White Paper: Graduate/Professional Loan Limits Task Force Proposal

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NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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Introduction

NASFAA convened a task force in November 2016 to discuss federal student loan limits for graduate and professional students and propose policy recommendations, as a white paper, for review by NASFAA membership, leadership, and staff. While this population comprises a relatively small proportion of postsecondary enrollment, it shoulders a disproportionate level of the outstanding student loan debt. Any serious discussions at the legislative and regulatory levels regarding student loan availability, debt, and repayment must carefully consider graduate and professional student loans and ensure that the needs of these students are thoroughly and deliberately considered.

The Graduate/Professional Loan Limits (GPLL) task force was asked to:

- Consider the treatment of graduate/professional (G/P) loans in Reauthorization of the Higher Education Act (HEA);
- Examine the impact of a one grant/one loan scenario;
- Evaulate Sen. Lamar Alexander's (R-TN) FAST Act legislation and its impact on G/P students;
- Explore whether the Graduate PLUS loan should be maintained and if limits should be imposed;
- Build off NASFAA's existing policy work regarding loan limits; and
- Draft a proposal to NASFAA's board of directors and NASFAA membership in a white paper.

Task Force Members:

- Chair: David Sheridan, Columbia University School of International and Public Affairs
- Commission Director: Larry Chambers, Rochester Institute of Technology
- Linda Butcher, Doane University
- Jason Marrujo, Oklahoma State University Health Sciences Center
- Fabiola Ortega, Florida International University
- Emily Osborn, Northwestern University-Chicago Campus
- Charles Pruett, Georgetown University Law Center
- Tyler Pruett, Samuel Merritt University
- Mendy Schmerer, University of Oklahoma Health Sciences Center
- Patricia Scott, University of Maryland, Baltimore

NASFAA Staff Liaisons: Jill Desjean & Stephen Payne

Executive Summary

The financing needs of graduate and professional students have been a lower priority among lawmakers for many years. Grant and scholarship aid from federal, state, institutional, and private sources is primarily focused on undergraduates. Media attention on the cost of an education and the availability of financial aid all but disregards graduate and professional students.

Annual federal loan limits for this population have remained unchanged since 2007, while aggregate limits have not been adjusted for the majority of the G/P population since 2004 (with the exception of certain health profession disciplines that received a minor increase in 2008). G/P students have seen an erosion of favorable lending terms with higher interest rates, the loss of interest subsidies, and the elimination of Perkins loans, all within the past five years. Recently, some have even suggested eliminating federal loans to graduate students, leaving private loans as their only educational financing option.

The GPLL Task Force proposes the following:

- Maintain the availability of federal loans for G/P students;
- Increase annual G/P loan limits based on inflation;
- Increase aggregate G/P loan limits based on inflation;
- Adopt a one-loan scenario for G/P students, eliminating the Graduate PLUS loan;
- Implement a two-tiered G/P loan with a set base amount plus an additional underwritten portion available up to the full cost of attendance;
- Continue higher aggregate limits for existing eligible health professions programs; and
- Support financial aid administrators' authority to limit annual and/or aggregate borrowing limits for certain classifications of students and programs.

This white paper is intended to be a discussion draft to stimulate conversation and debate about the structure of federal loan limits for graduate and professional students. The task force finalized this white paper in June 2017. Following the 2017 NASFAA National Conference in San Diego, CA, the task force opted to add some additional language in two places to further elaborate on their recommendations, which is clearly marked in the paper. The task force is very interested in feedback from the community on this proposal. Please contact policy@nasfaa.org for any questions, comments, or feedback.

Part 1—The Federal Government's Role in Graduate and Professional Student Financial Aid

The Graduate and Professional Loan Limits (GPLL) Task Force believes that the federal government should continue to provide graduate-level federal student loans, supporting students who will make significant contributions to our society and our economy, and minimizing the need for them to be overly reliant on more expensive, less flexible private loans that lack important consumer protections.

The low default rates for graduate student federal loan borrowers,[1] coupled with the increasing number of professions requiring a graduate-level degree,[2] means that access to graduate-level studies through federal student loans will benefit the American economy and taxpayer for years to come. Attainment of graduate or professional degrees, on average, leads to higher salaries[3], resulting in a greater tax revenue for the federal government. Consequently, these students should be an important priority.

In recent years, we have witnessed an erosion of favorable borrowing options under federal programs for graduate and professional students at a time when our economy needs G/P education most. First, Congress eliminated the in-school interest subsidy for graduate-level Direct Loans in the Budget Control Act of 2011.[4] Then, in the Federal Perkins Loan Program Extension Act of 2015,[5] graduate and professional students lost eligibility for the Perkins Loan. While the Parent Loan for Undergraduate Students (PLUS) was expanded to be available to G/P students in 2006, the G/P version of the loan, the Graduate PLUS, features the highest interest rates and origination fees in the federal student loan portfolio. Recently, some have proposed eliminating Graduate PLUS[6] and even limiting federal student loans to undergraduate students only,[7] moves that would intentionally leave G/P students entirely reliant on the private sector.[8] That could prohibit access for underrepresented students, and perhaps restrict some borrowing options to only those G/P students studying in fields that lead to the highest paying employment.

Recent data from the Council of Graduate Schools show that 38 percent of first-time G/P students were underrepresented minorities, and 57 percent were women.[9] These advanced degrees are too important to the economy to limit access to them due to lack of financing options. The most recent data, from fall 2015, also show a record number of applicants to G/P programs in the United States, nearly 2.2 million, with about 59 percent of those at public universities and 41 percent at private institutions[10]. The three largest fields of study were education, business, and health sciences. Over 600,000 graduate and professional degrees are awarded in the United States annually.[11]

Graduate and professional students are consistently successful borrowers. Loans made to G/P students enjoy low default rates, with a budgeted lifetime default rate averaging 6.15 percent for the years 2007-2010.[12] For that same time

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[1] McCann, C. "Federal Student Loan Default Rates." EdCentral. *New America Foundation*. http://www.edcentral.org/edcyclopedia/federal-student-loan-default-rates/

[2] United States Department of Labor, Bureau of Labor Statistics. "Fastest growing occupations." https://www.bls.gov/emp/ep_table_103.htm

[3] United States Department of Labor, Bureau of Labor Statistics. "Median weekly earnings by educational attainment in 2014." *TED: The Economics Daily*. https://www.bls.gov/opub/ted/2015/median-weekly-earnings-by-education-gender-race-and-ethnicity-in-2014.htm

[3] Public Law 112-28

[4] Public Law 114-105

[6] Bearse, R. "The graduate and professional student debt problem." *Washington Times*. March 9, 2017. http://www.washingtontimes.com/news/2017/mar/9/student-debt-problem-requires-new-solution/

[7] Delise, J. (2017). *Private in Name Only: Lessons from the Defunct Guaranteed Student Loan Program.* Washington, D.C.: American Enterprise Institute.

[8] Cooper, P. "Privitize Federal Graduate Student Loans." *Forbes*. January 9, 2017. https://www.forbes.com/sites/prestoncooper2/2017/01/09/end-federal-graduate-student-loans/#13b4343e6c76

[9] Okahana, H., Feaster, K., & Allum, J. (2016). *Graduate enrollment and degrees: 2005 to 2015.* Washington, D.C.: Council of Graduate Schools.

[10] *Ibid.*

[11] *Ibid.*

[12] McCann, C., op. cit.

period, the national weighted average for all federal student loan borrowers was 16.83 percent.[13] President Obama's 2015 budget request estimated an average default rate of 5.5 percent for graduate unsubsidized loans and an average default rate of 5.93 percent for Graduate PLUS Loans issued between 2013 and 2015.[14] The estimated average default rate for undergraduate Direct Unsubsidized loans for the same period was 20.03 percent and for Parent PLUS was 7.5 percent.[15] Fair Credit Reform Act of 1990 (FCRA) accounting methods show the graduate Stafford Loan and Graduate PLUS to be profitable to the federal government[16]. The repayment success of graduate and professional borrowers helps keep federal student loan programs fiscally strong enough to continue offering fully subsidized, unsecured loans to undergraduate students.

There are over 100 jobs in the economy that typically require a graduate degree.[17] Further, projections of future demand for employees by occupation type show that demand for occupations requiring a graduate or professional degree is anticipated to increase by a larger percentage between 2012 and 2022 than will the increase in demand for occupational fields requiring a bachelor's degree or less.[18] In several fields—including physical therapy[(19)(20)], physician's assistants, and nursing—program accreditors have adjusted standards so that positions that once required a certificate or a bachelor's degree for entry-level employment now require a master's or even a doctoral degree. Those programs also represent some of the fastest growing career fields in the U.S.[21] We must make sure that a robust federal student loan option is available to students seeking the highest level of academic and professional credentials.

While the private loan market plays an important role among higher education financing options, the task force believes it is imperative that federal loans remain the primary vehicle for eligible G/P students who need to borrow. The elimination of federal borrowing options and/or reduced loan limits would be counterproductive to what should be national goals of access to G/P degree programs for worthy, ambitious students who can become leaders in all fields of employment in our economy. Many post-baccalaureate students are pursuing careers in education, ministry, social work, counseling, fine and performing arts, library and museum management, as prosecutors and public defenders, and other fields that, while not among the most financially lucrative, play important roles in the nation's economy. Their low pay is not a reflection of their value. However, despite the success of graduate students in repayment, there are private lenders who limit eligibility to students in medicine, dentistry, law, and business so as to lend only to those with the highest earning potential. Federal loans also offer borrower protections that private loans do not. Discharge for borrower death or disability, deferment and forbearance options, affordable repayment plans and loan forgiveness are valuable protections for all borrowers, but especially those with high debt loads and low earnings. G/P students entering low paying fields need reassurance that their monthly loan payments will be affordable and that their educational and career choices won't negatively impact their other life goals. G/P students who find private loans to be their best option are always free to use them, but that should not be their sole borrowing option.

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[13] McCann, C., op. cit.

[14] *Ibid.*

[15] *Ibid.*

[16] Congressional Budget Office. (June 2017). *CBO's June 2017 Baseline Projections for the Student Loan Program.* https://www.cbo.gov/sites/default/files/recurringdata/51310-2017-06-studentloan.pdf

[17] United States Department of Labor, Bureau of Labor Statistics. "Education Level and Jobs: Opportunities by State." https://www.bls.gov/careeroutlook/2014/article/education-level-and-jobs.htm

[18] United States Department of Labor, Bureau of Labor Statistics. "Occupational Employment Projections to 2022." https://www.bls.gov/opub/mlr/2013/article/pdf/occupational-employment-projections-to-2022.pdf

[19] "Physical Therapist Education Overview." *American Physical Therapy Association*. http://www.apta.org/PTEducation/Overview/

[20] "Accredited PT & PTA Programs Directory." *American Physical Therapy Association*. http://aptaapps.apta.org/accreditedschoolsdirectory/AllPrograms.aspx?UniqueKey=

[21] United States Department of Labor, Bureau of Labor Statistics. "Fastest Growing Occupations."

Part 2—Recommendations

One Loan for Graduate/Professional Students

The task force proposes amending the federal loan programs to offer a single loan for G/P students. In the current environment of federal student loans, students and parents—who often help their children make financial decisions—are presented with myriad funding options during the student's academic career. Upon completion, the repayment options for loan borrowers are just as numerous. Too many choices can overwhelm students and hinder them from making the best decisions. A single loan program at the G/P level will allow financial aid administrators to focus on educating students about making prudent budgeting and borrowing choices rather than explaining the often minor differences between the existing borrowing and repayment options.

Students enrolled in G/P programs incur the greatest costs in terms of tuition and fees. They are often faced with the least amount of flexibility in that many are unable to work during their periods of enrollment to help defray their costs through earnings. These factors can create a heavy dependence on financial aid, and with the great scarcity of grants and scholarships at the G/P level, that dependence on aid often entails a significant amount of loan debt.

A single federal loan program that meets students' financial needs would help borrowers better understand the terms and conditions of their loans, which in turn makes the debt easier to manage. A single program would be more easily administered, allowing financial aid administrators to spend more time on advising and counseling, rather than being mired in compliance issues for multiple loan programs.

Additionally, a single loan program would eliminate the risks inherent with split borrowing—when a student is forced to borrow from both federal and private entities. This often occurs when a borrower has loans with a federal loan servicer and also with a private loan lender or lenders; borrowers rely on private loan lenders when federal loan borrowing is insufficient to cover the costs incurred during the academic year. This can increase the odds of the borrower becoming delinquent in repayment or entering default due to the complexity of multiple payments to multiple service providers.

Reliance on private loans due to insufficient federal loan programs also comes with the very real risk of shrinking access to graduate and professional degrees and narrowing the scope of diversity of those enrolled. If private loan lenders have an increased role in funding G/P students when federal funding is insufficient, then those private loan lenders, in an unregulated market, will set the lending standards that serve as the most financially secure investment. This would likely lead to students in less well-situated socioeconomic classes being denied funding, leading to a diversity gap in students enrolled, and subsequently serving in the workforce post-graduation. Additionally, students in pursuit of degrees that are not often high-paying, but remain necessary to society, could also be at risk for securing sufficient funding for those degrees. Examples include social workers, public defenders, educators, doctors serving low-income populations, and others.

Simplified Application Process

The task force believes that it is burdensome and unnecessary for G/P students who are only applying for a loan program that is not awarded based on established financial need to submit the data required for need analysis on the FAFSA. Under current programs, the Federal Direct Unsubsidized Loan and the Federal Graduate PLUS Loan, a student's eligibility is in no way limited by income, assets, family size, or any other data used to calculate a family contribution. It is assumed that a "One Loan" environment would similarly not include an interest subsidy for graduate-level loans. When a G/P student begins to fill out a FAFSA, they should be asked what type(s) of aid they are applying for and, if they are only interested in such a loan, sections two and five of the FAFSA, as currently configured, should be skipped. This would further streamline the aid application process for this population.

Proposed Annual and Aggregate Loan Limits

An honest discussion of the current environment of G/P financial aid requires both a retrospective and a prospective approach. The history of federal loan limits for graduate education is one of stagnation at both the annual and aggregate levels. The annual graduate Stafford limit was set at $18,500 in 1994 and increased modestly to $20,500 in 2007. Had the $18,500 limit been adjusted over time for inflation over the past 23 years, the result would be a graduate Stafford loan limit of approximately $29,960 today.

The aggregate limit for the Federal Stafford Loan Program has also failed to keep pace. The Stafford aggregate limit for a non-health professions program borrower was set at $138,500 in 1994 and has not been increased since. This limit includes loans borrowed while enrolled as an undergraduate student, despite the fact that undergraduate annual limits were increased in 2008, causing G/P students to reach the aggregate Stafford limit more quickly. Had the $138,500 limit been adjusted over time for the effect of inflation over the past 23 years, the result would be an aggregate Stafford loan limit of more than $223,000 today. Specified health professions programs—often referred to as “HEAL programs” due to their historical borrowing under the now defunct Health Education Assistance Loan Program—are allowed to borrow increased Unsubsidized Stafford Loan amounts, but the lifetime aggregate limit has not been increased from $224,000 since 2008.

A February 2017 survey of NASFAA members who work with G/P students (Appendix A) showed both strong support for allowing a G/P student to borrow up to the full cost of attendance (COA), and also concern about limiting federal loans to an arbitrary amount that would fall short of many or most students’ needs. A total of 92 percent of those surveyed supported federal loans up to the full COA. We understand concerns about the availability of a full COA loan; there are arguments that it can lead students to reach high debt levels too easily, and that these loans make it too easy for schools to increase their tuition. However, full COA includes indirect costs for living expenses which are often out of the control of schools, especially in the case of full-time G/P students who may be less likely to be living in a college’s dorms and, as a result, subject to higher market rates for rental housing. Seventy-two percent of those surveyed cited concerns about significant increases in private borrowing should federal loans be limited. Others—nearly half—believed that limiting federal borrowing options to less than the full COA would result in fewer students pursuing graduate degrees.

It is notable that nearly two-thirds of survey respondents were in favor of granting financial aid administrators the authority to limit annual and aggregate borrowing for certain programs or groups of students at their school. This clearly demonstrates an understanding of and commitment to the fact that a full COA loan option, while necessary for some, is not the best option for all students.

Base Annual Loan Limit

The task force proposes a base limit for the new single federal graduate loan program be granted to G/P students in the amount of $30,000 with a provision for periodic increases to account for inflation. The basis for this figure is the existing annual limit plus annual inflationary increases since its establishment in 2007. This amount serves as a continuation of the level of support contemplated in 1994 through the creation of the subsidized/unsubsidized loan combination.

The task force also proposes a full COA loan to be awarded on an annual basis. If a student wishes to obtain an amount in excess of the annual base limit of $30,000, the additional amount would be subject to underwriting described below.

Underwriting Annual Graduate Loan Amounts in Excess of $30,000

Presently the Graduate PLUS Loan is underwritten using the older model of reviewing a credit report for adverse entries. This model has been supplanted in nearly all credit markets by the credit scoring model, and now students and adults in the general population have ready access to their credit scores, frequently for no cost. Credit scoring is used in other lending regimes supported by the federal government, such as the Federal Housing Administration (FHA)-insured loan

program. One of the key benefits of the credit scoring model is clarity—the applicant is approved if his or her score is above a certain minimum. This allows widespread and accurate dissemination of the terms of the loans, thus allowing borrowers the opportunity to address concerns in advance of the application.
The FHA uses a tiered system for mortgage approvals, with a score of 580 required for full approval; scores between 500 and 579 are eligible for a reduced amount, and a score below 500 is denied[22]. Commercial lenders often require a score of 600 or higher. Those applying for an FHA-insured mortgage with an insufficient or nontraditional credit history may be approved upon review by an FHA official.

The task force proposes that Congress instruct the Department of Education, in consultation with lending industry experts, to develop, disseminate, and utilize a credit-scoring model to determine eligibility for loan amounts in excess of the base loan entitlement of $30,000 per year. The task force further proposes that the credit scoring model promulgated ensures that the societal benefits of access to higher education be properly weighed against society's interest in sensible lending.

Overall Annual Loan Limits

For overall annual loan limits, the task force proposes an annual limit based on an institution's set Cost of Attendance (COA). Grad PLUS loans currently feature an annual limit up to COA.

The creation of Graduate PLUS came just in time and served a purpose far in excess of its intent. When the financial world collapsed during the "Great Recession" and the financial markets were frozen, the federal government was still able to obtain financing as investors rushed to the safety of government bonds. The federal government's unparalleled access to capital allowed the federal student loan programs to continue, and one of the few outlets for displaced workers during the Great Recession was the ability to return to the classroom to build skills that could be leveraged when the economy improved.

Students with No Credit History

The task force solicited community feedback during NASFAA's annual conference and on its Graduate and Professional listserv following Board of Directors approval of the initial white paper. As an addendum to the paper we offer the following in response to a number of questions about how students who have yet to establish a credit history would be treated.

When looking to the Federal Housing Administration (FHA) underwriting guidelines for illumination, alternative methods to demonstrate creditworthiness, such as timely utility and housing payments, may be used in lieu of a credit score. While this may be useful for a mortgage, this is one area in which veering away from following FHA guidelines is appropriate.

In the event that a graduate student does not have a credit score due to the fact that no history exists, the task force recommends that the student be approved without the need for an endorser. This is primarily due to the fact that graduate students who have chosen not to avail themselves of the easy access to credit offered to college/university students should not be punished for their display of responsibility. In the private loan market, students demonstrating a particularly strong ability managing credit are often rewarded for prior efforts while those that have avoided credit face higher rates, fees and/or the need for a cosigner or endorser.

The federal student loan program should not perpetuate this treatment, and failing to recognize this incongruity would lead to schools encouraging undergraduates nearing graduation to obtain a credit card for the sole purpose of establishing a credit score to enable further graduate study. In addition, the short period of time needed to establish an actual score and thereby pass would not be helpful in determining actual creditworthiness. The current PLUS loan philosophy, in which the absence of a credit history is not held against the borrower, should be maintained.

The task force recommends that students who need to borrow more than the base limit but have had credit problems be given the option of applying with a creditworthy endorser, or have the option of adding an endorser during an appeal process if initially denied on the basis of credit. We discussed the possibility of allowing an endorser to obtain a lower interest rate or other more favorable terms (including a lower origination fee) but consensus was that such an option would add too much complexity.

Section added following feedback from NASFAA's 2017 National Conference

[22] Congressional Research Service. "FHA-Insured Home Loans: An Overview." https://www.everycrsreport.com/files/20160316_RS20530_fb0ba6feb0c58ab5dfb02af20c1742d05a0f7790.pdf

During that same time, not all private lenders had access to sufficient capital to meet borrowing demands. Had Graduate PLUS not been available, many students may not have been able to enroll, possibly leading them back to an already challenged job market.

What characteristics of the Graduate PLUS allowed the creation of this safety valve? First, its nature as a COA loan is its strongest feature. Frequently criticized as an "unlimited" loan, [23] it is by its very definition limited by the costs it may cover. Many of these costs for which students rely on Graduate PLUS Loans, such as housing, food, utilities, transportation, textbooks, and health care, are neither charged nor controlled by the school. The largest direct cost that schools do control—tuition—is a transparent one, and is the basis of competition between schools for future students.

The discussion of whether tuition increases follow from the access to federal graduate loans can simply be resolved by examining the period of time before the Graduate PLUS Program. National Center for Education Statistics data show that tuition did not increase at a faster rate following the introduction of the Graduate PLUS Loan.[24]

Aggregate Graduate Federal Loan Limits

Presently, Graduate PLUS has no aggregate lifetime limit. The task force agrees with the concept of an aggregate federal graduate student loan limit that is separate and distinct from the undergraduate loan limits. The limit should be sufficient to ensure that access to educational opportunities exist, while encouraging brevity in the student's academic pursuits.

Looking again at FHA-insured home loans, there are annual, inflation-based updates to the loan limits that the program is willing to insure according to its underwriting requirements. The standard FHA mortgage limit throughout most of the country is $424,100[25], with regional differences based on cost of living standards. The task force suggests that an annually adjusted limit, such as the FHA loan limit, be used as an example or model for the federal graduate aggregate loan limit.

Eligibility Limits for Students Enrolled in HEAL Programs

Based on community feedback following NASFAA Board of Directors approval of the task force's recommendations, we clarify that the recommendation for additional borrowing eligibility for students enrolled in programs that currently allow for additional Unsubsidized Loan amounts to make up for the prior elimination of the HEAL program only applies to aggregate borrowing limits. We do not recommend additional annual limits for these students.

Section added following feedback from NASFAA's 2017 National Conference

The task force proposes an aggregate limit on graduate borrowing, with tiers based on whether a degree program currently qualifies for additional borrowing to accommodate the health professions programs that qualify for HEAL loan limits, as mentioned previously. We, therefore, are proposing a lifetime aggregate borrowing limit of $424,100 for HEAL-limit-eligible programs, adjusted annually for inflation. We suggest that the aggregate limit for non-HEAL programs be 65 percent of the HEAL-eligible amount, or $275,665, with the same annual inflationary adjustments made. No decreases to loan limits would occur in the event of a negative inflation rate (deflation). These amounts are to be independent of federal undergraduate borrowing. The most recent National Postsecondary Student Aid Survey (NPSAS) data available from the 2011-12 academic year shows that 99.9% of G/P borrowers fell below the proposed non-HEAL limit. If the 2016 NPSAS data follow trends in graduate borrowing[26] it is anticipated that the proposed non-HEAL limit would cover roughly 98% of G/P borrowers.

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[23] Delisle, J. "A Gut Check on Graduate Loans." *US News & World Report.* March 27, 2017. https://www.usnews.com/opinion/knowledge-bank/articles/2017-03-27/republican-lawmakers-should-work-to-curb-federal-graduate-school-loans

[24] US Department of Education, National Center for Education Statistics. "Tuition costs of colleges and universities." *Fast Facts*. https://nces.ed.gov/fastfacts/display.asp?id=76

[25] U.S. Department of Housing and Urban Development, Mortgagee Letter 2016-20

[26] In 2007-08 borrowers in the 90^{th} percentile of GP indebtedness was $97,592. The 90^{th} percentile in 2011-12 was $134,000, a 37% increase over four years. 98.2% of 2011-12 borrowers borrowed in excess of $200,000. If the 37% per-four-years rate of increase to GP borrowing continues to the 2016 NPSAS data, 98.2% of borrowers would be expected to have more than approximately $274,000 in GP debt. Calculated using: New America. "The Graduate Student Debt Review." https://static.newamerica.org/attachments/750-the-graduate-student-debt-review/GradStudentDebtReview-Delisle-Final.pdf

The task force proposes that the non-underwritten, base portion of the aggregate borrowing limits at both tiers may not exceed fifty percent of the total amount borrowed.

The task force recognizes the need for balance between disparate views on graduate borrowing. The proposal maintains the ability of graduate students to borrow up to the full cost of attendance when necessary—something strongly supported in NASFAA's survey of membership—while acknowledging that reasonable lifetime aggregates should exist to avoid truly exorbitant debt. Acknowledging that full COA loans are inappropriate for every borrower, the task force further recommends that financial aid administrators be permitted the flexibility to limit both annual and aggregate limits for certain programs and groups of students in order to offer additional safeguards against excessive borrowing.

Aid Admininstrator Authority to Limit Loans

The task force endorses NASFAA's existing recommendation to provide the authority to financial aid administrators to limit loans institution-wide or in certain circumstances, such as by program, enrollment status, dependency status, or other parameters. Aid administrators would still have the authority to allow students to borrow up to the federal annual and aggregate limits on a case-by-case basis through the use of professional judgment.

Simplified Repayment Options

The task force proposes simplifying repayment options, with this proposed single graduate loan featuring no more than three repayment plans—a standard 10-year repayment plan, an extended plan, and one income-driven plan—giving the borrower the freedom to change from one plan to another at his/her discretion at any time during repayment. The standard and income-driven plans should be available to all borrowers, and the extended payment plan should be available to any borrower with a high balance; we do not recommend that the extended repayment plan be available to those who enter repayment with a relatively low level of student loan debt.

Conclusion

Post-baccalaureate education is more important than ever. A growing number of professions in our economy require a graduate degree; those with graduate degrees have higher earning potential and improved opportunities for career advancement, and in some fields, an advanced degree is a basic requirement for simply practicing the profession. With scholarships and grants from federal, state, institutional, and private sources primarily aimed at undergraduate students, it is essential that all students seeking G/P degrees at the very least have access to affordable loans with flexible repayment options.

The members of the Graduate and Professional Loan Limits Task Force are strongly opposed to suggestions that federal student loans should be limited to undergraduate students; in many fields, post-baccalaureate credentials are required for career advancement, or even entry-level employment. While those who earn graduate degrees will, in general, have more earning potential than those without an advanced degree in most fields, salaries in many fields that G/P students pursue (education, social work, many fields of public service, fine and performing arts) are not sufficient to make these degrees self-financing.

In recent years, G/P students have seen their loans become more and more costly, losing benefits so that other programs or other populations can be better served. G/P students have seen the elimination of interest subsidies in the Direct Loan Program, higher interest rates and origination fees, and the loss of Perkins Loans. While we recognize the need for and support the availability of funds for students at all levels, it is time for Congress to support this important sector of American higher education.

The available loan levels for G/P students have remained static far too long. While the introduction of the Graduate PLUS Loan has been helpful, it comes with higher interest rates and fees. The task force advocates for one loan program for G/P students for simplicity's sake, with options for qualified applicants to borrow up to the full cost of attendance, while giving financial aid administrators the authority to set lower annual and aggregate limits at their schools for certain programs or groups of students as they deem appropriate. We are confident that our colleagues would apply such limits to prevent over-borrowing in certain programs.

The task force also proposes a lifetime aggregate limit, so that unlike the current Graduate PLUS Loan that has no lifetime limit, students would not be able to enroll indefinitely while receiving taxpayer supported funding. We believe that reasonable limits are appropriate.

The members of the Graduate and Professional Loan Limits Task Force are pleased to share this white paper with NASFAA membership with the hope of fostering continued attention to the needs of the G/P students many of us serve on our campuses every day.

APPENDIX A – SURVEY INSTRUMENT
2017 GP Task Force Survey

NASFAA Graduate/Professional Loan Limits Task Force Survey

The NASFAA Graduate and Professional Loan Limits Task Force was formed to examine the current status of federal loans available to graduate and professional (G/P) students and how such loan programs would move forward in anticipated legislation. More information on this task force may be found here. Responses to this survey will be shared with the Graduate/Professional Loan Limits Task Force in the aggregate and individual institutions will not be identified. The results of the survey may be used in a public report. For questions on this survey please contact NASFAA's Research Department.

Question 1) What federal loans should be available to graduate and professional students? (choose one response)

- ❍ An Unsubsidized Direct Loan only, with an annual limit
- ❍ An Unsubsidized Direct Loan only, but up to the full cost of attendance
- ❍ An Unsubsidized Direct Loan (with an annual limit) and the Graduate PLUS Loan or similar loan
- ❍ None. Federal loans should only be available to undergraduate students.

Question 2) The current annual limit for the Unsubsidized Direct Loan for graduate and professional students is $20,500 (with additional amounts for health sciences). The Graduate PLUS Loan is capped at the full cost of attendance minus other aid.Instructions: In the spaces below please list what you think the annual limit should be for graduate students for each category. If your answer is a dollar amount: Use only numbers, Do not use dollar signs ($), commas (,) or periods (.). If your answer is "up to the cost of attendance" please put "up to COA" in the open-ended box.

	Annual Limit
Unsubsidized Direct Loan	
Additional unsubsidized amount for health sciences	
Additional unsubsidized amounts for certain schools or certain programs	
Graduate PLUS Loan	

Question 3) The current lifetime aggregate limit for the Unsubsidized Direct Loan for graduate and professional students is $138,500 ($224,000 for health sciences). There is no aggregate limit for the Graduate PLUS Loan. Instructions: In the spaces below please list what you think the aggregate lifetime limit should be for reach category. If your answer is a dollar amount: Use only numbers, Do not use dollar signs ($), commas (,) or periods (.). If your answer is "up to the cost of attendance" please put "up to COA" in the open-ended box.

	Aggregate Lifetime Limit
Unsubsidized Direct Loan	
Unsubsidized Direct Loan for health sciences	
Unsubsidized Direct Loan for certain schools or certain programs	
Graduate PLUS Loan	

Question 4) The PLUS Loan is currently one loan available to two different types of borrowers, parents of undergraduates, and graduate and professional students. Should there instead be two distinct loans, with terms and conditions that address the needs of these two groups of borrowers?

- ❍ Yes
- ❍ No

Question 5) The “One Loan, One Grant” proposed legislation may eliminate the Graduate PLUS Loan and provide a single, unsubsidized graduate and professional loan with an annual limit of $30,000 ($150,000 aggregate), with a provision for an additional 50 percent for students with high costs or special circumstances. If that legislation were enacted, which of the following do you believe would be likely at your school? (check all that apply)

- ❍ A slight increase in private loan borrowing
- ❍ A significant increase in private loan borrowing
- ❍ My institution would be forced to lower tuition rates
- ❍ Fewer students would pursue graduate degrees
- ❍ My institution would increase institutional gift aid to graduate students
- ❍ My institution would increase institutional loans to graduate students

Question 6) Should the “One Loan, One Grant” proposal be applicable to undergraduate students only?

- ❍ Yes
- ❍ No

Question 7) For certain graduate programs or groups of graduate and professional students, should aid administrators have the authority to limit:

	Yes	**No**
Annual borrowing limits?	❍	❍
Aggregate borrowing limits?	❍	❍

Question 8) I work with (check one):

- ❍ Graduate students (MA, MS, PhD)
- ❍ Professional students (Law, Medicine, MBA, MPA, etc.)
- ❍ Both graduate and professional students
- ❍ Both undergraduate and graduate or professional students
- ❍ Other

Question 9) Please provide the following information below:

- School Name
- School Sector
- School Sector
- NASFAA Region
- Your job title
- Your name
- Your email address

APPENDIX B – GPLL SURVEY DATA

Results

Question 1) What federal loans should be available to graduate and professional students? (choose one response)

	Overall (n=367)	Graduate students (n=38)	Professional students (n=82)	Both graduate and professional students (n=71)	Both undergraduate and graduate or professional stents (n=173)	Other (n=3)
An Unsubsidized Direct Loan only, with an annual limit	8%	18%	4%	3%	9%	0%
An Unsubsidized Direct Loan only, but up to the full cost of attendance	53%	50%	56%	59%	50%	67%
An Unsubsidized Direct Loan (with an annual limit) and the Graduate PLUS Loan or similar loan	39%	32%	40%	38%	40%	33%
None. Federal loans should only be available to undergraduate students.	0%	0%	0%	0%	0%	0%

Question 2) The PLUS Loan is currently one loan available to two different types of borrowers, parents of undergraduates, and graduate and professional students. Should there instead be two distinct loans, with terms and conditions that address the needs of these two groups of borrowers?

	Overall (n=358)	Graduate students (n=38)	Professional students (n=79)	Both graduate and professional students (n=70)	Both undergraduate and graduate or professional stents (n=169)	Other (n=2)
Yes	80%	84%	82%	84%	76%	100%
No	20%	16%	18%	16%	24%	0%

Question 3) The “One Loan, One Grant” proposed legislation may eliminate the Graduate PLUS Loan and provide a single, unsubsidized graduate and professional loan with an annual limit of $30,000 ($150,000 aggregate), with a provision for an additional 50 percent for students with high costs or special circumstances. If that legislation were enacted, which of the following do you believe would be likely at your school? (check all that apply)[27]

	Overall (n=337)	Graduate students (n=33)	Professional students (n=82)	Both graduate and professional students (n=69)	Both undergraduate and graduate or professional stents (n=151)	Other (n=2)
A slight increase in private loan borrowing	25%	27%	11%	15%	34%	0%
A significant increase in private loan borrowing	72%	67%	89%	74%	62%	100%
My institution would be forced to lower tuition rates	4%	9%	5%	7%	2%	0%
Fewer students would pursue graduate degrees	49%	85%	52%	58%	36%	5%
My institution would increase institutional gift aid to graduate students	6%	6%	9%	7%	6%	0%
My institution would increase institutional loans to graduate students	7%	6%	16%	9%	3%	0%

Question 4) Should the “One Loan, One Grant” proposal be applicable to undergraduate students only?

	Overall (n=358)	Graduate students (n=37)	Professional students (n=81)	Both graduate and professional students (n=65)	Both undergraduate and graduate or professional stents (n=172)	Other (n=3)
Yes	54%	43%	64%	69%	47%	67%
No	46%	57%	36%	31%	53%	33%

[27] Perfentages will not add up to 100% as respondents were able to select more than one choice.

Question 5) For certain graduate programs or groups of graduate and professional students, should aid administrators have the authority to limit:

Overall (n=363)	**Yes**	**No**
Annual borrowing limits?	64%	36%
Aggregate borrowing limits?	55%	45%

Graduate students (MA, MS, PhD) **(n=38)**	**Yes**	**No**
Annual borrowing limits?	63%	37%
Aggregate borrowing limits?	63%	37%

Professional students (Law, Medicine, MBA, MPA, etc.) **(n=80)**	**Yes**	**No**
Annual borrowing limits?	57%	43%
Aggregate borrowing limits?	47%	53%

Both graduate and professional students **(n=70)**	**Yes**	**No**
Annual borrowing limits?	64%	36%
Aggregate borrowing limits?	66%	34%

Both undergraduate and graduate or professional students **(n=171)**	**Yes**	**No**
Annual borrowing limits?	67%	33%
Aggregate borrowing limits?	53%	47%

Other **(n=3)**	**Yes**	**No**
Annual borrowing limits?	100%	0%
Aggregate borrowing limits?	67%	33%

Question 6) The current annual limit for the Unsubsidized Direct Loan for graduate and professional students is $20,500 (with additional amounts for health sciences). The Graduate PLUS Loan is capped at the full cost of attendance minus other aid. In the spaces below please list what you think the annual limit should be for graduate students for each category.[28]

Unsubsidized Direct Loan (n=360)

Up to COA	46%
Amount above $50,000	1%
$50,000	2%
$40,000 – $49,000	6%
$30,000 – $39,000	15%
$25,000 – $29,000	10%
$21,000 – $24,999	2%
$20,500	16%
$12,500 – $20,000	3%

Additional unsubsidized amount for health sciences (n=278)

Up to COA	49%
Not Sure	2%
Current Amount	1%
Amount above $50,000	2%
$50,000	3%
$40,000 – $49,000	6%
$30,000 – $39,000	3%
$25,000 – $29,000	5%
$21,000 – $24,999	1%
$20,000	11%
$20,500	1%
$12,500 – $20,000	8%
$0	9%

Additional unsubsidized amounts for certain schools or certain programs (n=246)

Up to COA	47%
Not Sure	3%
Current Amount	0%
Amount above $50,000	1%
$50,000	1%
$40,000 – $49,000	2%
$30,000 – $39,000	1%
$25,000 – $29,000	2%
$21,000 – $24,999	0%
$20,000	6%
$20,500	2%
$12,500 – $20,000	14%
$0	21%

Graduate PLUS Loan (n=293)

Up to COA	67%
Not Sure	2%
Eliminate	1%
Amount above $50,000	1%
$50,000	2%
$40,000 – $49,000	0%
$30,000 – $39,000	1%
$25,000 – $29,000	1%
$21,000 – $24,999	0%
$20,000	3%
$20,500	0%
$12,500 – $20,000	2%
$0	20%

[28] Answers "Up to COA" and "COA" were counted as the same.

Question 7) The current lifetime aggregate limit for the Unsubsidized Direct Loan for graduate and professional students is $138,500 ($224,000 for health sciences). There is no aggregate limit for the Graduate PLUS loan. In the spaces below please list what you think the aggregate lifetime limit should be for reach category.

Unsubsidized Direct Loan (n=337)

Up to COA	24%
No Limit	1%
$200,000 and above	19%
$190,000 – $199,999	0%
$180,000 – $189,999	2%
$170,000 – $179,999	4%
$160,000 – $169,999	3%
$150,000 – $159,999	17%
$140,000 – $149,999	4%
$138,500	19%
$101,000 – $135,500	6%
$100,000	0%
$1 – $99,999	1%

Additional unsubsidized amount for health sciences (n=274)

Up to COA	26%
Not Sure	3%
$500,000 – $599,999	2%
$400,000 – $499,999	1%
$300,000 – $309,999	9%
$200,000 – $299,999	47%
$100,000 – $199,999	7%
$1 – $99,999	5%

Additional unsubsidized amounts for certain schools or certain programs (n=235)

Up to COA	32%
Not Sure	4%
$250,000 and above	10%
$200,000 – $249,999	15%
$190,000 – $199,999	0%
$180,000 – $189,999	3%
$170,000 – $179,999	3%
$160,000 – $169,999	0%
$150,000 – $159,999	7%
$140,000 – $149,999	1%
$138,500	7%
$101,000 – $138,000	3%
$100,000	1%
$1 – $99,999	2%
$0	12%

Graduate PLUS Loan (n=291)

Up to COA	46%
No Limit	4%
$200,000 and above	12%
$190,000 – $199,999	0%
$180,000 – $189,999	0%
$170,000 – $179,999	0%
$160,000 – $169,999	0%
$150,000 – $159,999	2%
$140,000 – $149,999	0%
$138,500	2%
$101,000 – $135,500	2%
$100,000	6%
$1 – $99,999	7%
$0	17%

The National Association of Student Financial Aid Administrators (NASFAA) provides professional development for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues; and is committed to diversity throughout all activities.

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