ECONOMIC OUTLOOK

PATTI SMITH, CPA
COUNTY AUDITOR
2ND QTR 2026

AUSTIN

"**In May, Austin experienced broad employment growth**, while wages fell slightly. Meanwhile, **housing prices climbed** as months of inventory declined." – Jun 2026 – Austin Economic Indicators – Dallas Fed

TEXAS

"The Texas economy expanded in May. Overall, **employment grew** and the labor force expanded modestly. The June Texas Business Outlook Surveys showed continued **expansion in wages and benefits**. Exports rose in April, while the Texas Leading Index ticked down in May." – Texas Economic Indicators – Dallas Fed

UNITED STATES

"**The U.S. economy continues to expand at a solid pace.** Despite a softer-than-expected employment report in June, the labor market has seen robust job gains over the past few months and appears broadly in balance.

Meanwhile, **elevated energy prices have pushed inflation further from the Fed's 2% goal but appear to have had little impact on overall economic activity.**

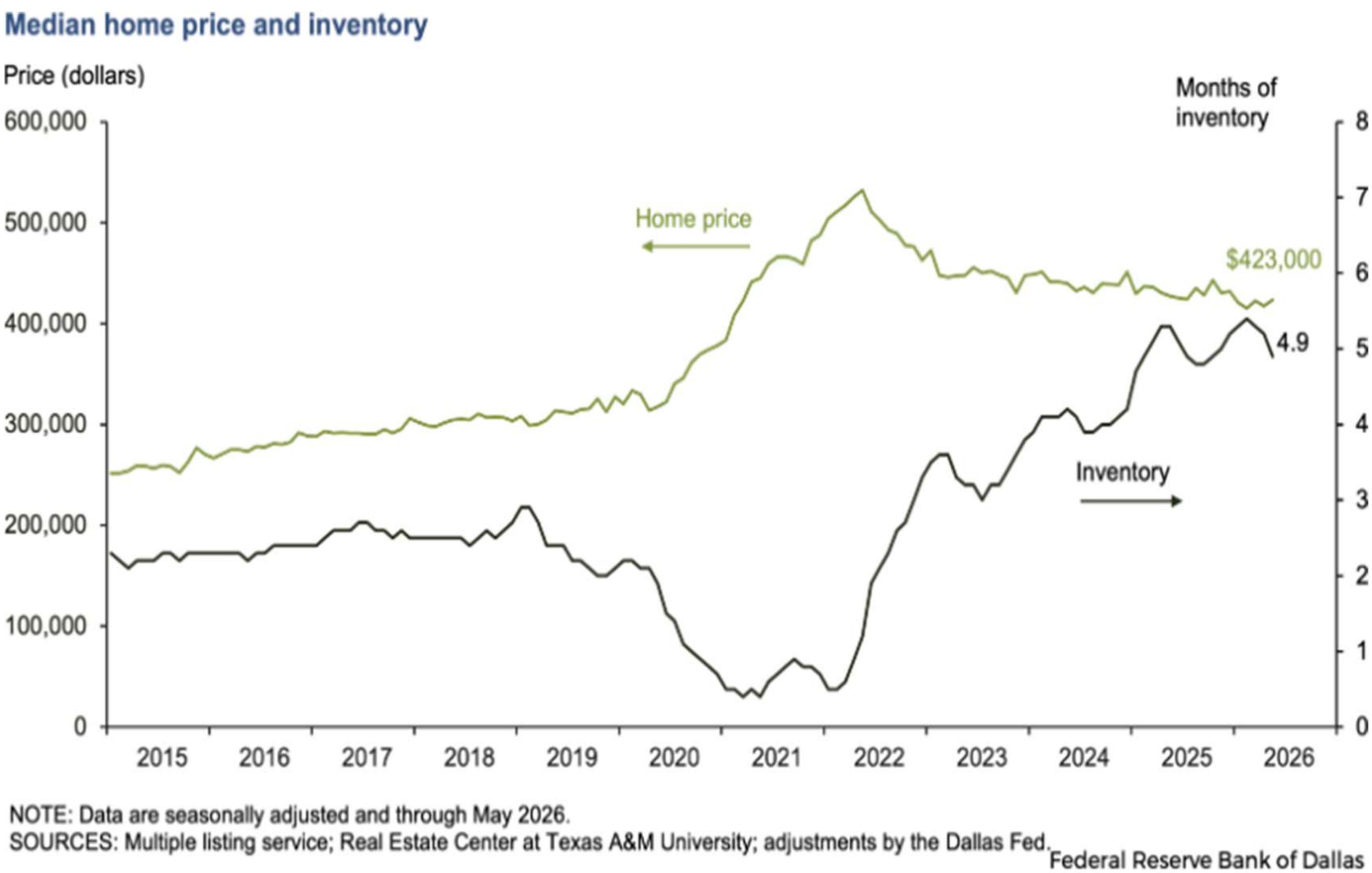
A partial normalization of oil prices over recent weeks lowered retail gas prices and provided some relief to consumers' budgets, though geopolitical developments led to another price increase amid renewed volatility.

Looking ahead, **risks to inflation remain mainly on the upside**.

In contrast, the outlook for the real economy is two-sided: Overall uncertainty could weigh on consumer spending, while **investment in artificial intelligence could further raise productivity** and economic growth." - Jul 2026 – Fed View – San Francisco Fed

HOUSING – MEDIAN HOME PRICE AND INVENTORY – AUSTIN

"Austin's median home price increased 1.4 percent in May. Year over year, median home prices fell 0.8 percent in the metro area and rose 0.1 percent in Texas. **Austin home inventories ticked down to 4.9 months in May, remaining below six months, which is generally considered a balanced housing market.** A year ago, home inventory levels in Austin were 5.3 months." – Jun 2026 – Austin Economic Indicators – Dallas Fed

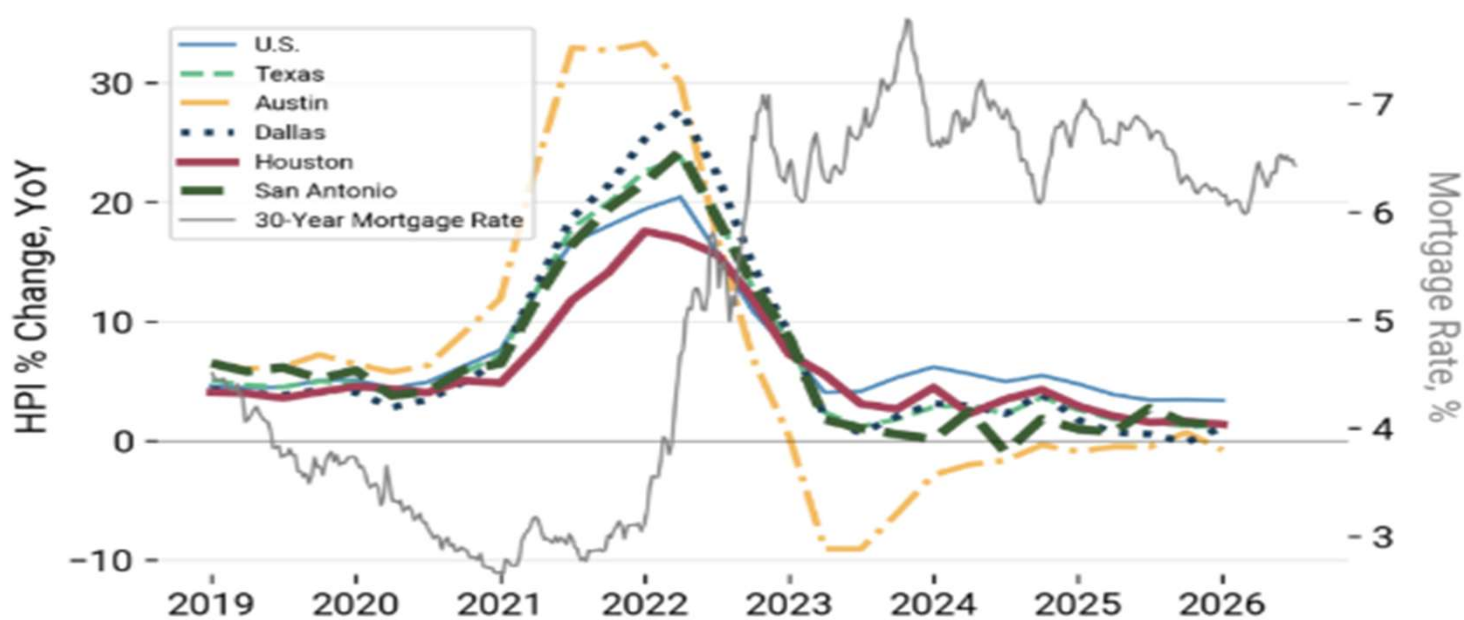


Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jun 2026

HOUSING – PRICE GROWTH AND MORTGAGE RATES

"Average 30-year mortgage rates fell 4 basis points in June, declining from 6.53 at the end of May to 6.49 at the end of June. **Mortgage rates still remain roughly 50 basis points higher than they were before the rise of geopolitical tensions** in the Middle East. Overall, mortgage rates remain elevated, well above pre-pandemic lows, creating continued headwinds in the residential real estate market." – Jul 2026 – Texas Real Estate Research Center

HOUSE PRICE GROWTH AND MORTGAGE RATES THROUGH JUNE 2026



Notes: House price index data is provided through 1Q2026, and mortgage rate data is provided through the end of May. The house price index provided by the Federal Housing Finance Agency (FHFA) highlights the relationship between mortgage rates and house prices. For more detailed insights on the Texas housing market, visit our monthly *Texas Housing Insight* report.

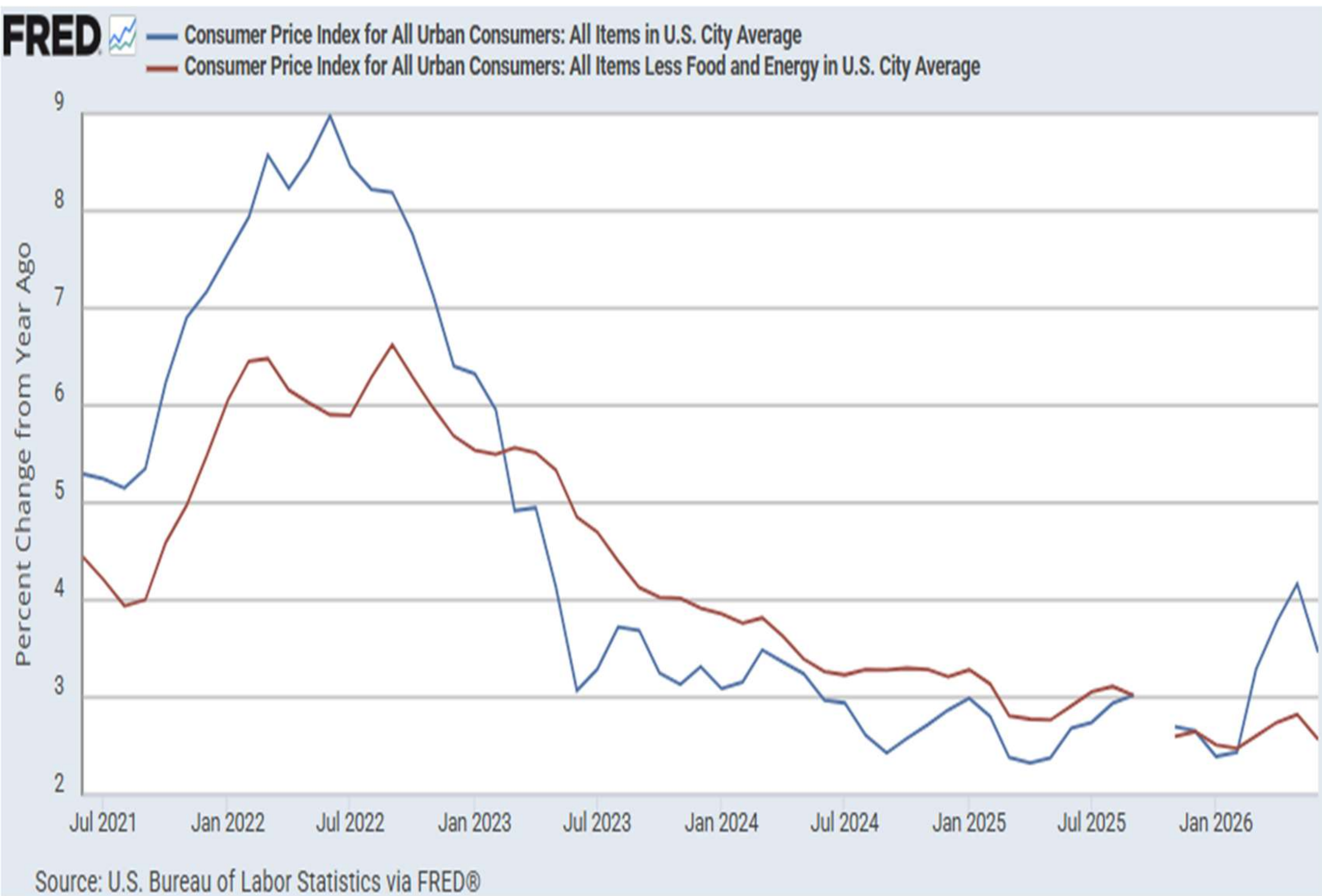
Source: FHFA and Freddie Mac, accessed via FRED

Provided by Texas Real Estate Research Center – Texas Economic Outlook - Jul 2026

CONSUMER PRICE INDEX – U.S.

"The all-items index rose 3.5 percent for the 12 months ending June after rising 4.2 percent for the 12 months ending May. The all items less food and energy index rose 2.6 percent over the year, following a 2.9-percent increase over the 12 months ending May. The energy index increased 15.7 percent for the 12 months ending June. The food index increased 3.0 percent over the last year." – July 2026 – Economic News Release – U.S. Bureau of Labor Statistics

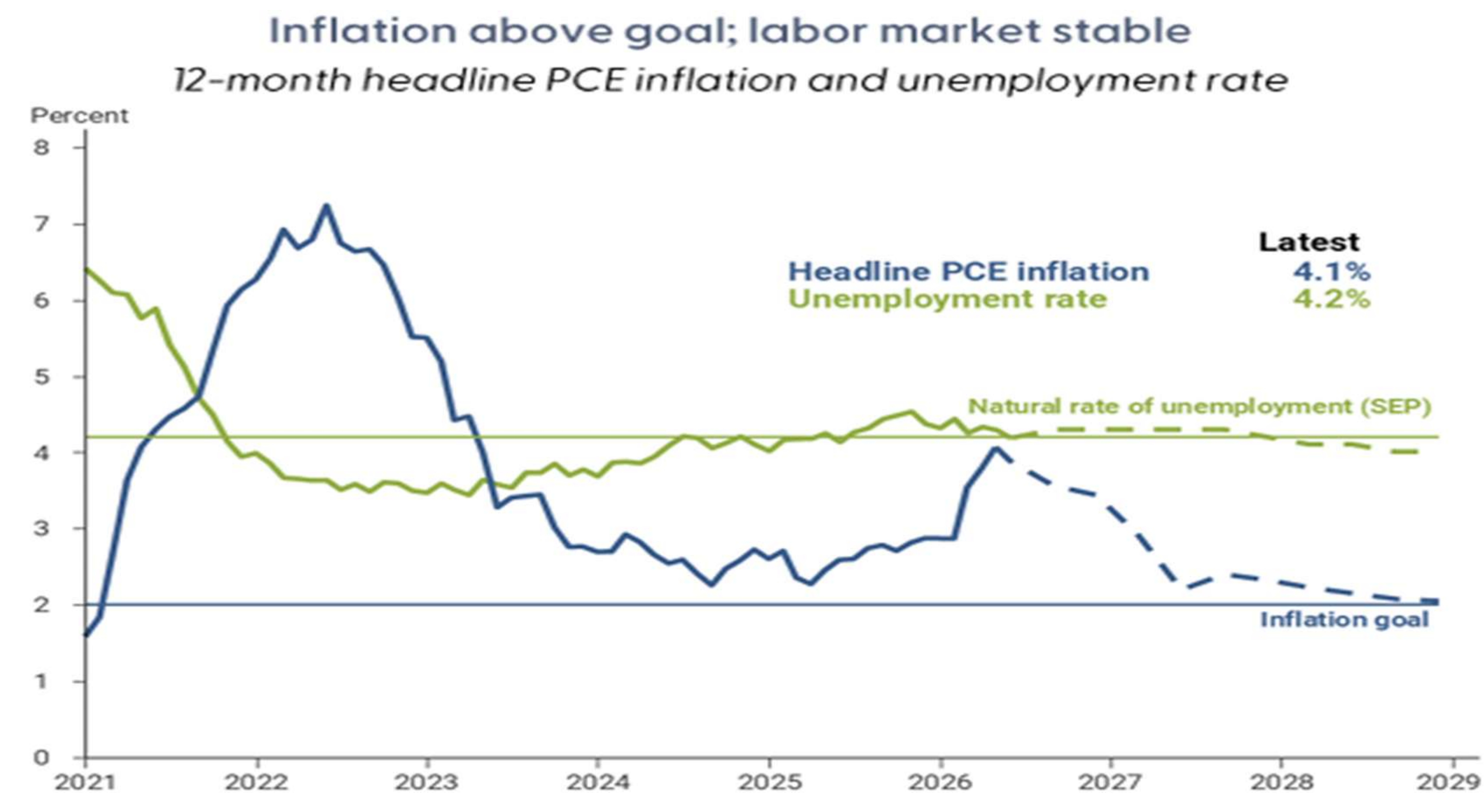
Consumer Price Index - 12 Month Percentage Change



Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100 Provided by the St. Louis Fed

PERSONAL CONSUMPTION EXPENDITURES – U.S.

"Headline **personal consumption expenditures (PCE) inflation, the Federal Reserve's preferred measure of inflation, rose notably in recent months** from an already elevated level following disruptions in energy markets. The most recent PCE data in May show inflation at 4.1%, well above the Fed's 2% goal. **Expected normalization in energy markets and global supply chains later this year is projected to bring inflation back to a downward trajectory** that will return it to goal by 2028. However, a high degree of uncertainty clouds this forecast." - Jul 2026 – FedView – San Francisco Fed



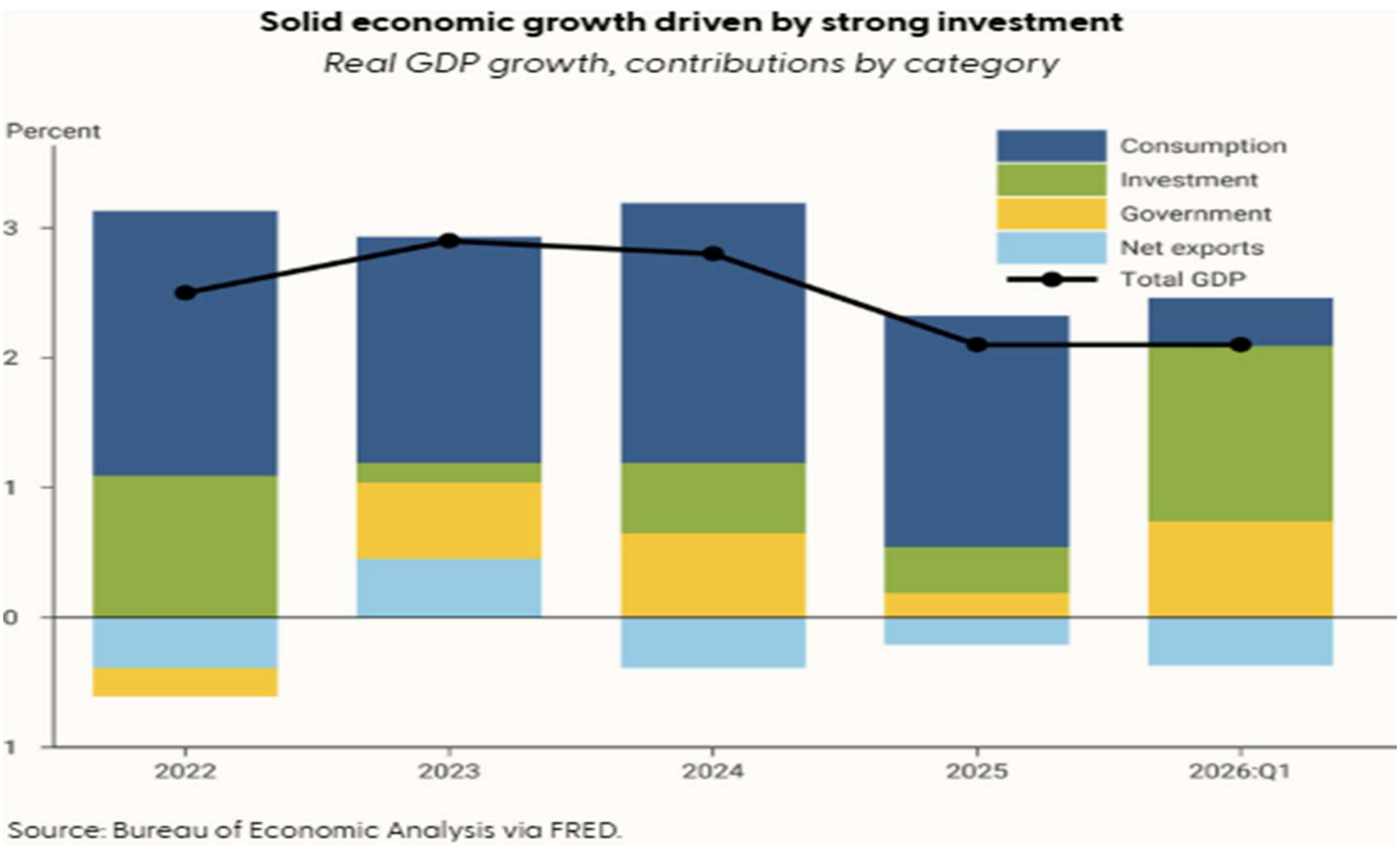
Note: Actual data in monthly frequency, forecasts in quarterly frequency. Unemployment data through June 2026. PCE data through May 2026. Forecast date as of July 6, 2026.
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, and FRBSF staff.

Provided by San Francisco Fed - FedView – Jul 2026

ECONOMY – SOLID ECONOMIC GROWTH DRIVEN BY INVESTMENT

"The **U.S. economy expanded at an annualized rate of 2.1% in the first quarter of 2026.** The solid quarterly growth was driven primarily by strong business investment in technology equipment and software. At the same time, **consumer spending rose only slightly**, growing at its slowest quarterly pace since 2022.

Incoming **second-quarter data suggest strong activity in industrial production and moderate growth in consumer spending**. Economic expansion for 2026 overall is expected to be similar to last year's pace, when the economy grew at a rate of 2.0%. Risks around this forecast run above their historical norms." - Jul 2026 – FedView – San Francisco Fed



Provided by San Francisco Fed - FedView – Jul 2026

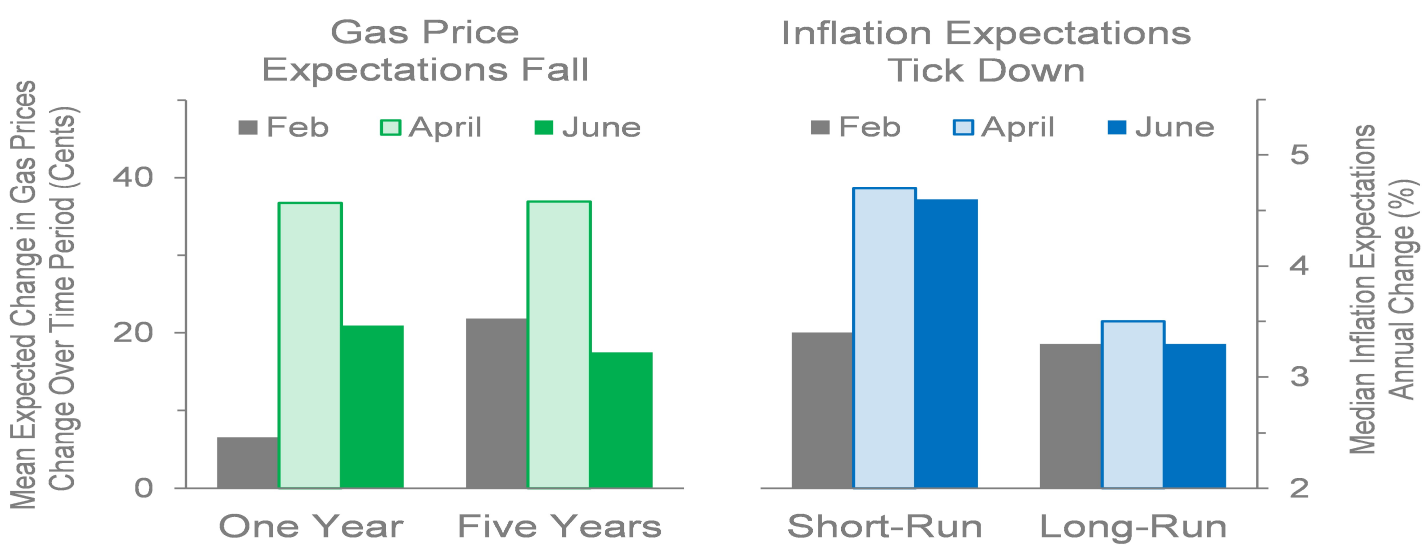
ECONOMY - CONSUMER CONFIDENCE AND CONSUMER SENTIMENT – U.S.

“**Consumers downgraded their assessment of the current labor market but expect some improvement in business and financial conditions ahead.**”

“‘**Consumer confidence inched up in June** as falling oil prices in recent weeks provided some relief to consumer inflation fears,’ said Dana M Peterson, Chief Economist, The Conference Board. ‘Consumer appraisals of current business conditions were slightly more positive compared to last month. However, perceptions of the current labor market softened measurably as the **percentage of consumers saying jobs were “hard to get” rose to 22.5%,** the highest level since January 2021 (22.8%).’” – Jun 2026 – The Confidence Board

“**Consumer sentiment confirmed its early-month reading, rising about 10% above May as gas prices moderated. Increases were seen across income, wealth, and political affiliation.** Expected business conditions over the next five years surged 16% as consumers’ worries over long-term consequences of the Iran conflict appear to be easing. Still, sentiment remains in unfavorable territory at 13% below the February 2026 reading prior to the start of the Iran conflict, and nearly 20% less than a year ago.” – Jun 2026 – Survey of Consumers – University of Michigan

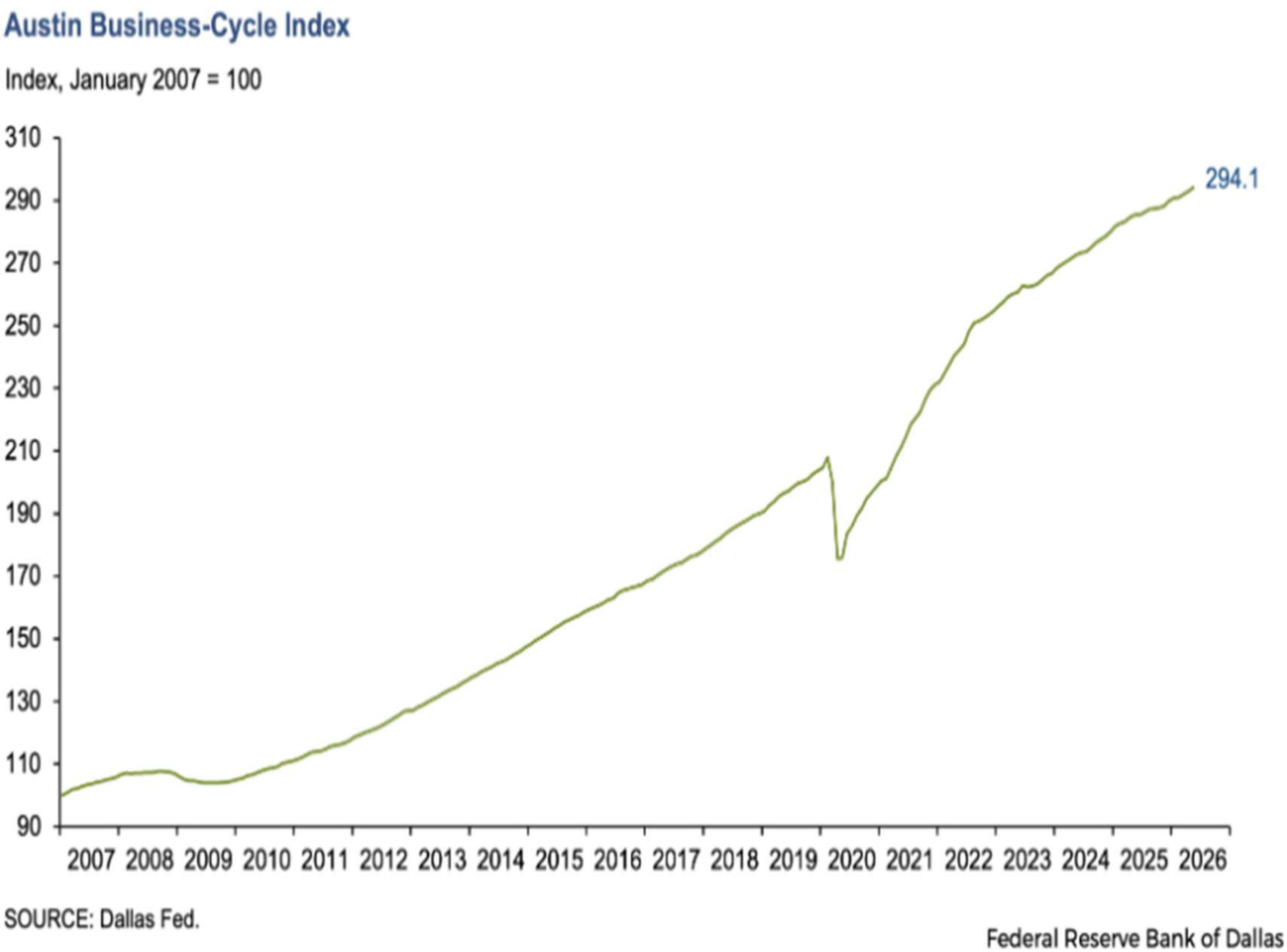
June Long-Run Expectations Comparable to Pre-Iran Conflict While Short Run Expectations Remain Worse



University of Michigan, June 26, 2026

ECONOMY – AUSTIN BUSINESS-CYCLE INDEX

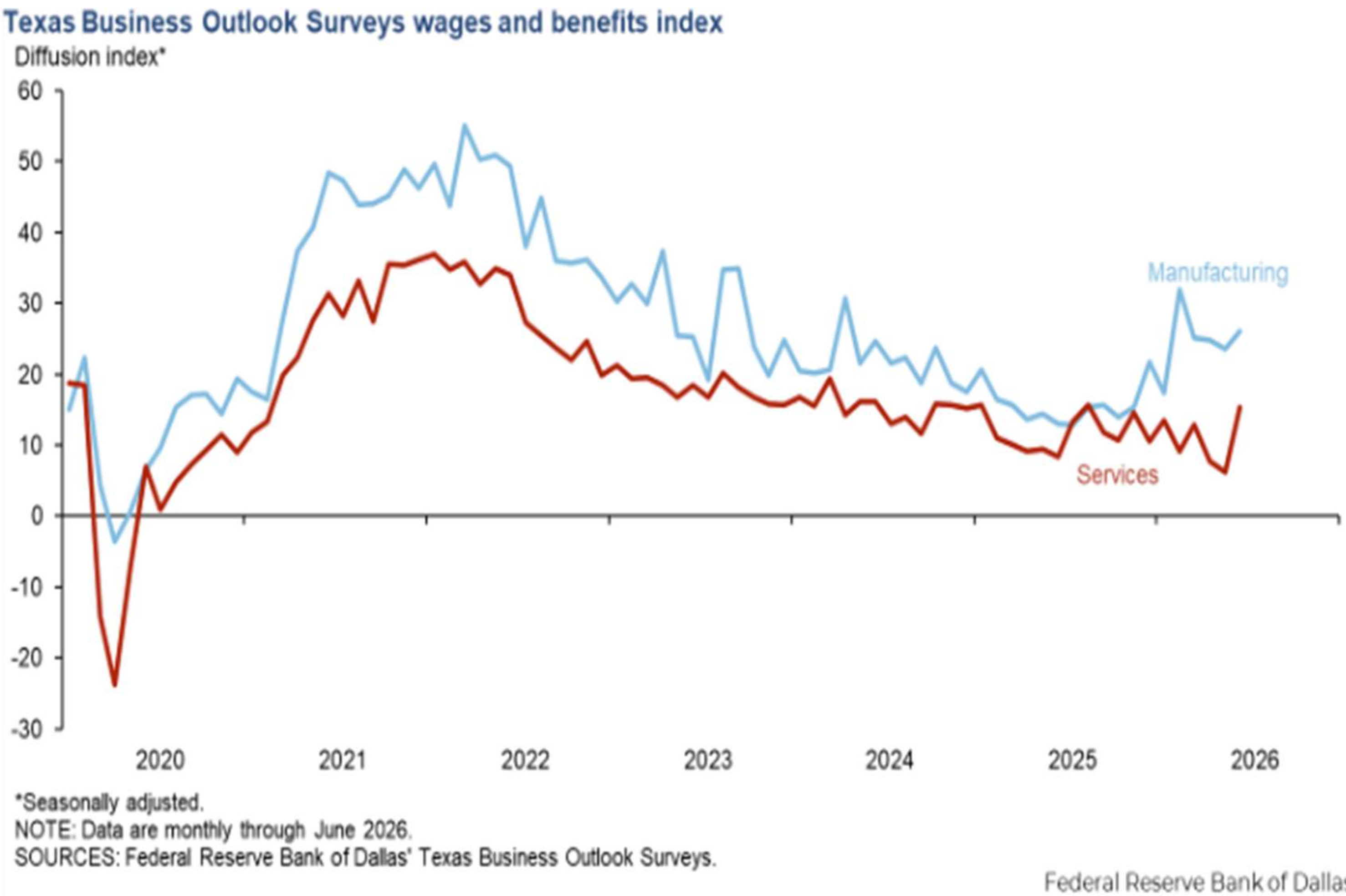
"The Austin Business-Cycle Index, a broad measure of economic activity, **grew an annualized 4.8 percent in May**, quicker than the 4.1 percent gain in April." – Jun 2026 – Austin Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Austin Economic Indicators – Apr 2026

ECONOMY – TEXAS BUSINESS OUTLOOK SURVEYS – TEXAS

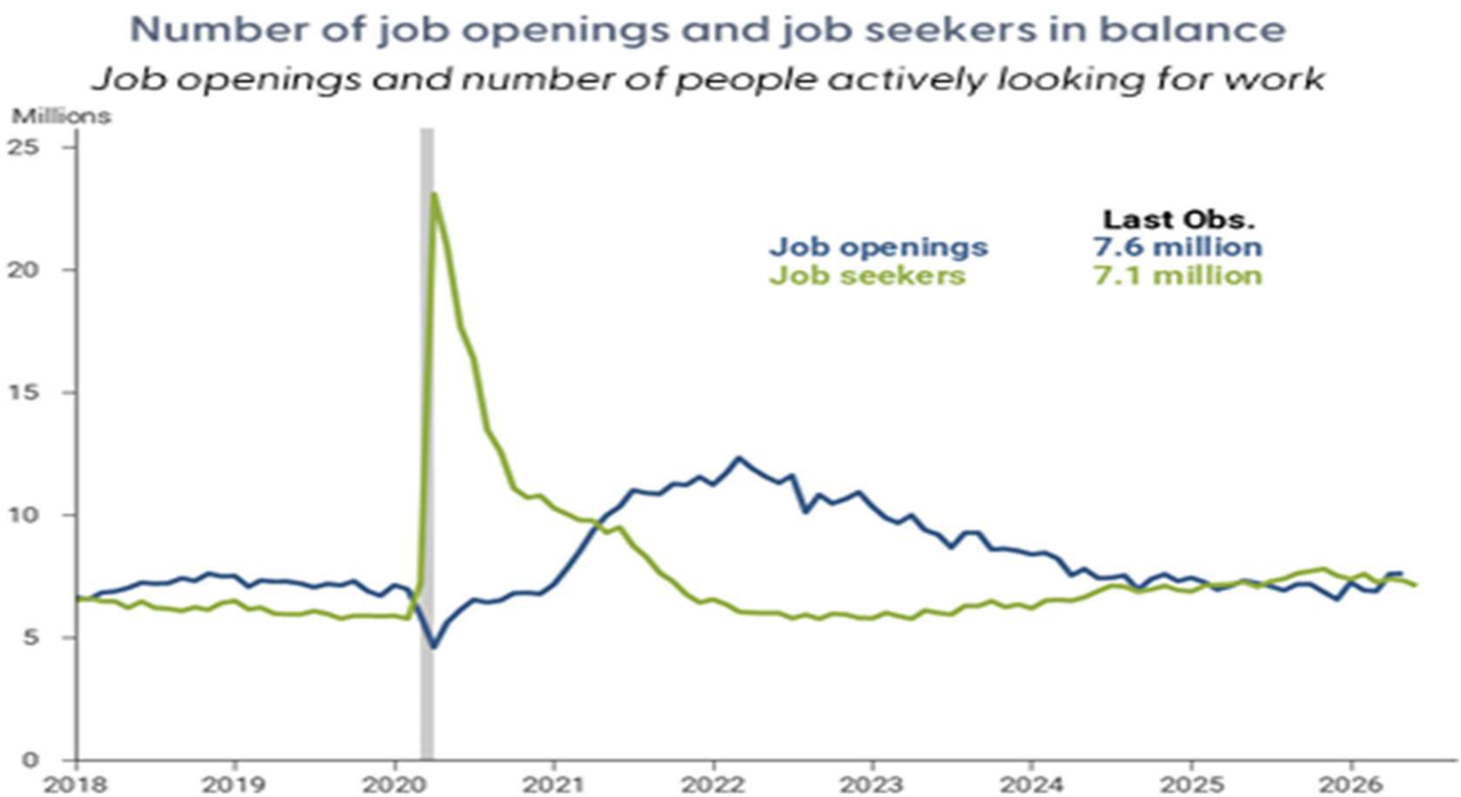
"**The Texas Business Outlook Surveys indicated solid growth in wages and benefits in June**. The manufacturing survey's wages and benefits index edged up to 26.0 in June, remaining above its series average. The service sector's wages and benefits index climbed nine points to 15.3 and is now in line with its series average." – Jul 2026 – Texas Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jul 2026

JOBS - AVAILABLE JOBS BALANCED WITH AVAILABLE WORKERS

"The view that the **labor market is broadly balanced is supported by a comparison between the number of job seekers and job openings**, which serve as proxies for labor supply and demand. The most recent data for the number of job openings across the U.S. economy stood at 7.6 million, only slightly exceeding the number of people actively looking for work. Over the recent past, these two measures have tracked each other closely. Nevertheless, the risk of a more pronounced slowing in the labor market with a sharper rise in unemployment remains." – Jul 2026 – FedView – San Francisco Fed

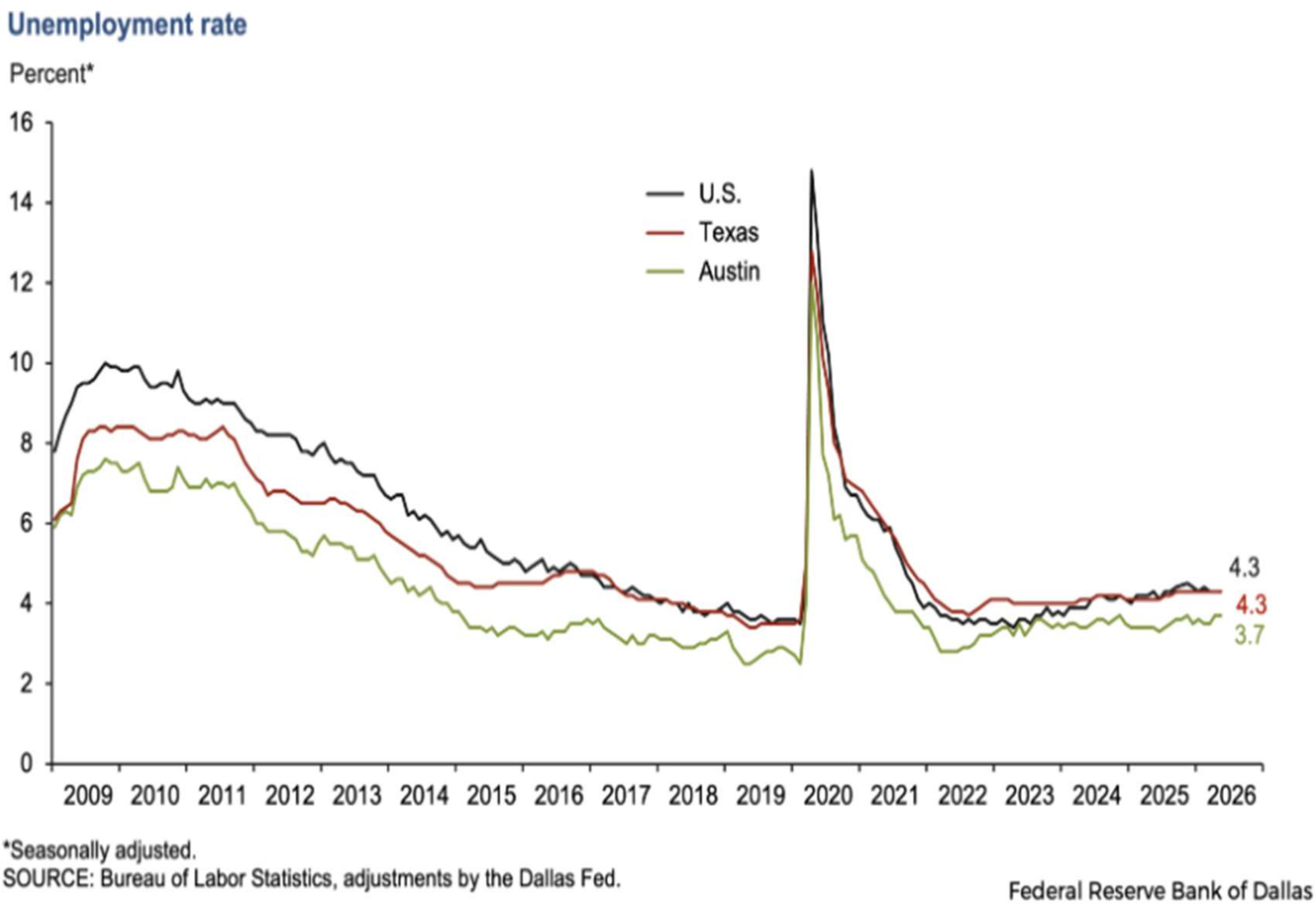


Note: Job openings measures jobs not filled on the last business day of a month. Job seekers measures the number of unemployed persons. Gray bar indicates NBER recession dates.
Source: Bureau of Labor Statistics via FRED.

Provided by San Francisco Fed - FedView – Jul 2026

JOBS - UNEMPLOYMENT RATE – AUSTIN MSA, TEXAS, U.S.

"Austin's unemployment rate stayed at 3.7 percent in May, below the state and national rate of 4.3 percent. The number of unemployed expanded an annualized 9.3 percent and the labor force declined by 0.4 percent from December to May." – Jun 2026 – Austin Economic Indicators – Dallas Fed

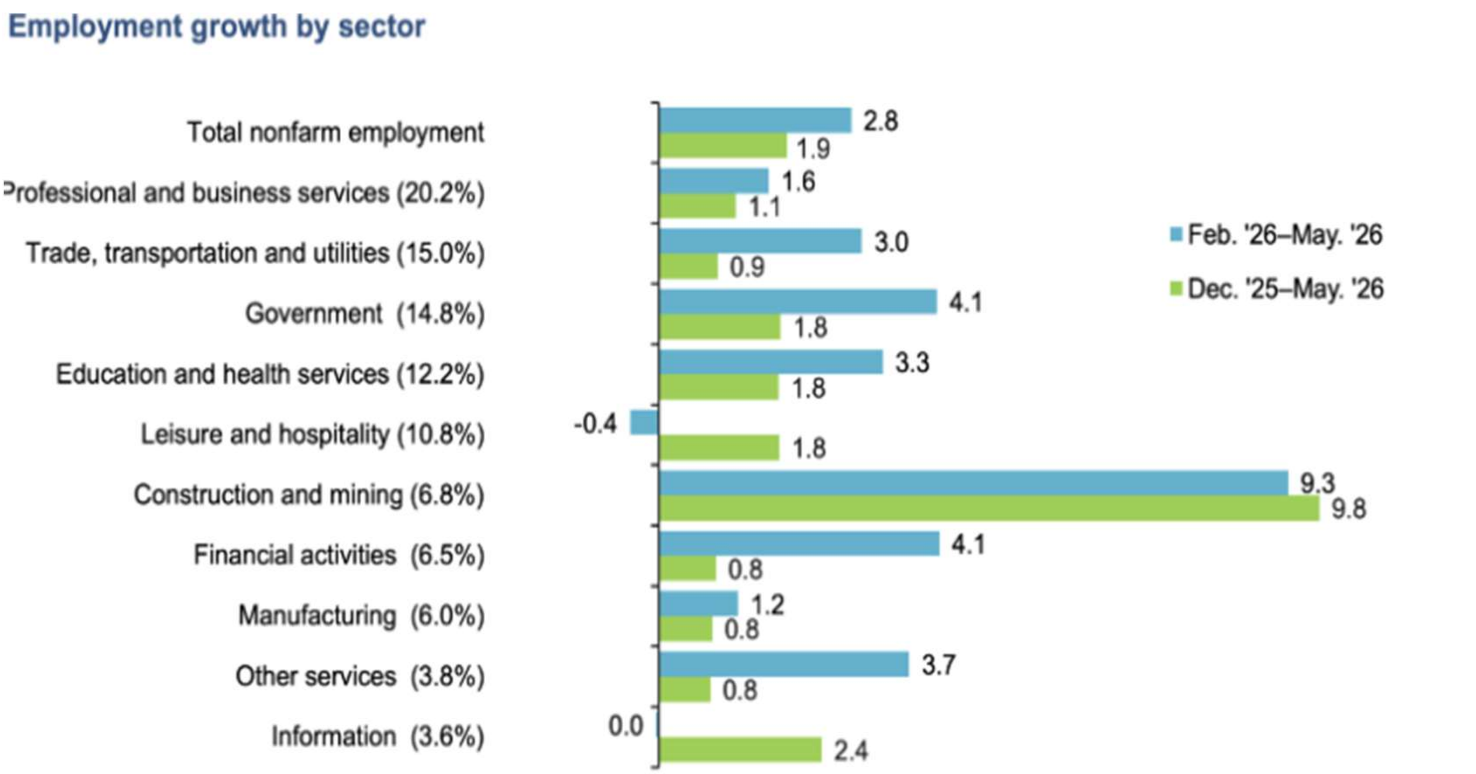


Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jun 2026

JOBS - EMPLOYMENT GROWTH BY SECTOR – AUSTIN

"Austin employment increased an annualized 2.4 percent in May. **In the three months ending in May, employment increased an annualized 2.8 percent.** The greatest gains were in government (2,100 jobs) and construction and mining (2,200 jobs). Only one sector declined significantly – leisure and hospitality lost 200 jobs."

"Austin's employment grew 1.9 percent annualized from December to May, quicker than for Texas, which rose 1.6 percent. National employment rose 0.9 percent." – Jun 2026 – Austin Economic Indicators – Dallas Fed



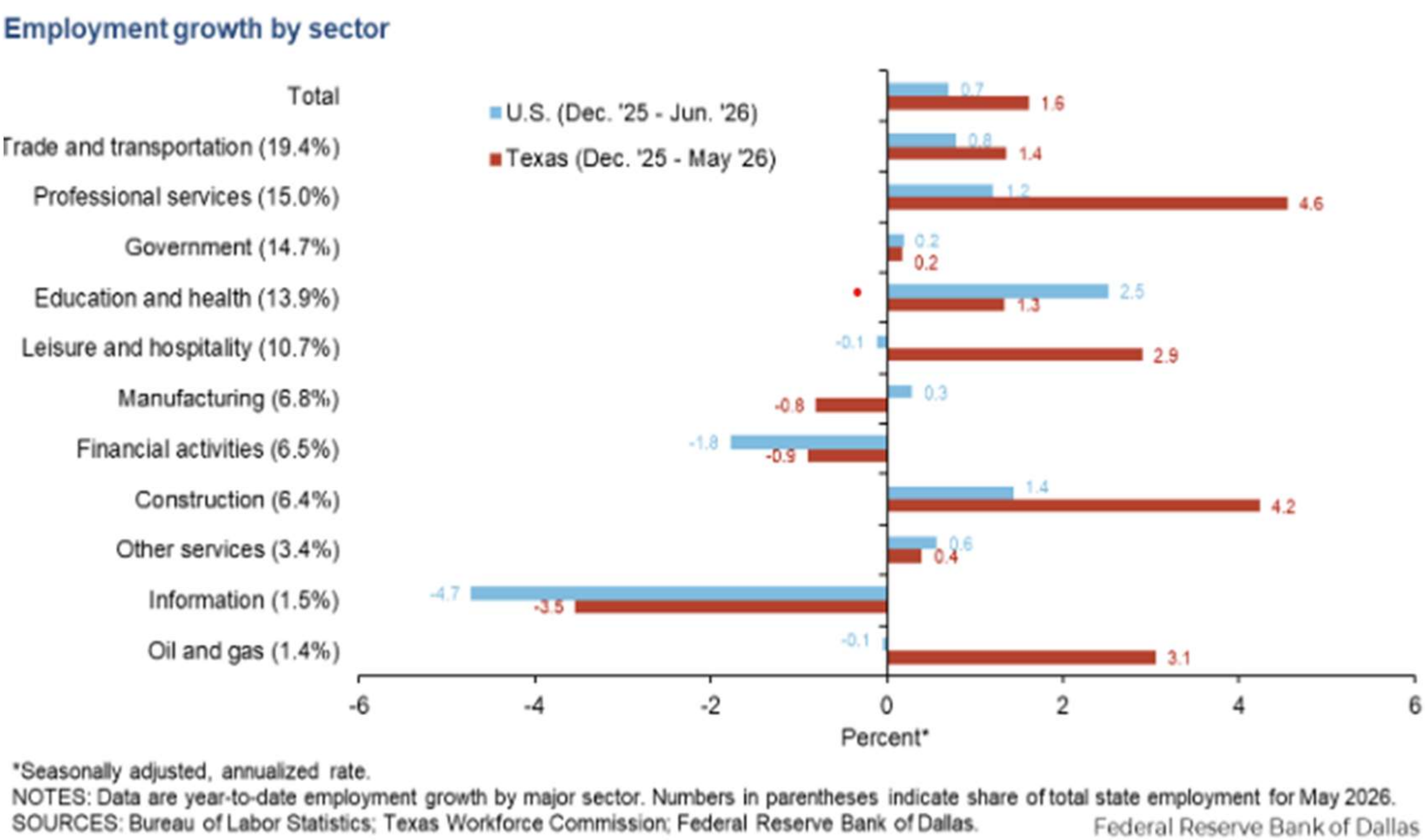
NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry. Numbers in parentheses represent the shares of total employment and may not sum to 100 due to rounding.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jun 2026

JOBS - EMPLOYMENT GROWTH BY SECTOR – TEXAS

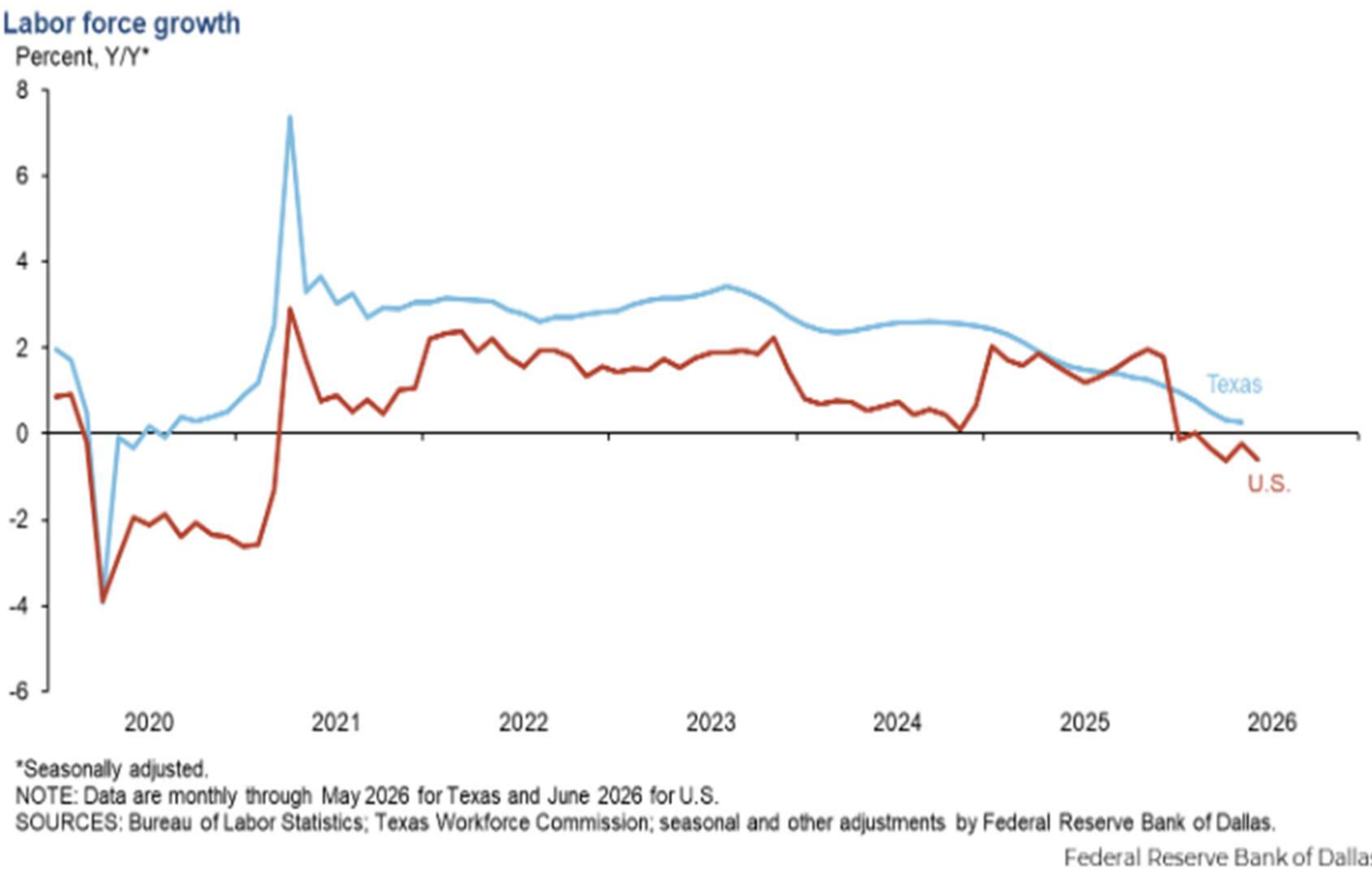
“Texas employment grew an annualized 1.2 percent (14,400 jobs) in May. **On a year-to-date basis, Texas headcounts were up 1.6 percent, exceeding the nation’s 0.7 percent growth**. Headcounts increased in professional and business services, leisure and hospitality, construction, trade and transportation, and oil and gas. Employment in information, financial activities and manufacturing declined. The Dallas Fed’s Texas Employment Forecast indicates 1.8 percent job growth in 2026 (December/December).” – Jul 2026 – Texas Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jul 2026

JOBS - LABOR FORCE GROWTH – TEXAS

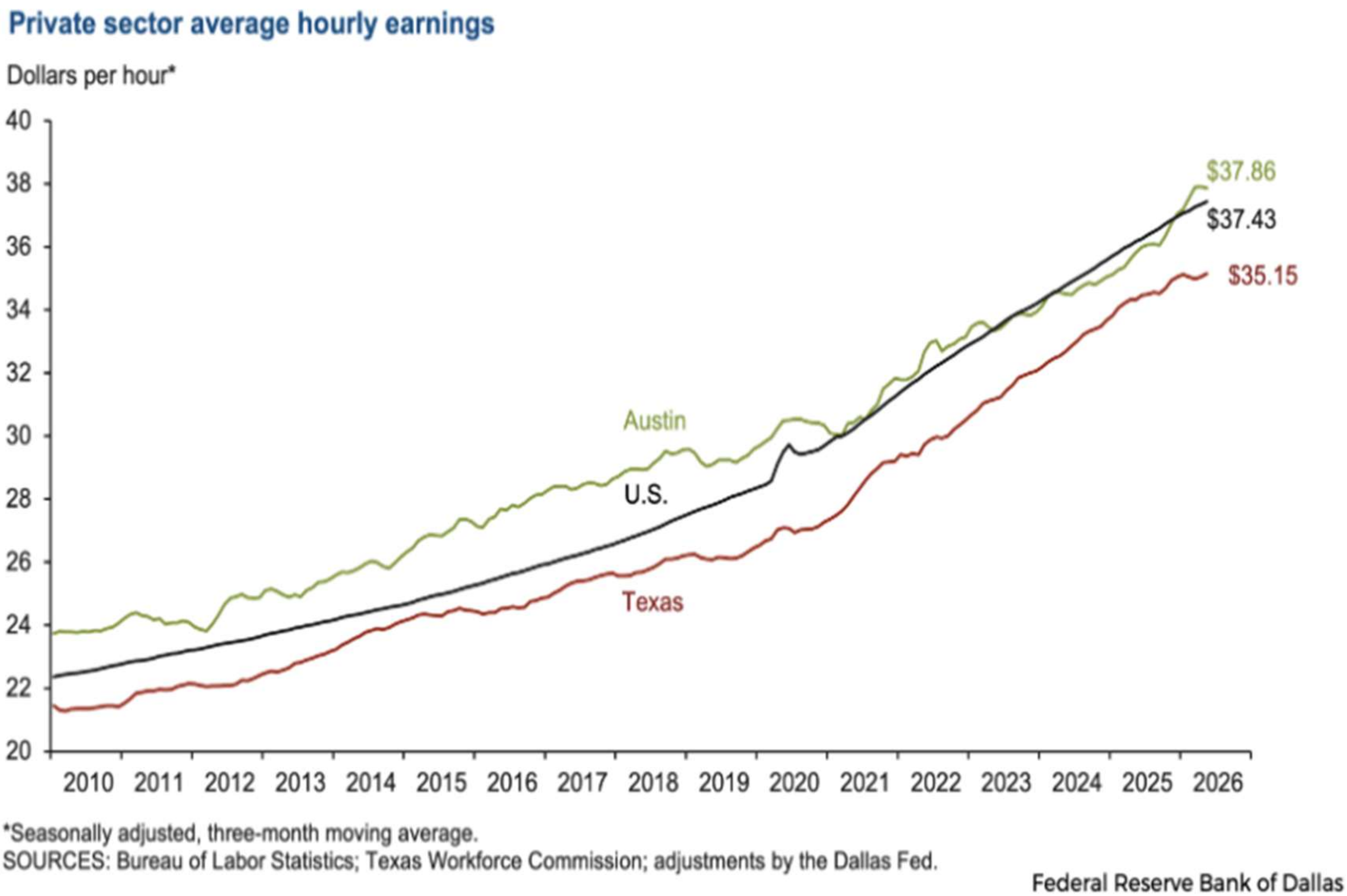
“The Texas labor force ticked up 0.5 percent in May. **The 12-month growth rate has been slowing in Texas since August 2023**, but remained slightly positive at 0.3 percent in May, exceeding the nation’s 0.6 percent year-over-year decline in June. **A growing labor force is critical for a healthy economy**, because more workers support greater production of goods and services, while higher tax revenue helps sustain government programs and offset costs.” – Jul 2026 – Texas Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jul 2026

WAGES - PRIVATE SECTOR AVERAGE HOURLY EARNINGS – AUSTIN

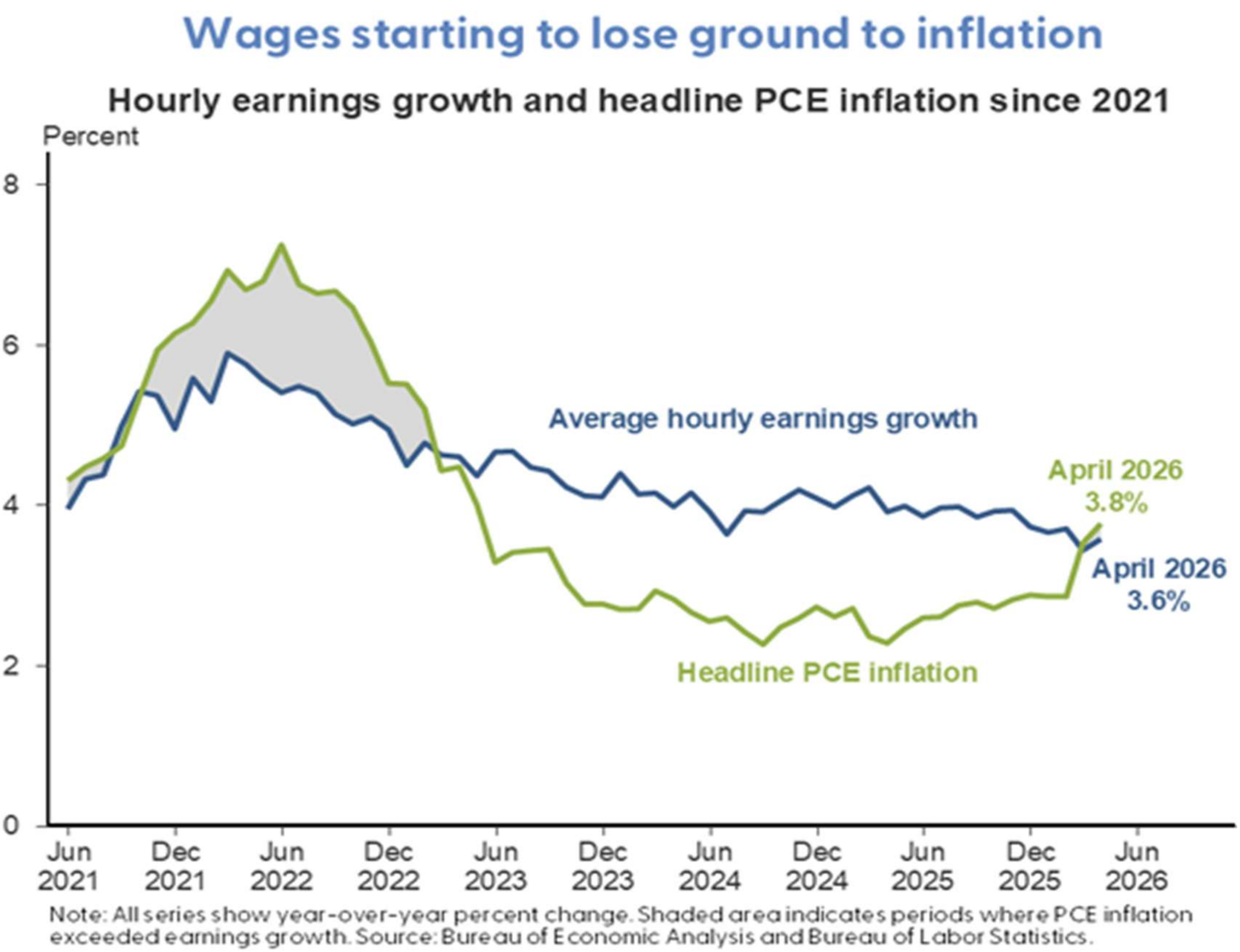
“Austin’s average hourly wage increased to $38.38 in May. **The three-month moving average for wages decreased an annualized 1.6 percent in May to $37.86, higher than the nation’s average of $37.43 and the state’s average of $35.15.** Year over year, Austin’s 5.6 percent wage growth was quicker than both Texas’ and the nation’s gain of 2.4 percent and 3.5 percent, respectively.” – Jun 2026 – Austin Economic Indicators – Dallas Fed



Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jun 2026

WAGES - STARTING TO LOSE GROUND TO INFLATION

"**Average nominal hourly earnings of private sector employees grew slower than the headline PCE price index** during March and April, indicating that average real hourly earnings have declined in recent months." – Jun 2026 – FedView – San Francisco Fed



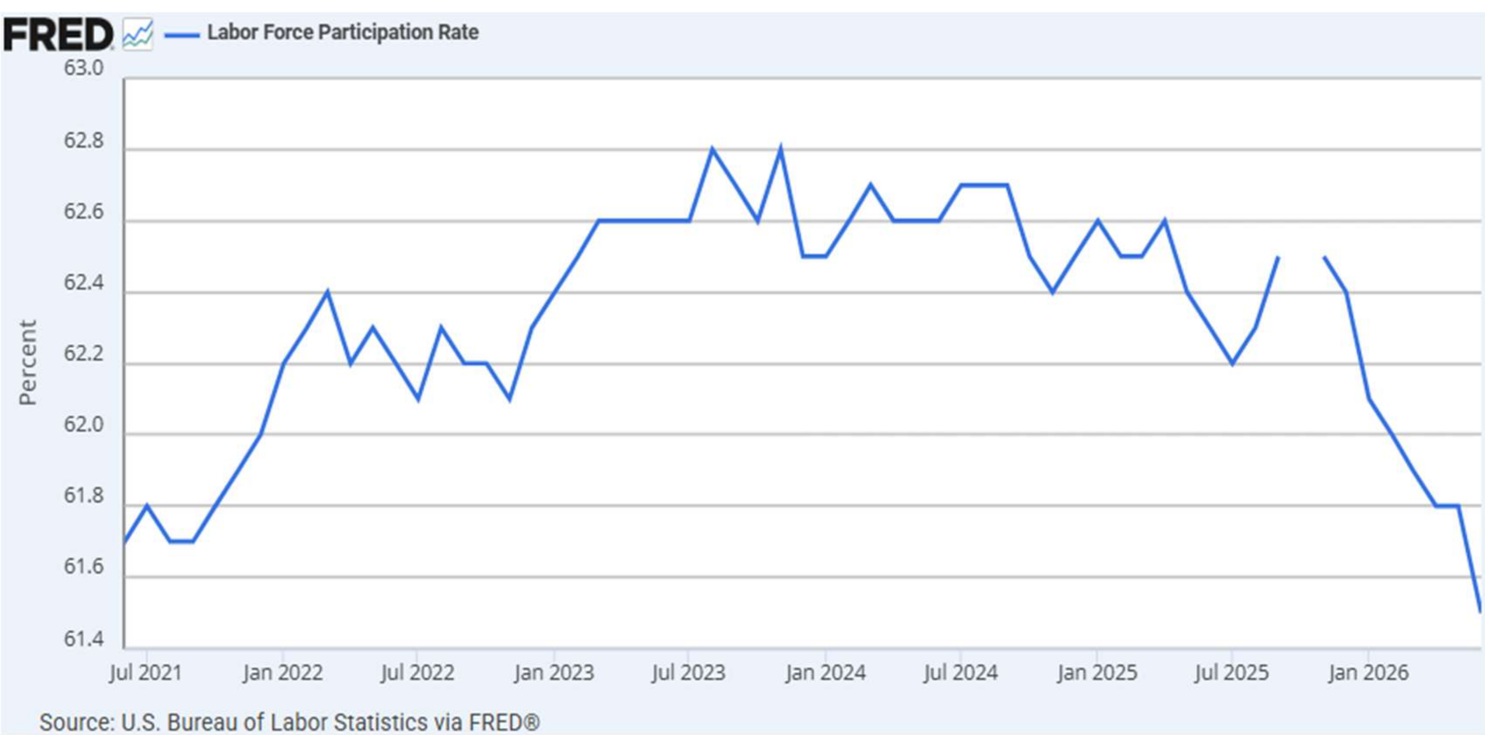
Provided by San Francisco Fed - FedView – Jun 2026

LABOR PARTICIPATION RATE IN THE U.S.

“**The labor force participation rate decreased by 0.3 percentage point to 61.5 percent in June**, and the employment-population ratio edged down by 0.2 percentage point to 59.0 percent. Both measures changed little over the year after accounting for annual population control adjustments.

The number of people employed part time for economic reasons changed little at 4.7 million in June. These individuals would have preferred full-time employment but were working part time because their hours had been reduced or they were unable to find full-time jobs.

In June, **the number of people not in the labor force who currently want a job changed little at 6.0 million**. These individuals were not counted as unemployed because they were not actively looking for work during the 4 weeks preceding the survey or were unavailable to take a job.” – The Employment Situation – Jun 2026 – Bureau of Labor Statistics



Provided by Federal Reserve of St Louis – Jun 2026

LABOR – TWO MILLION WORKERS WITHOUT WORK FOR 27 WEEKS

"By most key metrics, the U.S. labor market is in fine shape: **the economy has added jobs for four straight months**, much improved from late last year, and the unemployment rate has drifted down to 4.2%.

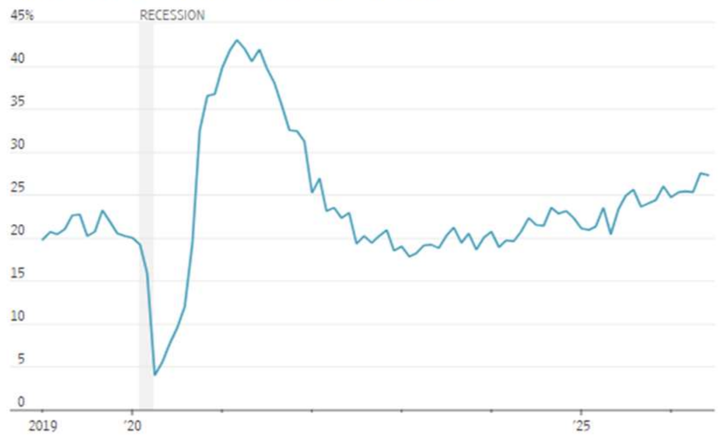
Yet nearly two million Americans have been locked out of the job market for at least half a year.

The **long-term unemployed**—people without work for 27 weeks or more, the longest period the Labor Department reports in each monthly jobs report—**accounted for 27.3% of all unemployed people in June**, up 4 percentage points from a year earlier.

That is **hovering near the highest level since late 2021**, when the labor market was recovering from the Covid-19 shock. This can be perilous, since the **six-month mark** is when many job seekers **lose severance or unemployment benefits**.

Federal data suggest that white-collar workers are spending the most time on the sidelines, with **those in their prime working years particularly affected by long-term unemployment.**"

Share of unemployed people out of work at least 27 weeks



Note: Seasonally adjusted.
Source: Labor Department via St. Louis Fed

"The fallout from long unemployment stretches can include **running down savings and temporarily halting the buildup of retirement accounts.** For young workers, studies have found the scars from missing a vital period of career attainment and network-building can last for years.

Spending six months or more looking for a job is often a sign that a worker's skills from their previous job are less transferable, said Alfredo Romero, chair of economics at North Carolina A&T State University.

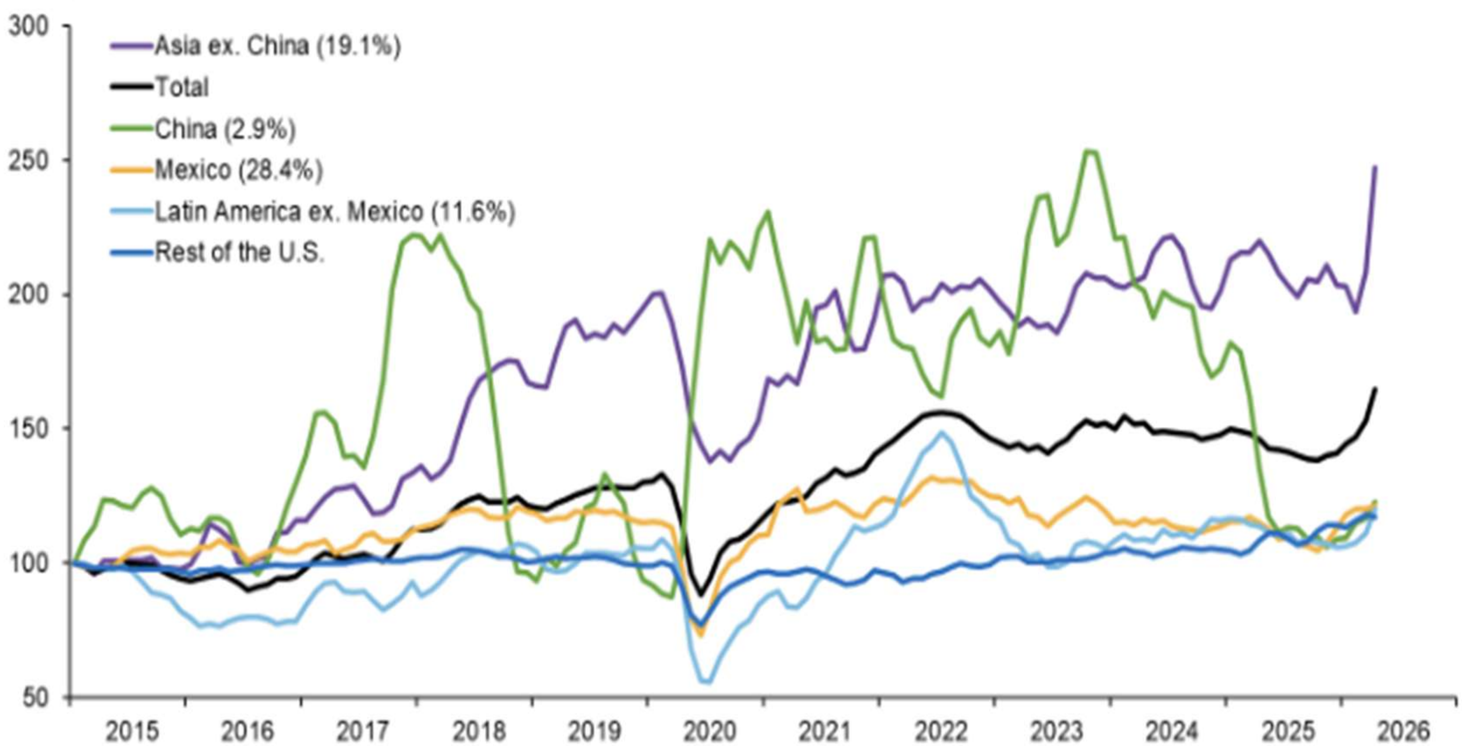
'People start to struggle to get back on their feet and they start taking lower-paying jobs,' he said. 'And so that usually puts that group of people into a lower rung of the income distribution.'" – Mar 2026 – WSJ

EXPORTS – TEXAS

"**In April, the three-month moving average of Texas exports rose 7.7 percent, whereas exports from the rest of the U.S. ticked down 0.8 percent.** The three-month moving average of Texas exports to China rose 5.2 percent, while exports to Asia (excluding China) increased 18.5 percent. Exports to Mexico, the state's largest trading partner, edged up 1.2 percent, and exports to Latin America (excluding Mexico) grew 7.9 percent. **Higher energy prices are mainly driving the recent increases in Texas exports**." – Jul 2026 – Texas Economic Indicators – Dallas Fed

Texas exports

Index, Jan. 2015 = 100*



*Seasonally adjusted, three-month moving average, real.

NOTES: Data are monthly exports through April 2026. Numbers in parenthesis indicate the share of total exports going to that region.

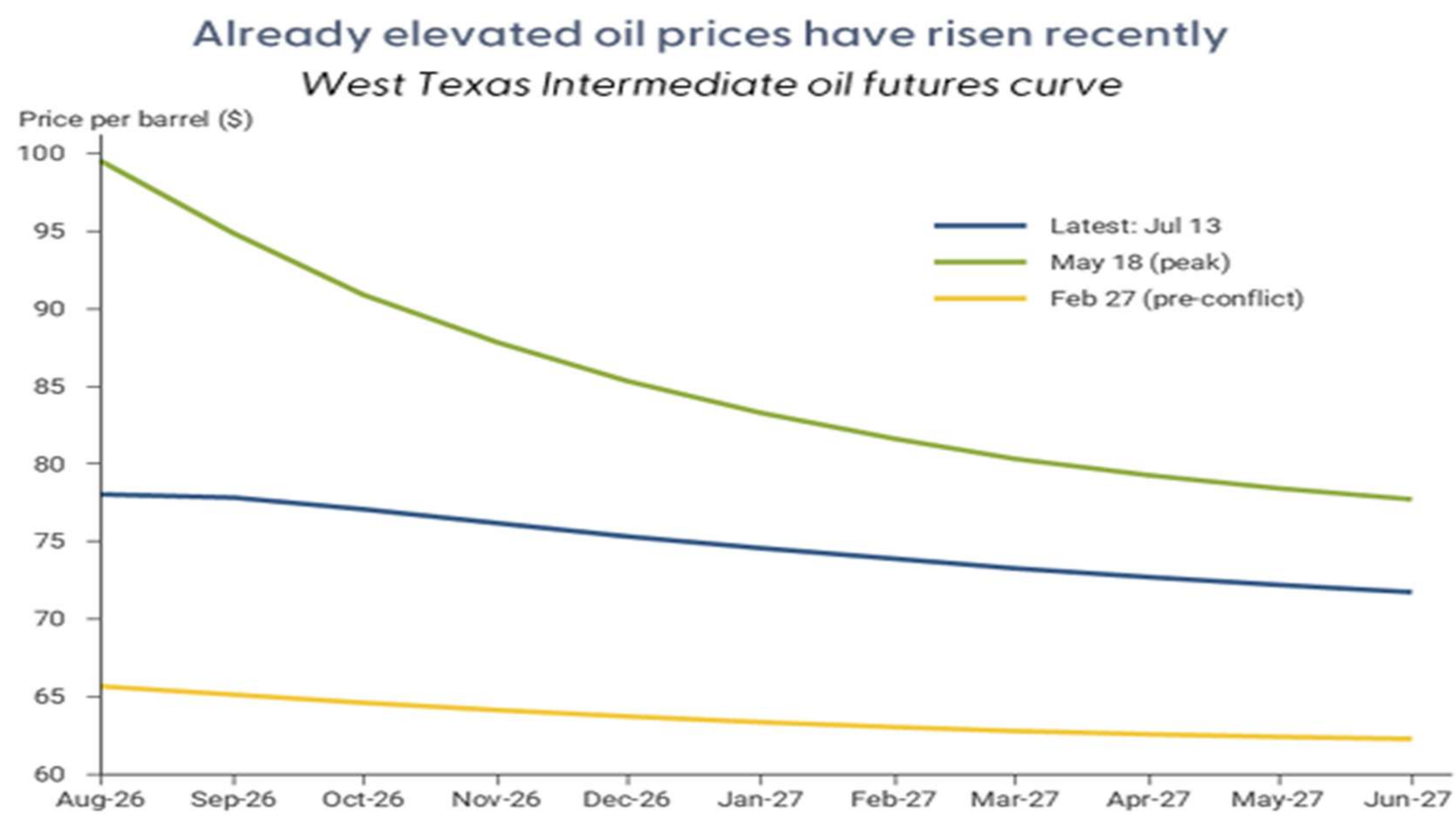
SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jul 2026

ENERGY – VOLATILE PRICES

"**Energy prices have been highly volatile since the outbreak of the conflict** in the Middle East. Oil futures prices rose sharply between March and mid-May, particularly at shorter horizons, which led to a downward-sloping curve. Starting in early June, oil futures prices trimmed most of those gains , and their decline spilled over to lower gas prices at the pump. However, **recent events raised oil futures prices again** and added renewed volatility." – Jul 2026 – FedView – San Francisco Fed



Note: The oil futures curve measures oil futures prices across various maturities on a specific date.
Source: Bloomberg.

Provided by San Francisco Fed - FedView – Jul 2026

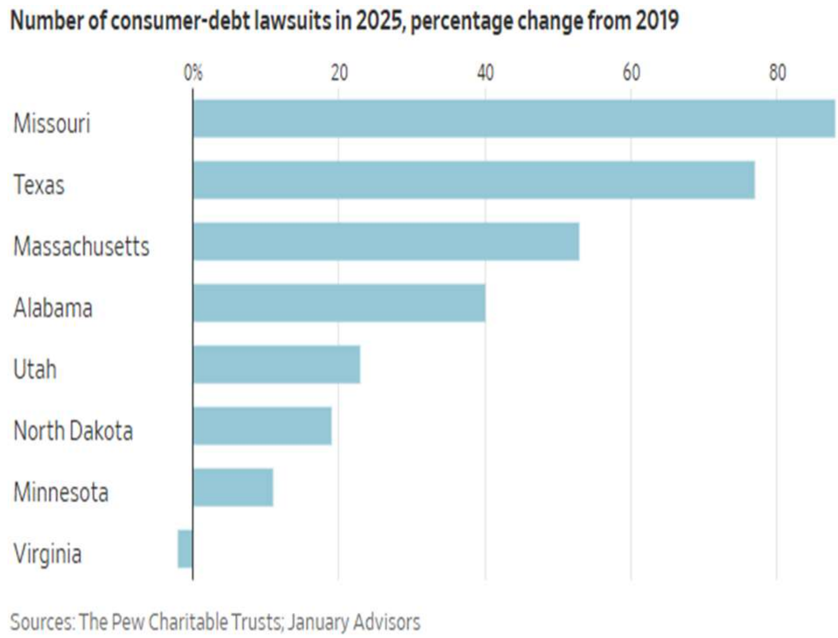
LAWSUITS FILED BY DEBT COLLECTORS HAVE SURGED

"**Lawsuits filed by debt collectors** over unpaid credit-card bills and other outstanding balances **have surged to their highest levels in years**, according to a report released Thursday by the Pew Charitable Trusts."

"Such lawsuits are typically the last-ditch attempt by debtholders to try to recover money owed. By the time a lawsuit is filed, **the debt is typically well past four months overdue**. Hit by inflation and high interest rates, consumers have been taking on more debt and some are struggling to keep up with it."

"Researchers said **most people who are sued over debt don't have lawyers to represent them**, or may not even realize they are being sued."

"**Most are filed over unpaid credit-card debt**, as well as medical bills, said Lester Bird, the report's lead author and a senior manager at the Pew Charitable Trusts. An estimated **three-quarters are over debts less than $4,000**, he said.



Some **70% will end in default judgments for the creditor**, Bird said, often because the borrower doesn't realize they are being sued due to address changes or confusion over who is suing them, doesn't know how to navigate the courts or doesn't respond.

Those judgments mean that **wages can be garnished** directly out of the debtor's paycheck, in addition to liens placed on their home or personal assets taken."

"Roughly **half of those sued for debt earn at least 300% more than the federal poverty level**, according to estimates from January Advisors. That is the equivalent to a household income of $99,000 for a family of four." – Jul 2026 – WSJ

USPS RAISED PRICE OF FOREVER STAMP

"The U.S. Postal Service on Sunday [July 12] will **raise the price of a first-class Forever stamp from 78 cents to 82 cents**, the latest in a series of increases aimed at stemming the agency's mounting financial losses.

The USPS announced the increase in April, saying the higher **price was intended to bolster its finances**. Over the past five years, the agency has raised the price of a first-class stamp six times, increasing the cost 34% from 58 cents in 2021 to 78 cents before the hike set to kick in on July 12."

"The USPS has **struggled for years with high costs and shrinking mail volumes**, while policy changes implemented by Congress also weakened the agency's finances.

The **Postal Accountability and Enhancement Act of 2006** (PAEA) — which, among other changes, created a fund that **required the agency to prepay health care benefits for postal service retirees** — contributed to the agency's losses in subsequent years and sharply increased its debt load, according to a 2025 report by the USPS Office of the Inspector General."

"USPS officials have signaled that **additional price increases are likely.** Postmaster General David Steiner said in March that first-class stamps should be raised to between 90 cents and 95 cents to help stabilize the USPS financially."

"[A]ny **lower-cost Forever stamps purchased before July 12 will continue to work** after that date. The USPS notes that Forever stamps are non-denominated 'to save customers time and money, especially when first-class mail prices change.'

According to the agency, **'The Forever Stamp always represents the current price of a one (1) ounce First-Class Mail postage.'"** - Jul 2026 – CBS News

FDA APPROVES FIRST-OF-ITS-KIND CHOLESTEROL PILL

"U.S. regulators approved a first-of-its kind pill from Merck that is **designed to help lower cholesterol levels beyond what statins alone can achieve**.

The Food and Drug Administration cleared Lipfendra to treat high cholesterol, which is a major risk factor for heart attacks and strokes.

The approval was based on studies showing that Merck's once-daily pill **reduced bad, or LDL, cholesterol levels by up to 60% over six months** in adults with or at risk for atherosclerotic cardiovascular disease."

Some people need more help lowering their cholesterol than what statins can provide MIKE HENSDILL/USA TODAY NETWORK; Provided by WSJ

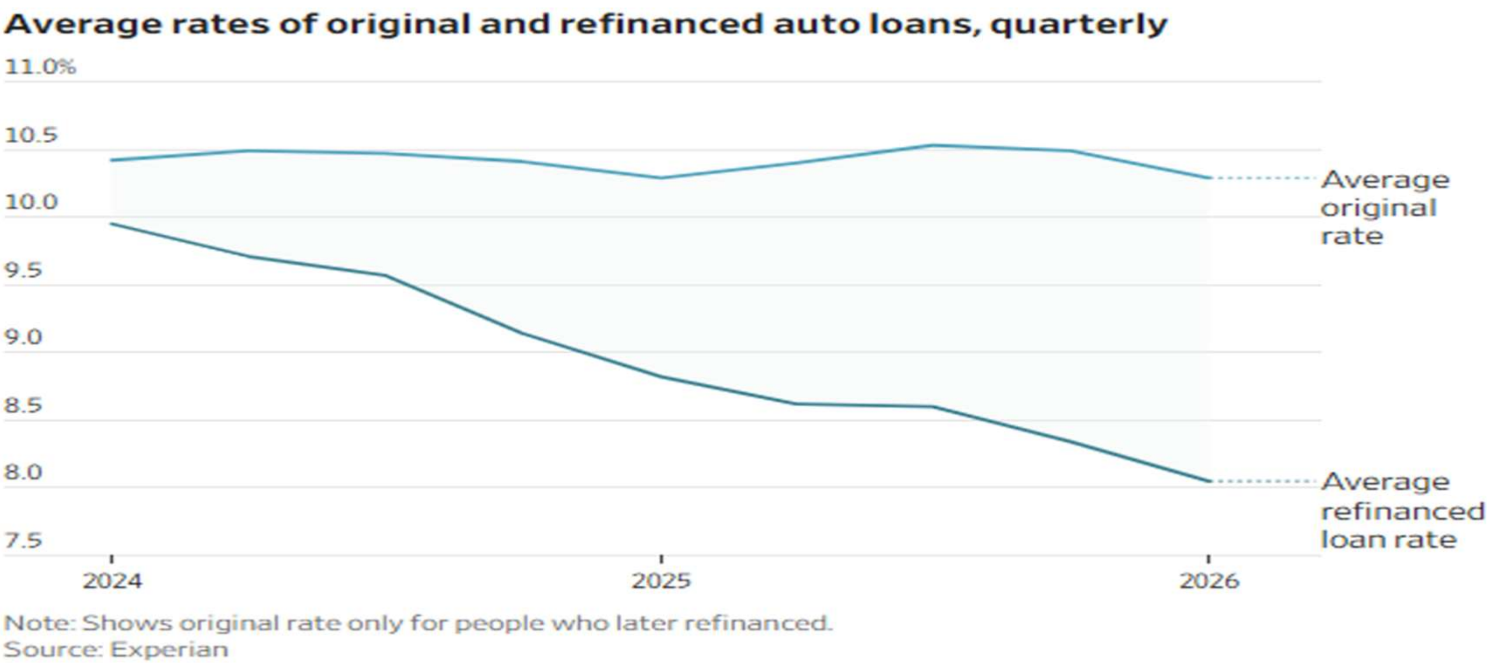
"The product is a **pill formulation of a type of drug that has been available for several years as an injection,** but wasn't widely adopted at first because of the high price. These drugs, including Amgen's Repatha, target a protein called PCSK9 that interferes with the body's ability to clear the bad form of cholesterol. Repatha now sells $3 billion a year.

Merck developed a pill version of a PCSK9 drug to provide a more convenient alternative to injections. **The new medication can be taken with a statin**, an older class of widely used anti-cholesterol drugs."

"Merck's new drug will have a **list price of $10.50 per daily pill**, or $315 for a 30-day supply, though the company expects insured patients' out-of-pocket costs to be much lower."

"Analysts **expect** the new Merck pill to be a big seller, generating **peak annual sales of more than $5 billion.** Merck is counting on newer drugs like Lipfendra to help replace lost revenue after its cancer blockbuster Keytruda starts facing lower-priced competition within the next few years." – Jul 2026 – WSJ

DRIVERS WHO REFINANCED IN 1ST QTR SAW A 2.24% DECREASE



“Americans are finding that one of the few ways to **save money** in the car market is **by refinancing their auto loans**.

Drivers who refinanced in the first quarter of 2026 **saw a 2.24 percentage point interest rate decrease** on average from their original loan, compared with a 0.47-point decrease two years earlier, according to the credit bureau Experian. The number of car owners refinancing has nearly doubled over that time to about 111,000 in the first quarter of this year.”

“Buyers with high payments found that refinancing drove their costs down by an average of $81 a month in the first quarter.”

“As with any loan, the interest rate is determined by an individual’s credit history and finances.”

“Auto refinance rates have been falling faster than rates for vehicle purchases because they are dictated more by the macro rate environment and less by what is going on in the new car market, according to Drury.” – Jun 2026 – WSJ

HOME INSURANCE MAY ONLY COVER ACTUAL CASH VALUE FOR ROOFS

"In March, the Federal Housing Finance Agency announced that **Fannie Mae and Freddie Mac now allow home insurance policies that provide only "actual cash value," or ACV, coverage for roofs.** This means that if a homeowner needs a new roof, the insurer only covers the depreciated value of the roof rather than the entire replacement cost.

President Donald Trump's administration touted the move as an affordability win, saying it would lower Americans' insurance premiums. That's true to an extent — **ACV premiums are 10% to 20% cheaper than replacement-cost value premiums** according to some estimates — but the out-of-pocket costs after a storm can easily wipe out any savings.

For example, if hail damages your roof and it costs $10,000 to replace it, a replacement-cost value policy would pay out $10,000 minus a deductible. But **if you have an ACV policy, the insurer will consider the age and condition of the roof before determining a payout.** So if the insurer determines the roof is worth $2,000, the remaining $8,000 falls on the homeowner."

Insurers shifted roof replacement costs onto homeowners thanks to a new federal rule — just in time for hail and hurricane season© MarketWatch photo illustration/iStockphoto; Provided by WSJ

"**Many consumers won't even realize they have ACV coverage** when they renew or buy a new policy because some insurance agents 'brush off the details,' said Amy Bach, director of the consumer advocacy group United Policyholders."

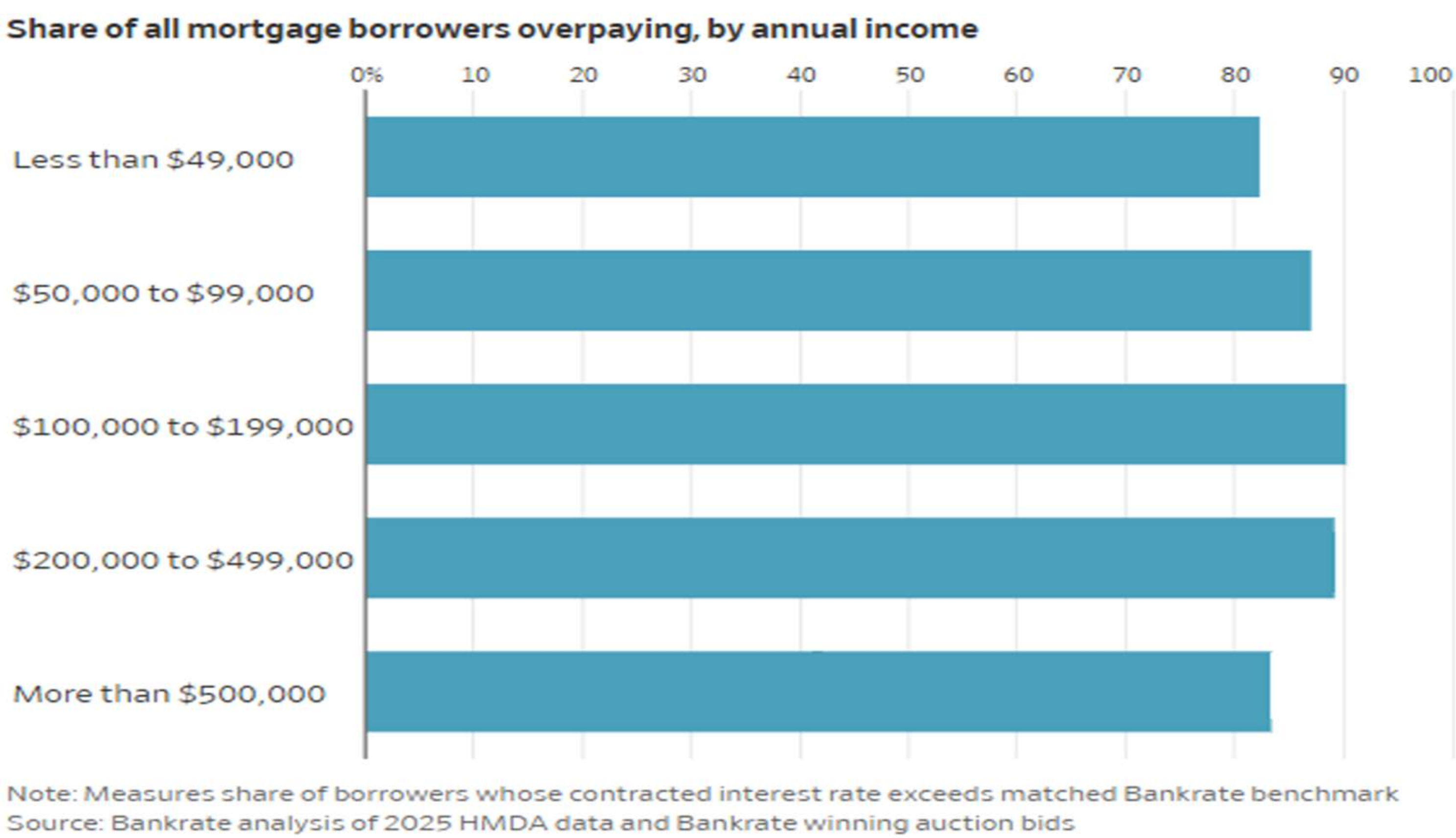
"To know what you're getting into when you get a new policy, Bach **recommended asking your agent** something along the lines of 'How much money will this policy generate to repair my roof if it gets damaged?' If you can't cover the dollar amount, they tell you, either start building an emergency roof-replacement fund or consider paying a bit more per month for the replacement-value coverage." – Jun 2026 – Market Watch

BORROWERS COULD SAVE $78,000 ON MORTGAGES BY SHOPPING AROUND

"**American home buyers and owners pay tens of billions of dollars for not shopping around for the best mortgage.** It is one of the few ways to lower the cost of buying when home prices are prohibitive and mortgage rates are high. But people don't shop around—even high earners."

"To measure the cost of borrower complacency, **Fellowes analyzed 3.2 million mortgage originations** tracked in federal housing data, and benchmarked them against Bankrate's digital loan marketplace."

"Those who bought homes since 2022 now collectively pay an estimated $65 billion annually in avoidable mortgage costs, according to new Bankrate research published Thursday by Chief Executive Matt Fellowes and business-intelligence analyst Jack O'Connor. They found that **people with higher incomes and who are older are often the ones paying the steepest price**." – Jun 2026 – WSJ



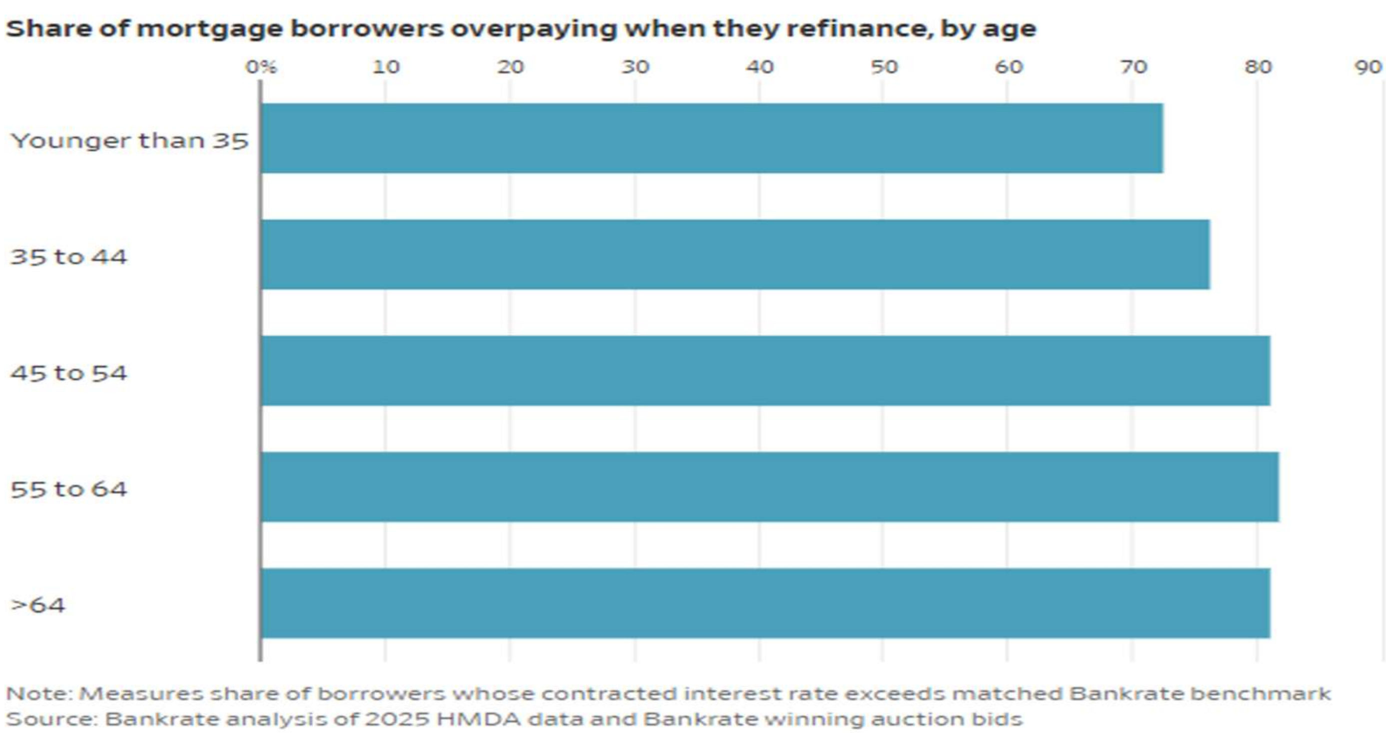
BORROWERS COULD SAVE $78,000 ON MORTGAGES BY SHOPPING AROUND
(continued)

“No one likes submitting tax returns and bank statements over and over again, or comparing lenders against one another and negotiating, all on a tight timeline. **Research consistently finds many Americans get just one quote,** even though mortgage rates have recently been stuck in the mid-to-high 6% range, thanks to a rise in inflation.”

“People who don’t shop around for the best mortgage rate end up paying what Fellowes calls a ‘hidden homeownership tax.’ Because of how interest costs accumulate, even a fraction of a percent of **extra interest adds up** over 30 years. For the typical borrower, this complacency compounds **to more than $78,000 over the life of the loan**.”

“When it comes to getting a mortgage, older generations face a hidden ‘seniority tax’ because they don’t comparison shop as much as younger borrowers, Fellowes found.

The real divide happens during refinancing, when unhurried homeowners get to choose how hard they look for a deal. **Adults under 35 turn out to be the savviest shoppers** when it comes to refinancing, according to the research.” – Jun 2026 – WSJ



IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

STOCK PHOTO/Getty Images - Provided by CBS

“**The federal student loan program is undergoing an extensive overhaul**, and many of the biggest changes are set to take effect on July 1, 2026.

Millions of borrowers will be impacted. Many will be required to switch repayment plans, likely resulting in new monthly payment amounts and an adjusted forgiveness timeline. **New borrowers will face loan limits** that didn't exist previously, forcing some to seek private loans to fill funding gaps. Those with existing loans who are also seeking to borrow again will need to navigate several financial land mines lurking in the new laws.

If you have existing federal student loans or are planning to borrow this year, now is the time to get caught up on all the changes to determine which may affect you. In some cases, **making the wrong decision – or failing to act at all – could be costly**.

This checklist can help you stay on top of the changes.” – Jun 2026 – U.S. News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

THOSE WITH EXISTING STUDENT LOANS

“Nearly 43 million Americans have student loans, and many will be impacted by the changes. For example, **about 10 million borrowers on income-driven repayment plans will need to transition to new plans within the next two years.**

Borrowers on a standard repayment plan are less likely to be affected, but some may lose potential benefits or could be at risk of forfeiting repayment options.

Here's what each type of borrower should do as changes take effect.” – Jun 2026 – U.S. News

ALL BORROWERS: CHECK YOUR PLAN

“Student loan **experts advise all borrowers to log on to studentaid.gov and confirm which type of repayment plan you're in**. This will help you determine what actions you may need to take moving forward.

While you're there, check that the address and contact information on file are current. Your student loan servicer will reach out to you if action is required, and **outdated contact information could cause you to miss important communications**, such as the SAVE plan notice we're about to discuss.” – Jun 2026 – U.S. News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

BORROWERS ON SAVE PLAN: 90-DAY WINDOW TO SWITCH

"The most popular and affordable income-driven repayment plan met its end in March when a court approved a settlement agreement. Now, **more than 7 million people who were on the Saving on A Valuable Education plan will be given a 90-day window to switch to a new plan.**

If you're still in the SAVE plan, you can **expect to receive a notice** from your loan servicer after July 1 outlining steps to select a new plan. **That notice will start a 90-day clock for you to switch**. One key point to note: These notices will be sent out gradually to avoid overwhelming servicers.

'**Not everyone's going to get the notice at the same time**,' says Scott Buchanan, executive director of the Student Loan Servicing Alliance, a nonprofit trade association whose members service the majority of federal and private loans. 'I think that will create a little bit of confusion for people. You may have spouses who get a letter from their servicer on July 1 and their spouse doesn't get the letter until 30 days later, and each will have their own 90-day window. That's by design to try to minimize the stress on the system of all these borrowers calling into their servicer all at once.'"

If you don't select a new repayment plan, you'll automatically be transitioned to the standard plan, which will likely result in significantly higher monthly payments. You can still switch plans after the deadline, but you'll probably have to make at least one payment at the standard rate.

If you're on the SAVE plan, you likely haven't made a payment in almost two years, since payments were paused as legal challenges played out. Experts suggest you use the 90-day window to adjust your budget to make room for your new estimated student loan bill before your payments restart." – Jun 2026 – U.S. News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

BORROWERS ON SAVE PLAN: 90-DAY WINDOW TO SWITCH (continued)

“**SAVE borrowers will have multiple repayment options to choose from**, including legacy repayment plans IBR, ICR and PAYE as well as the new Repayment Assistance Plan, or RAP, that the Trump administration is launching July 1. **In most cases, borrowers will see monthly payments increase in their new plan.** Here's a closer look at the how the legacy plans compare with RAP.” – Jun 2026 – U.S. News

Comparing Existing IDR Plans With RAP

Plan Feature	Existing IDR Plans	RAP
Eligible loans	Subsidized, Unsubsidized, Grad PLUS and Consolidation Loans (Consolidated Parent PLUS Loans eligible for some plans)	Subsidized, Unsubsidized, Grad PLUS and Consolidation Loans (excluding Parent PLUS Loans)
Income basis for monthly payment	Discretionary income (adjusted gross income above 150% to 225% of the federal poverty level)	Adjusted gross income
Percentage of income basis used for monthly payment calculation	5% to 20%	1% to 10% for adjusted gross incomes above $10,000; for AGIs of $10,000 or less, monthly payment is $10
Minimum monthly payment	$0	$10
Dependent-based reductions in monthly payment	None	$50 per dependent
Maximum repayment period	10 to 25 years	30 years
Interest subsidy	Varies	All loans in negative amortization
Matching principal payment	None	Up to $50

Source: Library of Congress

USNews

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

BORROWERS ON ICR OR PAYE PLANS: TWO-YEAR COUNTDOWN

“If you're one of the nearly 3 million borrowers on either an income-contingent repayment, or **ICR, plan or Pay As You Earn, or PAYE, plan**, the good news is you don't have to do anything right now. The bad news? Your **clock is ticking**, too.

Both of these repayment plans will be phased out in July 2028, so it may be a good time to start calculating which replacement plan – RAP or income-based repayment – will be a better fit for you.

There are several points to keep in mind when comparing the two. **Experts say borrowers with incomes below $80,000 can generally expect lower monthly payments in RAP than in IBR**, while the opposite is true for those with higher incomes. Borrowers pursuing time-based forgiveness may want to opt for IBR, which cancels your loan balance after 20 or 25 years. Loan balances in RAP aren't forgiven until you've made 30 years of payments.” – Jun 2026 – U.S. News

BORROWERS ON IBR PLAN: CRUNCH THE NUMBERS

“**IBR will live on with no phaseout date, although new borrowers won't have access to it after July 1, 2026.** That means existing borrowers can still remain on the plan or switch into it.

It may be worthwhile to look at your monthly payments and the overall cost of your loan in the IBR plan vs. the new RAP option.” – Jun 2026 – U.S. News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

TIGHTER CAPS FOR PARENT BORROWERS

“A popular loan parents use to help their undergraduate students, the **Parent PLUS loan, will be limited to $20,000 annually** and to $65,000 total over the course of a student’s studies. The prior limit for these loans was the ‘cost of attendance.’ The new limits apply to parents of new college students enrolling after July 1.

But parents of currently enrolled students who took out Parent PLUS loans can borrow up to the cost of attendance for those children until they complete their programs or for up to three academic years, whichever comes first.” – Jun 2026 – CNN

PARENT PLUS BORROWERS: DID YOU LOSE POTENTIAL BENEFITS?

“In past years, parents who took out PLUS loans to fund their student's education could access more affordable income-driven repayment plans (and forgiveness) by consolidating their loans. That **popular loophole closes on July 1, meaning parents who haven't consolidated have lost that benefit.**

So that leaves two checklist items for Parent PLUS borrowers. First, **those who did consolidate their loans before the deadline must enroll in an ICR plan before July 1, 2028**, if they haven't already. After that, they can transition into other income-driven options.

Second, **parents who didn't consolidate may want to** take a closer look at whether they could save money by **refinancing their student loans with a private lender**, since they won't be forfeiting as many benefits and protections as they might have in the past.” – Jun 2026 – U.S. News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

ALL BORROWERS: BEWARE OF TAKING OUT NEW LOANS

"If you have existing loans and are planning to **take out new federal loans for another degree after July 1, you'll end up losing access to your current repayment plan**.

For example, say you have $20,000 in undergraduate loans on an IBR repayment plan, then take out another $20,000 in new loans for a master's degree this year. **By taking out the new loan, you automatically bump your old loan off the IBR plan**. You're left with only two repayment options – RAP or standard plan – for all $40,000.

Those approaching forgiveness should be particularly wary of this situation, because **a new loan could tack on five or 10 years of payments to your existing loans before they're canceled**.

Parents who consolidated to gain access to affordable repayment plans are also at risk. For example, if a parent who has existing loans in an income-driven plan takes out a new loan for a second child, the parent would forfeit the income-driven plan entirely, without any avenue to regain access." – Jun 2026 – U.S. News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

IF YOU'RE A GRADUATE STUDENT

"Changes impacting new borrowers are slightly more straightforward, but they're also significant. Graduate students and parents could previously borrow up to the cost of attendance, but both now **face limits on how much they can borrow annually and overall**. (Note that borrowers who've already taken out loans for a degree they're currently pursuing won't face caps as they complete their degree.)" – Jun 2026 – U.S. News

DETERMINE YOUR CAPS AND CALCULATE GAPS

"The first order of business for incoming grad students is to **figure out which caps apply to you based on your degree.**

Once you've determined how much you can borrow each year and in total, calculate how much extra funding you'll need. **If you expect you'll surpass the federal limits, start reaching out to private lenders** to see if you'll qualify for a loan and what rate you might get." – Jun 2026 – U.S. News

SHOP FOR PRIVATE LOANS IF NEEDED (AND FIND A COSIGNER)

"Researchers estimate that roughly **40% of borrowers who will need private loans won't qualify for them**. If you don't have a strong credit score or debt-to-income ratio, it might pay off to find a relative or friend willing to cosign your loan. Lenders say students with creditworthy cosigners tend to get the best rates on private loans." – Jun 2026 – U.S. News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

IF YOU'RE A GRADUATE STUDENT (continued)

If you're entering graduate school, the amount you can borrow from the federal government is determined by the type of degree you're pursuing. "For those going to professional schools such as **medical school or law school, their ability to borrow will be capped at $50,000 annually** and at $200,000 over their lifetime. The prior limit was 'cost of attendance,' which for US medical schools is an average of nearly $60,000 a year, according to an education research group."

"In a controversial move, the Department of Education last year decided that certain healthcare studies – such as **nursing, physician assistants and physical therapy – were not considered professional programs.** That means students pursuing these careers would be subject to the lower $20,500 annual loan limit." – Jun 2026 – CNN

	ANNUAL LIMIT	AGGREGATE LIMIT	DEGREES INCLUDED
Professional Degree	$50,000	$200,000	Pharmacy, dentistry, veterinary medicine, chiropractic, law, medicine, optometry, osteopathic medicine, podiatry, theology, clinical psychology
Graduate Degree	$20,500	$100,000	All other degrees

Source: U.S. News & World Report, "Federal Student Loan Changes Are Almost Here. Here's Every Step You Should Take After July 1," June 2026

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

FEDERAL STUDENT LOANS WILL COST MORE THIS YEAR

“Borrowing for college will be costlier this year.

Federal student loan rates will increase in 2026-27, rising to a mark just shy of their **highest levels in more than a decade.** Undergraduate borrowers will have an interest rate of 6.52%, while the rate climbs to 8.07% for graduate students and 9.07% for parents and graduate students taking out PLUS loans, the Department of Education announced on June 4. **Rates for federal student loans are set each spring based on a formula tied to the 10-year Treasury auction in May.** The rates, which run from July 1 to June 30, are fixed for the life of the loan and apply to all borrowers regardless of credit score, income or other factors.” – Jun 2026 – U.S. News

Here's a look at how federal student loan rates have fluctuated over the past decade:

Year	Undergraduate	Graduate	Parent and Grad PLUS
2026-27	6.52%	8.07%	9.07%
2025-26	6.39%	7.94%	8.94%
2024-25	6.53%	8.08%	9.08%
2023-24	5.50%	7.05%	8.05%
2022-23	4.99%	6.54%	7.54%
2021-22	3.73%	5.28%	6.28%
2020-21	2.75%	4.30%	5.30%
2019-20	4.53%	6.08%	7.08%
2018-19	5.05%	6.60%	7.60%
2017-18	4.45%	6.00%	7.00%
2016-17	3.76%	5.31%	6.31%

U.S.News

IN DEPTH – STUDENT LOAN RULES CHANGED JULY 1 - STEPS TO TAKE NOW

AUTOPAY WILL TEMPORARILY DROP STUDENT LOAN INTEREST RATE

“**Student loan rates are about to go down by 1% for millions of borrowers enrolled in automatic payments.**

The Department of Education announced Thursday it will temporarily drop interest rates on federal student loans starting **July 1, 2026, through June 30, 2028**.

The lower rate **applies to borrowers who are already making payments with autopay or who enroll in autopay**.

The move is designed to incentivize more people to automatically pay off their student debt on time each month.

Before the COVID-19 pandemic, more than 80% of borrowers in active repayment were enrolled in auto pay. **Today, only 40% are enrolled**, according to the Education Department.

Americans’ outstanding student loan debt stands at $1.66 trillion, according to the New York Federal Reserve. Defaults are rising as pandemic-era relief programs expire.

Borrowers who are already making payments automatically do not need to take action to qualify for the lower interest rate**s.** The change **applies to people with loans that were taken out after July 1, 2012.”** – Jun 2026 – CBS

IN-DEPTH TOPICS LOCATED ON THE COUNTY AUDITOR'S WEBPAGE

5G Network	4th Qtr 2018
Afterpay	4th Qtr 2020
Able Accounts	1st Qtr 2026
Alibaba	3rd Qtr 2017
Austin Housing	1st Qtr 2024
Bitcoin	4th Qtr 2016
Cashless Society	4th Qtr 2017
Child ID Theft	2nd Qtr 2024
Chatbots	1st Qtr 2019
Deep Sea Mining	3rd Qtr 2020
EV Supply Chain	3rd Qtr 2022
Facial Recognition	1st Qtr 2018
FedNow	2nd Qtr 2023
Great Wealth Transfer	3rd Qtr 2025
Housing Affordability	3rd Qtr 2023
IRS - Online Platforms	2nd Qtr 2022
Labor Participation Rate	4th Qtr 2015
Libra, Calibra, Facebook	2nd Qtr 2019
Lumber Prices Soaring	4th Qtr 2021
Mar-a-Lago Accord	1st Qtr 2025

Money Market Reform	3rd Qtr 2016
Natural Gas – U.S. Exports	4th Qtr 2019
Negative Interest Policy	2nd Qtr 2016
New Tax Rules passed 2025	4th Qtr 2025
New Silk Road	2nd Qtr 2017
Non-Fungible Tokens	1st Qtr 2021
Pandemic – Impact	1st Qtr 2020
Quantitative Easing	1st Qtr 2016
Real Estate Commissions	4th Qtr 2023
Refinancing Your Home	3rd Qtr 2024
Repurchase Agreements	3rd Qtr 2019
Secure Act - Retirement	4th Qtr 2022
Series I Bonds	1st Qtr 2022
Small Business Reorg Act	2nd Qtr 2020
Social Security Fairness Act	4th Qtr 2024
Stablecoin	2nd Qtr 2025
Student Loan Rule Changes	2nd Qtr 2026
Texas Imports and Exports	2nd Qtr 2018
Universal Postal Union	3rd Qtr 2018
Vehicle Shortage	2nd Qtr 2021

DISCLAIMER