

FINANCIAL AID AND GRADUATE & PROFESSIONAL STUDENTS

Increasingly, more students choose to pursue a graduate or professional degree and rely on federal student aid to support their studies. Contrary to the belief that graduate students aren't as financially needy as undergraduate students, many graduate students are former Pell Grant recipients who are surprised to learn there is no federal grant program for graduate education. Recently, graduate and professional students have seen their federal student aid benefits eliminated or curtailed as a result of budgetary constraints, including in the elimination of eligibility for subsidized Stafford Loans and Perkins Loans. Our nation needs well-educated and qualified professionals across a wide spectrum of occupations.

RECOMMENDATIONS FOR CONGRESS

1. ELIMINATE LOAN ORIGATION FEES.

When the origination fee was imposed on student borrowers in the early 1980s, it was intended to be a temporary budget device to offset subsidies in the now-defunct Federal Family Education Loan (FFEL) Program. The fee is essentially a tax on students, collected by withholding a portion of the student's proceeds, but requiring repayment of the full loan amount before deduction of fees. Loan fees mask the borrower's true loan cost. For loans disbursed after October 1, the origination fee for the graduate and professional student PLUS loan is 4.264%.

H.R. 3835 would eliminate student loan origination fees.

2. RETAIN THE GRADUATE PLUS PROGRAM.

The Graduate PLUS Loan Program provides essential funding for graduate and professional students, especially those who are training in valuable, but low-paying fields, such as educators, social workers, prosecutors, and clergy. The private market is unlikely to be willing to assume the risk of making loans to these students, and, as such, Grad PLUS is necessary to fill the gap between the high cost of post-baccalaureate education and the stagnant Stafford loan annual limits.

3. SOLIDIFY PUBLIC SERVICE LOAN FORGIVENESS (PSLF).

Many graduate and professional students want to pursue careers in public service, but these jobs often pay below market salaries. Allow forgiveness of up to 100 percent of the undergraduate aggregate Stafford Loan limit (currently \$57,500) and allow additional forgiveness of 50 percent of any remaining loan balance, not to exceed the graduate aggregate Stafford Loan limit (currently \$138,500).

4. RESTORE THE IN-SCHOOL INTEREST SUBSIDY.

Undergraduate students with demonstrated financial need are eligible for Federal Subsidized Stafford Loans. Students do not have to pay the accrued interest on subsidized loans while they are enrolled at their institutions at least half-time. *The Budget Control Act of 2011* eliminated graduate student eligibility for the in-school interest subsidy as a means of reducing the federal budget deficit.

H.R. 2526 would restore the in-school interest subsidy for graduate students.

5. LOWER INTEREST RATES FOR GRADUATE STUDENT LOANS.

Interest rates on graduate student loans are higher than those on undergraduate student loans. For the 2017-18 school year, the interest rate on Federal Stafford Loans for undergraduate students is 4.45%. Graduate students are eligible for Federal Direct Unsubsidized Stafford Loans and Federal Direct PLUS loans, which have interest rates of 6.0% and 7.0%, respectively.

S. 1521/H.R. 3390 and H.R. 3346 would lower interest rates for graduate student loans.

6. INCREASE THE STUDENT LOAN INTEREST INCOME TAX DEDUCTION.

The current \$2,500 cap on interest that may be claimed as an income tax deduction represents the annual interest on approximately \$40,000 of student loan debt at a 6.0% rate of interest. However, three-quarters of graduate and professional students borrow more than \$40,000 to finance their studies (and nearly half borrow more than \$80,000), meaning that much – or even most – of the interest they pay does not qualify for tax deduction.

H.R. 3573 would increase the dollar limit for the student loan interest deduction.