

FINANCIAL AID FOR GRADUATE AND 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 4.248%.

Both the PROSPER Act and the Aim Higher Act would eliminate student loan origination fees.

2. RETAIN THE GRADUATE PLUS PROGRAM.

The Grad PLUS Loan provides essential funding for graduate and professional students, especially for those pursuing valuable but low-paying fields like educators, social workers, prosecutors, and clergy. The private market is often unwilling to assume the risk of making loans to these students. Grad PLUS is necessary to fill the gap between the high cost of post-baccalaureate education and stagnant Stafford loan annual limits.

The PROSPER Act would eliminate the Graduate PLUS Loan Program, while the Aim Higher Act would maintain the program.

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. Before eliminating the program, there are thoughtful alternatives to maintain the program. One way to strengthen the program for future years is to 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 and professional aggregate Stafford Loan limit (currently \$138,500).

The PROSPER Act would eliminate PSLF, while the Aim Higher Act would maintain the program.

4. RESTORE THE IN-SCHOOL INTEREST SUBSIDY FOR GRADUATE STUDENTS.

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 and professional student eligibility for the in-school interest subsidy as a means of reducing the federal budget deficit.

H.R. 2526 (POST GRAD Act), introduced by Rep. Chu, would restore the in-school interest subsidy for graduate students.

5. LOWER INTEREST RATES FOR GRADUATE STUDENT LOANS.

Interest rates on graduate and professional student loans are higher than those on undergraduate student loans. For the 2018-19 school year, the interest rate on Federal Stafford Loans for undergraduate students is 5.05%. Graduate and professional students are eligible for Federal Direct Unsubsidized Stafford Loans and Federal Direct PLUS loans, which have interest rates of 6.6% and 7.6%, respectively.

6. ELIMINATE RETURN OF TITLE IV FUNDS (R2T4) REQUIREMENT FOR GRADUATE AND PROFESSIONAL STUDENTS.

Graduate and professional students are ineligible for need-based Title IV aid like Pell Grants and subsidized loans. Because institutional investment in graduate and professional students is generally much higher and selection for admission more rigorous, these students are less likely to withdraw. If they do withdraw, their unsubsidized loans are paid back per the terms of the promissory note. Thus, the R2T4 requirement should apply only to undergraduates, and ED should not regulate R2T4 policy for graduate students.