BRIEF

State Student Loan Programs

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After years of unprecedented disruption to student loan borrowing and repayment, millions of borrowers will now navigate new federal changes and related state policy responses. Nearly 42 million borrowers currently hold an outstanding federal student loan and the cumulative loan balance totals $1.7 trillion. Approximately one in five loans is in forbearance and 7.7 million borrowers have defaulted on their loans; 11% of federal loans are in default, according to recent federal data.

Since 2016, states have considered more than 1,100 bills related to student loan debt. States continued to explore policy options to address repayment assistance and forgiveness plans as well as new regulations and consumer protections regarding student loan lending and repayment. In 2025, states enacted more than two dozen laws related to student loan policies across the country.

Key Takeaways

- Currently, at least 16 states offer state-run student loan programs for students pursuing a postsecondary degree or credential.
- Several states are considering modifying or expanding state-run loan programs, particularly for graduate students.

State Student Loan Programs

In addition to the more than $16 billion that states spend on student financial aid, at least 16 states offer state-run loan programs for students pursuing a postsecondary degree or credential. These loan programs vary widely in design, with each state setting its own eligibility rules, interest rates and applicable loan limits. Some state-run loan programs are administered directly by state agencies, while others use nonprofit trusts, public-private partnerships, or private loan authorities to handle lending.

GENERAL STATE-RUN STUDENT LOAN PROGRAMS

Minnesota offers the Student Educational Loan Fund (SELF) administered by the Minnesota Office of Higher Education. Loans are available to state residents attending any eligible institution or nonresidents physically attending an eligible Minnesota institution. Loan terms are available in fixed or variable interest rates and 10-, 15-, and 20-year repayment plans. SELF loans require a cosigner who meets certain credit requirements and monthly payments while enrolled in postsecondary education.

Georgia provides the Student Access Loan Program for undergraduate students who face a gap in meeting unmet costs. Loans

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are provided at 1% interest rates and are subject to a maximum annual borrowing limit of $8,000. The program is administered by the Georgia Student Finance Authority and is funded with lottery funds.

Massachusetts created the No Interest Loan (NIL) Program in 1992. The program provides residents of Massachusetts who have completed high school and are enrolled full time in a certificate, associate's or bachelor's degree program. Borrowers may not hold a prior bachelor's degree but may access loan amounts between $1,000 and $4,000 annually, subject to a $20,000 lifetime limit. Loans are only eligible to be used at institutions located in Massachusetts. Students have a fixed 10-year repayment window to repay their NIL loans.

GRADUATE STATE-RUN STUDENT LOAN PROGRAMS

Washington created a Graduate Student Loan Program through legislation passed in 2022. Students must be enrolled in high-demand fields of study including behavioral health, nursing, software development and teaching. Subsequent legislation passed in 2023 modified the program to limit lending to only those with financial need, cap interest rates at 2.5% and limit borrowing to $20,000 per year. The legislature provided $80 million in funding and the program is run through the Washington Student Achievement Council.

Alaska offers Supplemental Student Education Loan Programs that include options for graduate students to borrow up to $24,000 per year and $96,000 lifetime. The loans have fixed interest rates between 4.5% and 9.75% in the 2026-27 academic year. Students must be Alaska residents or attend an eligible Alaska school.

South Carolina created the South Carolina Student Loan Corporation in 1973. The private, nonprofit corporation provides a variety of student loan offerings to students attending college in South Carolina or students studying out of state. The SCSLC offers loans for graduate students pursuing master's and PhD programs. Borrowing is capped at $150,000 over a lifetime.

OTHER STATE-RUN LOAN PROGRAMS

In 2014, California passed legislation that included the creation of the California DREAM Loan Program. This program provides eligible undocumented ungraduated students with student loan options at the same interest rate as the Federal Direct Subsidized Loan. Undocumented students are eligible if they have demonstrated financial need and are enrolled at least half time. Borrowing is capped at $4,000 per year and $20,000 lifetime.

Recent Legislation

As requirements for federal student loans shift, some states are also considering the creation, modification, or expansion of state-run loan programs to support borrowers.

In its state budget bill, Connecticut included provisions and funding ($30 million) that The Connecticut Higher Education Supplemental Loan Authority (CHESLA) shall establish a Supplemental Graduate Loan Program for the purpose of providing authority loans to students who are enrolled in eligible graduate programs. In May, CHESLA announced the launch of the MyCHESLA Grad Loan program, offering loan options to graduate students that will expand to all graduate and professional degree programs. Borrowers will be able to borrow up to the student's net cost of attendance. Repayment terms of 5, 10 and 15 years are available and fixed interest rates range between 5.50% and 7.99%. The loan term considers a borrower's future earning potential based on their academic program or applicants may qualify via income.

In June, Minnesota also announced plans to create a new SELF Grad Loan option for graduate and select doctoral programs. These loans will have repayment terms of 10, 15 or 20 years. Most graduate programs will have a $50,000 annual maximum borrowing limit and $150,000 lifetime limit, while select doctoral programs will have no annual max and up to $300,000 lifetime.

Utah considered, but did not enact a measure that would establish a Graduate Student Supplemental Loan program. Virginia is considering a bill that would require the State Council of Higher Education for Virginia to evaluate the effects of federal graduate loan borrowing limits.

Federal Policy

The One Big Beautiful Bill Act (H.R. 1), the tax cut and domestic policy law signed by President Trump in July last year, included numerous substantial provisions related to education and student loans.

The first notable change is modifications to borrowing limits. While undergraduate loan limits remain unchanged, higher education institutions are now allowed to implement borrowing limits, as long as these limits are applied consistently within programs. For graduate students, the Grad PLUS program has been eliminated and H.R. 1 introduced borrowing limits for federal gradate loans. These limits are $50,000 per year ($200,000 lifetime) for "professional programs" and $20,500 ($100,000 lifetime) for all other graduate degree programs. Per the Department of Education's rulemaking process, 11 programs qualify as professional including medicine, dentistry, optometry, pharmacy, veterinary medicine, chiropractic, osteopathic medicine, theology and clinical psychology programs. Estimates from the Postsecondary Education & Economics Research (PEER) Center suggest that approximately 29% of graduate loan borrowers could be impacted by these limits, although impacts vary by institution and state. These limits went into effect on July 1, 2026.

H.R. 1 also makes changes to student loan repayment plans. Beginning July 1, 2026, students have access to only two new loan repayment plans: a standard repayment plan and a Repayment Assistance Plan. The new standard repayment plan offers fixed monthly payments, like a mortgage, that are based on the amount borrowed while the new Repayment Assistance Plan, or RAP, is another version of an income-driven repayment plan, which calculates monthly payments based on a borrower's income and allows borrowers who make qualifying payments for 30 years to have their remaining balance forgiven. Unlike some prior income-driven repayment plans, the RAP includes two subsidies that ensure borrowers see their loan balances decrease each month. Current borrowers may maintain their current plan but will have access to RAP.

Lastly, H.R. 1 introduced a student loan accountability measure knowing as the "earnings premium measure." This test requires the majority of students who complete an undergraduate program to earn more than a comparable high school graduate. Similarly, the majority of students who complete a graduate program must earn more than a comparable bachelor's degree holder. Any program that fails this test two out of three consecutive years would lose access to student loans. The department will begin collecting data in 2027, and schools could lose access to federal aid starting in the 2028-29 academic year. Preliminary data suggests 95% of programs nationwide will pass the earnings premium measure, however undergraduate certificates have an estimated 29% failure rate.

NCSL Resources

- NCSL Student Loan Debt Series
- NCSL Student Loan Bill Tracking Database
- State Legislative Responses to the Education Provisions in the One Big Beautiful Bill Act