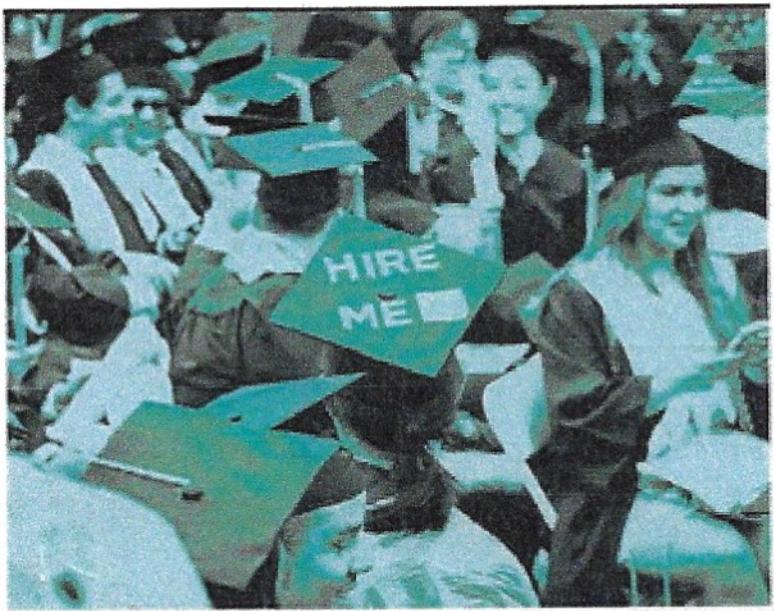


# WSJ Print Edition



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## U. S. Tightens Reins On Student Loans

BY OYIN ADEDOYIN

With student loan debt at a record \$1.7 trillion, the U.S. is tightening the spigot on federal loans.

The Trump administration is moving to rein in how much students can take out in federal loans and to hold universities more accountable for the earning power of their graduates. Some supporters of the administration think officials should go further and put colleges on the hook for payments when students default on loans.

The changes reflect frustration across the political spectrum over mounting student debt, with millions of borrowers in default facing the possibility of having their paychecks docked.

“There has been this growing skepticism that Americans, even educated Americans, have about higher education and its value,” said Beth Akers, a senior fellow at the American Enterprise Institute, a center-right think tank. “That’s great because that does put pressure on institutions to price according to what it is that they’re delivering.”

Here’s how federal student loans are changing.

### Caps on borrowing

As of July 2026, total graduate school borrowing will be limited to \$100,000, or \$200,000 for professional degrees.

Graduate students will also face a lifetime borrowing limit of \$257,500 for all federal loans, including undergraduate loans. Parents borrowing on behalf of their children will also see caps.

In addition, the Education Department has proposed no longer classifying fields such as nursing and accounting as professional degrees. That means students in those fields wouldn’t be able to borrow as much for graduate school as those pursuing dentistry, law and medicine.

Currently, graduate students can borrow up to the full cost of attendance, minus other aid. Undergraduate borrowing was already limited, and those caps will remain the same.

The department says the new loan limits will help drive down the cost of graduate programs. Critics say students will simply turn to private lenders, which tend to offer less-generous repayment options.

## Earnings power benchmarks

The “one big beautiful” tax-and-spending bill passed last summer also makes schools more accountable for graduates’ earning power. Programs whose graduates don’t meet certain earnings thresholds will eventually lose access to the federal student-loan program.

“These new accountability rules will hold every single program in every single sector accountable,” said Clare McCann, managing director of policy and operations at the Postsecondary Education and Economics Research Center at American University.

Some think the government should go further. At a White House dinner in November, hedge-fund billionaire Bill Ackman raised the idea of making universities pay a portion of loans that go into default. “You don’t want to be encouraging people to pursue careers in areas where they’re not going to be able to get jobs,” Ackman said in an interview.

So if a student took out \$100,000 in federal student loans, the university would be on the hook for the first \$20,000 if the student defaulted.

After Brazil instituted a similar policy in 2018, a study found that select schools in the country invested more in educational quality. Dropout rates subsequently fell, and student retention improved. *Note*

But Constantine Yannelis, a coauthor of the study and a professor at the University of Cambridge, stressed the differences between Brazil and the U.S. He said an unintended consequence of such policies may be that academically challenged students from low-income backgrounds may be screened out.

## Changes at universities

Even before the changes from the Trump administration, schools have been trying to address the issue of affordability.

To discourage students from taking on more debt than they can afford, for instance, some colleges have implemented policies that try to offer grants and scholarships, instead of loans, to students who need assistance.

“One of the biggest misperceptions is that there’s a lack of skin in the game when, in reality, there’s tremendous skin in the game,” said Tim Powers, vice president of government relations and policy development at the National Association of Independent Colleges and Universities.

Institutional grants accounted for nearly half of all grant aid for undergraduate and graduate students last year, according to data from the College Board.

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