

# 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.

*H.R. 1285 would eliminate student loan origination fees.*

### 2. RETAIN THE CAMPUS-BASED PROGRAMS.

**Perkins Loans** - The terms of a Perkins Loan include a 5% fixed interest rate and no interest accrual prior to repayment, better terms than most private loans. Eligibility for Perkins Loans for graduate students will expire on September 30, 2016, and the program will expire completely for all borrowers if not reauthorized in 2017.

**Federal Work-Study (FWS)** - This program allows students to work and earn funding to offset the cost of education and reduce loan debt. Many students gain practical work experience in their areas of study.

### 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).

*S. 1947, H.R. 5617, and S. 3266 would exempt loan forgiveness from gross income.*

### 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. 4223 would restore graduate and professional student eligibility for the in-school interest subsidy.*

### 5. LOWER INTEREST RATES FOR GRADUATE STUDENT LOANS.

Interest rates on graduate student loans are higher than those on undergraduate student loans. For the 2016-17 school year, the interest rate on Federal Stafford Loans for undergraduate students is 3.76%. Graduate students are eligible for Federal Direct Unsubsidized Stafford Loans and Federal Direct PLUS loans, which have interest rates of 5.31% and 6.31%, respectively.

*H.R. 5567 would lower interest rates for graduate student loans to match undergraduate loan interest rates.*