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Where the July 1, 2026 Student Loan Rules Contradict Each Other

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> **Why this document exists:** On July 4, 2025, Congress enacted the *One Big Beautiful Bill Act* (OBBBA, Public Law 119-21). On May 1, 2026, the Department of Education published its implementing regulations, the *Reimagining and Improving Student Education* (RISE) Final Rule (91 Fed. Reg. 23768, PDF), effective July 1, 2026.
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> Four months after those rules took effect, on November 4, 2026, New York Attorney General Letitia James issued a formal consumer alert warning borrowers that consolidating federal student loans now carries irreversible consequences. Borrowers, financial aid offices, and even servicers have been caught off guard because the statute, the published Code of Federal Regulations, the Department's forms, and StudentAid.gov contradict each other in the six places documented below.

1. Does consolidating one small loan (or borrowing again) knock your untouched older Direct Loans off IBR?

What the IBR Borrower-Eligibility Rule Says	What the Same-Plan Rule & Preamble Do Instead
In 34 CFR § 685.209, the Department explicitly wrote "*has not received a Direct Loan on or after July 1, 2026*" into the borrower-eligibility rules for PAYE (`§ 685.209(c)(4)(v)`) and ICR (`§ 685.209(c)(5)(i)(C)`). **It left that cutoff out of the IBR borrower-eligibility rule (`§ 685.209(c)(3)`).** And 34 CFR § 685.210(a)(3)(iii)(B) states that when a post-2026 excepted loan sits on Tiered Standard, the borrower "*may repay the other Direct Loans separately.*"	Under 34 CFR § 685.209(d)(5), only Direct Loans made before July 1, 2026 can use IBR. Under 34 CFR § 685.210(a)(3), all of a borrower's Direct Loans generally must be repaid under the same plan. In the preamble to the May 1, 2026 Final Rule (91 FR 23846–47, PDF), the Department stated: "*upon receipt of a Direct Loan on or after July 1, 2026, that borrower is no longer eligible for the IBR plan.*"

What happens in real life: Even if you leave your older Direct Loans untouched and consolidate a single small standalone loan (such as an old Perkins loan) by itself after July 1, 2026, that new consolidation loan counts as a post-July 1 Direct Loan. Under the same-plan rule, it pulls your untouched older Direct Loans off IBR (20- or 25-year forgiveness) and onto RAP (30-year forgiveness, $10 minimum monthly payment), with no way to unwind the consolidation once funded.

2. What triggers the July 1, 2026 consolidation cutoff — loans "offered" or loans "made" (funded)?

What the Statute & Summer Paperwork Said	What the Department & Servicers Enforced
In OBBBA (20 U.S.C. § 1087e(g)(3)), the heading reads "*Consolidation loans **made** on or after July 1, 2026,*" while the sentence right underneath it reads: "*A Federal Direct Consolidation Loan **offered** to a borrower under this part on or after July 1, 2026...*" All summer, official consolidation applications and Loan Summary Statements still listed IBR, PAYE, and ICR. The updated IDR Plan Request form (OMB 1845-0102, PDF) adding RAP was not posted until October 1, 2026.	Under 34 CFR § 685.209(d)(5) and § 685.220, only the date the consolidation loan is **made (disbursed/funded)** counts. On October 15, 2026, Aidvantage sent mass notices titled "*Your Direct Consolidation Loan Summary Included Ineligible Repayment Plans,*" telling borrowers whose consolidations funded in July or later that the plans on their summary sheets were invalid and placing them on Tiered Standard by default.

What happens in real life: If you applied in May or June 2026 and your consolidation funded on or after July 1, 2026, you are locked out of IBR, PAYE, and ICR. See our breakdown: That Aidvantage email about "ineligible repayment plans."

3. Do you keep a weighted average of your old IDR forgiveness payments when you consolidate?

What the Printed Regulation Still Says Today	What the Department Actually Does
When the Department published the RISE Final Rule on May 1, 2026 (91 FR 23892, PDF), it republished 34 CFR § 685.209(k)(4)(vi)(A)–(C) verbatim in the Code of Federal Regulations. On the page today, that section still says a Direct Consolidation Loan receives a **weighted average** of pre-consolidation IDR qualifying payments, with no July 1, 2026 cutoff.	Behind the scenes, the Department treats `§ 685.209(k)(4)(vi)` as struck down by the March 10, 2026 court vacatur of the 2023 SAVE regulations (*Missouri v. Trump*), having left the dead language in the May 2026 rule because it claimed it could not amend provisions tied to the SAVE litigation. As NY AG Letitia James warned on November 4, 2026, consolidating now can erase your prior IDR forgiveness credit.

What happens in real life: Folding older loans into a new Direct Consolidation Loan today puts your prior IDR payment count at risk of resetting to zero. (Public Service Loan Forgiveness is governed by a separate rule, 34 CFR § 685.219(c)(3), where weighted-average PSLF credit still applies.)

4. Does the Tiered Standard Plan count toward Public Service Loan Forgiveness (PSLF)?

What the Printed PSLF Regulation Says	What the Department's Preamble Says
34 CFR § 685.219(b)(28)(iii) counts payments made under "*a 10-year standard repayment plan under § 685.208(b) or any other plan paying not less than the 10-year standard amount.*" Under § 685.208(b)(8)(i), the Tiered Standard tier for balances under $25,000 is a 10-year fixed plan.	In the May 1, 2026 Final Rule preamble (91 FR 23768, PDF), the Department stated twice: "*Tiered standard is not among these qualifying repayment plans. Accordingly, we are unable to count a monthly payment under Tiered Standard plan as a qualifying monthly payment for PSLF purposes.*"

What happens in real life: Every month spent on Tiered Standard earns zero PSLF credit and cannot be bought back through PSLF buyback. And because Parent PLUS consolidations made on or after July 1, 2026 are barred from both IBR and RAP, they are forced onto Tiered Standard with no PSLF or IDR forgiveness path.

5. Are PAYE and ICR open or closed to borrowers with pre-July 2026 loans?

What the Printed Regulation Says	What StudentAid.gov & the IDR Form Say
34 CFR § 685.209(c)(4)(iv) and (c)(5)(i)(B), as republished on May 1, 2026, facially bar borrowers from enrolling in PAYE or ICR unless they were already repaying under those plans on **July 1, 2024**.	StudentAid.gov's OBBBA page states: "*There will be no restriction on enrolling in the IBR, ICR, or PAYE plans on or after July 1, 2026, unless you receive a disbursement on a new loan on or after July 1, 2026*" (until PAYE and ICR sunset on July 1, 2028). The October 2026 IDR form (PDF) likewise offers PAYE and ICR with no July 2024 cutoff.

What happens in real life: The Department is currently processing PAYE and ICR applications for eligible pre-July 2026 borrowers through the June 30, 2028 sunset, despite the dead July 2024 gate left in the printed regulation.

6. Does OBBBA's 3-year "grandfathering" rule protect current graduate and medical students from the new loan caps?

What the Headline Grandfathering Rule Promises	What the Statutory "Expected Time" Limit Does
Under HEA § 455(a)(4) (added by OBBBA), students enrolled as of June 30, 2026 who received a Direct Loan for their program before July 1, 2026 can keep borrowing under legacy rules (including Grad PLUS up to the cost of attendance, exempt from the new $50,000/$200,000 professional caps and $20,500/$100,000 graduate caps) for up to **three academic years**.	The grandfathering window is limited to the **lesser** of three academic years **or** the school's published "*expected time to credential*" (four years for an MD) minus time already completed, with strict continuous-enrollment rules (AACOM OBBBA FAQ, PDF).

What happens in real life: As The New York Times reported on November 15, 2026, a medical student who started in 2021 and took time for a research fellowship and a master's degree aged out of the four-year window. Once a student falls outside the grandfathering box, all prior federal loans count against the new $200,000 professional cap ($257,500 lifetime limit), cutting off federal aid mid-degree.

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