going into effect. In response, the Department of Education issued an expanded list of degree programs that will be classified as "professional" until a judge issues a final decision, expected after December 2026.[18] The Department of Education responded to a second legal challenge from naturopathic medicine associations by updating the list of professional degree programs to include doctor of naturopathic medicine

programs. These degree programs will also be classified as professional until a final decision is made in the case.[19] The temporary list currently includes 30 degree programs, of which 26 are health profession programs (see Table 2).[20]

Finally, a coalition of 25 states and the District of Columbia also sued the Department of Education based on the administration's definition of "professional" degree. This case has a shorter timeline, and the decision may impact the December ruling.[21] Because of the court's pause, many students in graduate and professional degree programs face uncertainty about the financial support they may receive for the 2026–27 academic year.[22]

Table 2. Health Profession Programs Classified as "Professional"

INITIAL LIST OF "PROFESSIONAL" HEALTH PROGRAMS	TEMPORARY EXPANDED LIST OF "PROFESSIONAL" HEALTH PROGRAMS
Chiropractic (DC, DCM)	Anesthesiologist assistant (CAA)
Clinical psychology (PhD, PsyD)	Athletic training/trainer (MSAT, MAT)
Dentistry (DDS, DMD)	Audiology/audiologist (AuD)
Medicine (MD)	Chiropractic (DC, DCM)
Optometry (OD)	Clinical child psychology (PsyD)
Osteopathic medicine (DO)	Clinical psychology (PhD, PsyD)
Pharmacy (PharmD)	Clinical, counseling, and applied psychology; other (PsyD)
Podiatry (DPM, DP, PodD)	Counseling psychology (PsyD)
	Dentistry (DDS, DMD)
	Doctor of naturopathy / Doctor of naturopathic medicine (ND, NMD)
	Family psychology (PsyD)
	Forensic psychology (PsyD)
	Health/medical psychology (PsyD)
	Medicine (MD)
	Nurse anesthetist (DNAP)
	Nursing practice (DNP)
	Occupational therapy/therapist (OT, MSOT, OTD)
	Optometry (OD)
	Osteopathic medicine (DO)
	Pharmacy (PharmD)
	Physical therapy (PT, DPT)
	Physician associate/assistant (MSPA, PA)
	Podiatry (DPM, DP, PodD)
	Registered nursing / registered nurse (MSN)
	School psychology (PsyD)
	Speech-language pathology/pathologist (SLP)

Notes: List does not include other non-health degree programs categorized as professional by the Department of Education.

Source: "Update to List of Professional Degree Programs Due to Court Order (Updated October 30, 2026)," electronic announcement ID: General-26-42, US Department of Education, June 29, 2026.

Establishing New Annual, Aggregate, and Lifetime Graduate and Professional Loan Limits

Under OBBBA, policymakers also established new annual, aggregate, and lifetime student loan limits for graduate and professional students using the Direct Unsubsidized Loan Program — further restricting the funds available for graduate and professional students.

Before OBBBA, the annual limit for graduate and professional students was $20,500, and the aggregate limit for an undergraduate and graduate or professional degree program was $138,500 (see Table 3). Certain health profession programs had higher annual and aggregate caps. Neither loan program had lifetime limits.

Post-OBBBA, the new federal student loan limits are based on the definitions of "graduate" and "professional" degree programs by the US Department of Education (DOE). The standard annual limit ($20,500) did not change for graduate degree programs, but the loan limit rose to $50,000 for professional degree programs. The aggregate limit shifted from $138,500 to $100,000 for graduate students and $200,000 for professional students.[23] These new aggregate limits exclude undergraduate loans, while the pre-OBBBA limits included undergraduate loans.[24] Finally, the OBBBA created a new lifetime loan limit of $257,500 for all student loan borrowing for undergraduate, graduate, and professional education.[25]

Annual limit. The maximum amount a student can borrow each academic year.

Aggregate limit. The maximum outstanding principal loan balance a student can carry. For graduate and professional students, this total excludes undergraduate borrowing but includes all borrowing for graduate and professional degree programs.*

Lifetime limit. The maximum amount a student can borrow for their academic career over their lifetime — including undergraduate, graduate, and professional degree programs.†

* "One Big Beautiful Bill Act — Important Definitions," US Department of Education (DOE), accessed July 7, 2026.

† "Important Definitions," DOE.

Table 3. Graduate and Professional Student Loan Limits Before and After OBBBA

BEFORE OBBBA

Loan Program	Graduate and Professional Degree Programs	Certain Health Professions Degree Programs
Direct Unsubsidized Loan Program	Annual limit: $20,500 Aggregate limit: $138,500 (including undergraduate loans) Lifetime limit: none	Annual limit: $33,000–$40,500* Aggregate limit: $224,000 (including undergraduate loans) Lifetime limit: none
Graduate PLUS Loan Programs	Up to full cost of attendance minus other financial assistance	

AFTER OBBBA

Loan Program	Graduate Degree Programs	Professional Degree Programs
Direct Unsubsidized Loan Program	Annual limit: $20,500 Aggregate limit: $100,000 (excluding undergraduate loans) Lifetime limit: $257,500	Annual limit: $50,000 Aggregate limit: $200,000 (excluding undergraduate loans) Lifetime limit: $257,500
Graduate PLUS Loan Programs	Eliminated	

* Figures reflect loan limits for a nine-month academic year for the 2025-26 academic year. Limits were higher for a twelve-month academic year.

Sources: "Annual and Aggregate Loan Limits," chap. 4 in *2025-26 Federal Student Aid Handbook*, vol. 8, *The Direct Loan Program*, US Department of Education (DOE), June 5, 2025; and "One Big Beautiful Bill Act — Important Definitions," DOE, accessed July 7, 2026.

It is unclear if the Secretary of Education will have the authority to increase annual and aggregate limits for degree programs with exceptionally high costs under the OBBBA, as was the case before Congress enacted it.[26] Currently, only students enrolled in the DOE's temporary expanded list of "professional" degree programs have higher loan limits.

Implications

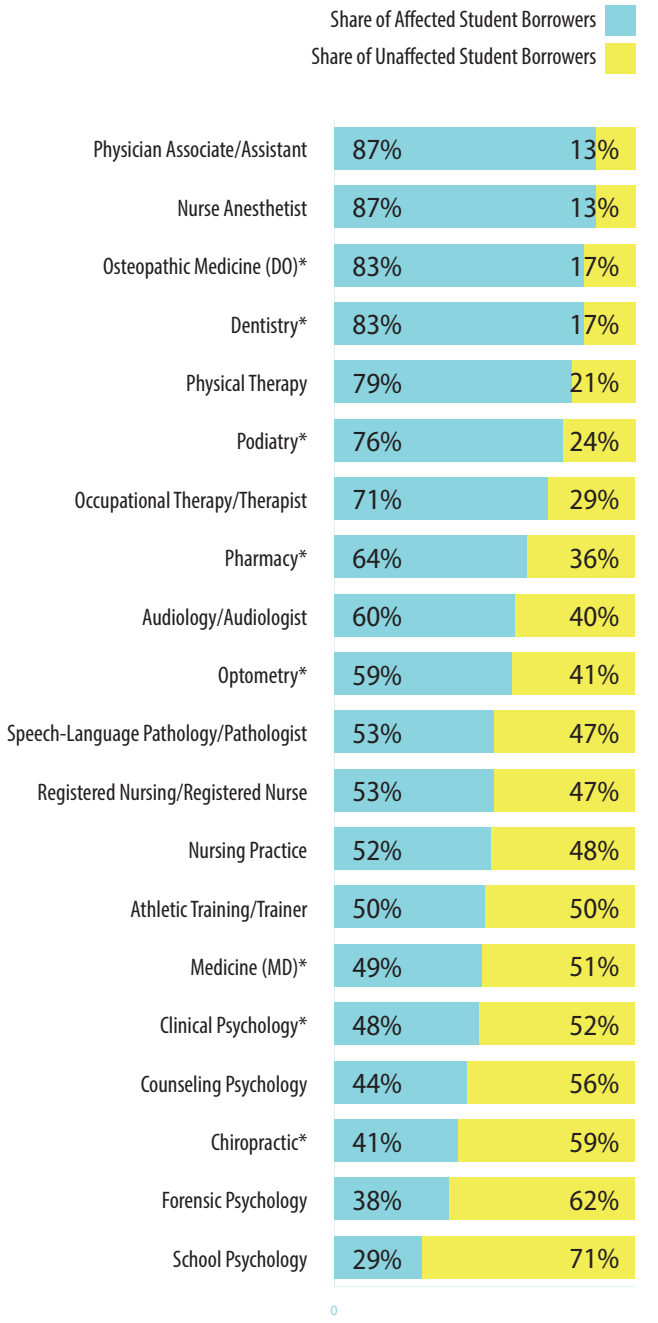
Federal policymakers enacted sweeping changes to student loan borrowing for graduate and professional students, including eliminating the Graduate PLUS Loan program, mandating a delineation between "graduate" and "professional" degree programs, and establishing new annual, aggregate, and lifetime limits for these programs.

These changes will result in an affordability gap for many students — including students in high-cost health profession programs — who will not be able to use federal student loans to cover the full cost of attendance for their graduate or professional degree program. First-generation students, low-income students, and certain students of color are also more likely to face an affordability gap because they historically have been less able to rely on family and community resources to finance graduate and professional education.[27]

An analysis by researchers at the Postsecondary Education & Economics Research Center (PEER) used the initial, limited list of "professional" degree programs and data on past students' loan borrowing to find that roughly 42% of all graduate and professional student borrowers in California borrowed more than the new loan limits.[28] PEER data also show that a majority of student borrowers enrolled in numerous health profession programs at California universities exceeded the new loan limits, including students enrolled in advanced practice nursing, occupational therapy, osteopathic medicine, and physician assistant programs (see Figure 2).[29]

In response to litigation, the DOE temporarily added additional health programs to the list of "professional"

Figure 2. Share of California Student Borrowers With Graduate Loans Above the New OBBBA Loan Limits by Program of Study



* Programs of study included in the initial list of "professional" degree programs.

Notes: Data reflect annual borrowing for the 2020 to 2023 academic years. Figures may not sum due to rounding. Estimates apply the initial professional-degree classifications and do not reflect the temporary expanded list.

Source: Jordan Matsudaira et al., "Graduate Loan Limit Impact Explorer," Postsecondary Education & Economics Research Center, accessed June 8, 2026.

degree programs, which could reduce the share of students facing affordability gaps. Regardless of the classification, many costs for students enrolled in health profession programs at California universities will exceed the new annual limits (see Table 4). For example, the average estimated cost of attendance per year for physical therapy programs ranges from $61,000 at public universities to $92,000 at private universities. This far exceeds the new annual limits for graduate or professional programs. In fact, the *annual cost* of attendance at many health profession programs exceeds the *aggregate* limit for graduate programs, such as physician associate/assistant programs.

Table 4. Average Estimated Cost of Attendance for Various Health Profession Programs at California Universities, 2026–27 Academic Year

	PUBLIC UNIVERSITIES	PRIVATE UNIVERSITIES
Osteopathic & allopathic medicine (DO & MD)	$96,000	$118,000
Dentistry (DDS & DMD)	$122,000	$163,000
Nurse anesthetist (DNAP)	$86,000	$95,000
Physical therapy (DPT)	$61,000	$92,000
Physician associate/assistant (MSPA)	$115,000	$108,000

Notes: Cost of attendance reflects reported tuition and fees typical for the second year of study for the 2026–27 academic year, along with other estimated cost of living expenses reported by each program. Insurance, fees related to professional associations, licensing exam preparation and test fees, and federal student loan fees were not included in the cost of attendance due to a lack of comparability across universities. Universities were excluded if they did not have publicly available data on the cost of attendance.

Source: Author's analysis of university program websites.

Student borrowers enrolled in degree programs with a high cost of attendance that exceeds the new loan limits will have to secure financing from other federal, state, or local programs or use private student loans to close the affordability gap.[30] These private loan options come with significantly increased risk to the student, such as:

- Restrictive lending criteria
- Higher fees and interest rates, particularly for low-income borrowers
- Fewer protections, such as tying payment amounts to borrowers' income
- Ineligibility for the federal Public Service Loan Forgiveness Program[31]

The affordability gap for a graduate or professional degree may incentivize students to enroll in programs with a lower cost of attendance — potentially forgoing an education in a stronger program or in a location that better suits students' needs. The new student lending rules could also push students into different career choices or lead them to forgo an advanced degree altogether. In turn, this could negatively affect the number and diversity of students entering health professions that require advanced degrees, including medicine, advanced practice nursing, and physical therapy.

Conclusion

Federal loan programs have played a crucial role in supporting students pursuing advanced degrees in the health professions. Over the past two decades, these borrowing options have expanded access to graduate and professional education and enabled more people to enter health-related careers. In response to soaring federal student loan debt, lawmakers dramatically altered federal student loan programs in 2025 as part of the OBBBA.

The new federal lending rules will reshape how future health professionals finance their graduate and professional degrees, and many students will face affordability gaps. For these students — disproportionately first-generation, low-income, or students of color — the affordability gap may block them and other students from health professions altogether. Ultimately, this could slow the pipeline of new health professionals and exacerbate health workforce shortages.

About the Author

Kristin Schumacher, PhD, MSW, is principal owner at Aster Policy Analytics, a public policy research firm that produces data-driven analyses focused on gender, racial, and economic justice. Before launching Aster Policy Analytics, Schumacher worked in various mission-driven organizations to improve the well-being of women, children, and families. Most recently, she led community-driven budget and policy analyses as research director at Kids Forward, the oldest child advocacy organization in the US.

About the Foundation

The California Health Care Foundation is an independent, nonprofit philanthropy that works to improve the health care system so that all Californians have the care they need. We focus especially on making sure the system works for Californians with low incomes and for communities who have traditionally faced the greatest barriers to care. We partner with leaders across the health care safety net to ensure they have the data and resources to make care more just and to drive improvement in a complex system. The California Health Care Foundation informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system. For more information, visit www.chcf.org.

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