

Bridging the Funding Gap: Supporting Students After Grad Plus

11 to 12 a.m.
Independence F-H



Our Panel



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What is in the One Big Beautiful Bill Act?

OBBBA contained several significant changes to the federal government role in helping students pay for higher education:

1. Changes to loan repayment options for new borrowers - one 'standard' plan with a payment term that varies with principal; and one (less generous) income driven plan.
2. A statutory requirement that degree programs' graduates meet a minimum earnings test to access federal loans.
3. New access to 'Workforce' Pell Grants for very short-term certificate programs.

And

4. Elimination of the graduate PLUS loan program, and new loan limits for graduate and parent borrowers.



The New OBBBA Graduate Loan Limits

- **Current law:**

- \$20,500 per year in Unsubsidized loans
- Up to the full cost of attendance of the program in Grad PLUS loans

- **OBBBA limits:**

- Grad PLUS eliminated for new borrowers
- Unsubsidized limits set at:
 - **\$20,500 per year** (\$100,000 in aggregate) for graduate programs
 - **\$50,000 per year** (\$200,000 in aggregate) for “professional” programs
- Part-time students’ loans must be prorated based on enrollment intensity (currently no proration)



Higher Limits for “Professional Programs”

- The law defined “professional degrees” by referring back to current, low-stakes (reporting-related) regulations – which include a non-exhaustive list of 10 fields. 34 CFR 668.2:

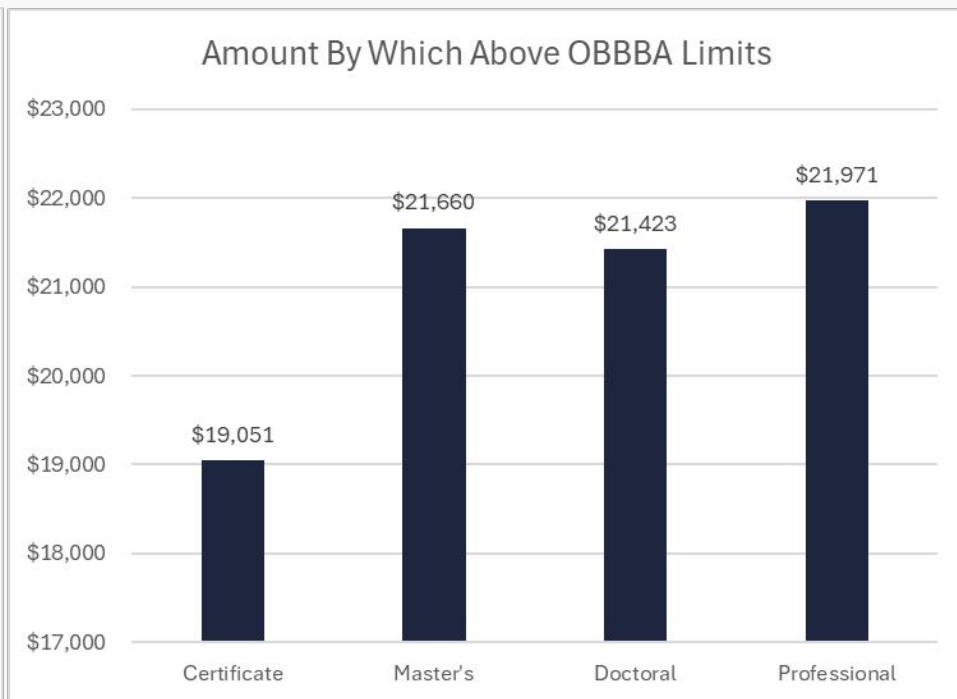
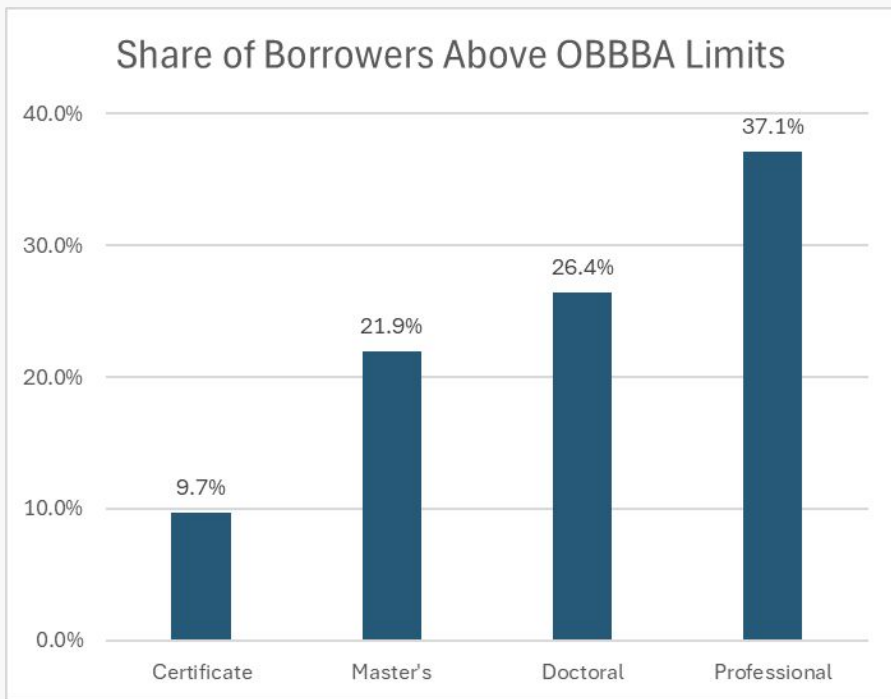
Professional degree: A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor's degree. Professional licensure is also generally required. Examples of a professional degree include but are not limited to Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), and Theology (M.Div., or M.H.L.).

- Debated during rulemaking; ED and negotiators reached consensus on:
 - The existing list of 10 fields (e.g., medicine, law, dentistry)
 - Plus: clinical psychology (represented at the table)
 - Plus: other (generally) doctoral, licensed programs in the same field of study (4-digit CIP code) as any of those 11 fields
- Even though negotiators reached consensus
 - **ED could still change the definition based on public comments**



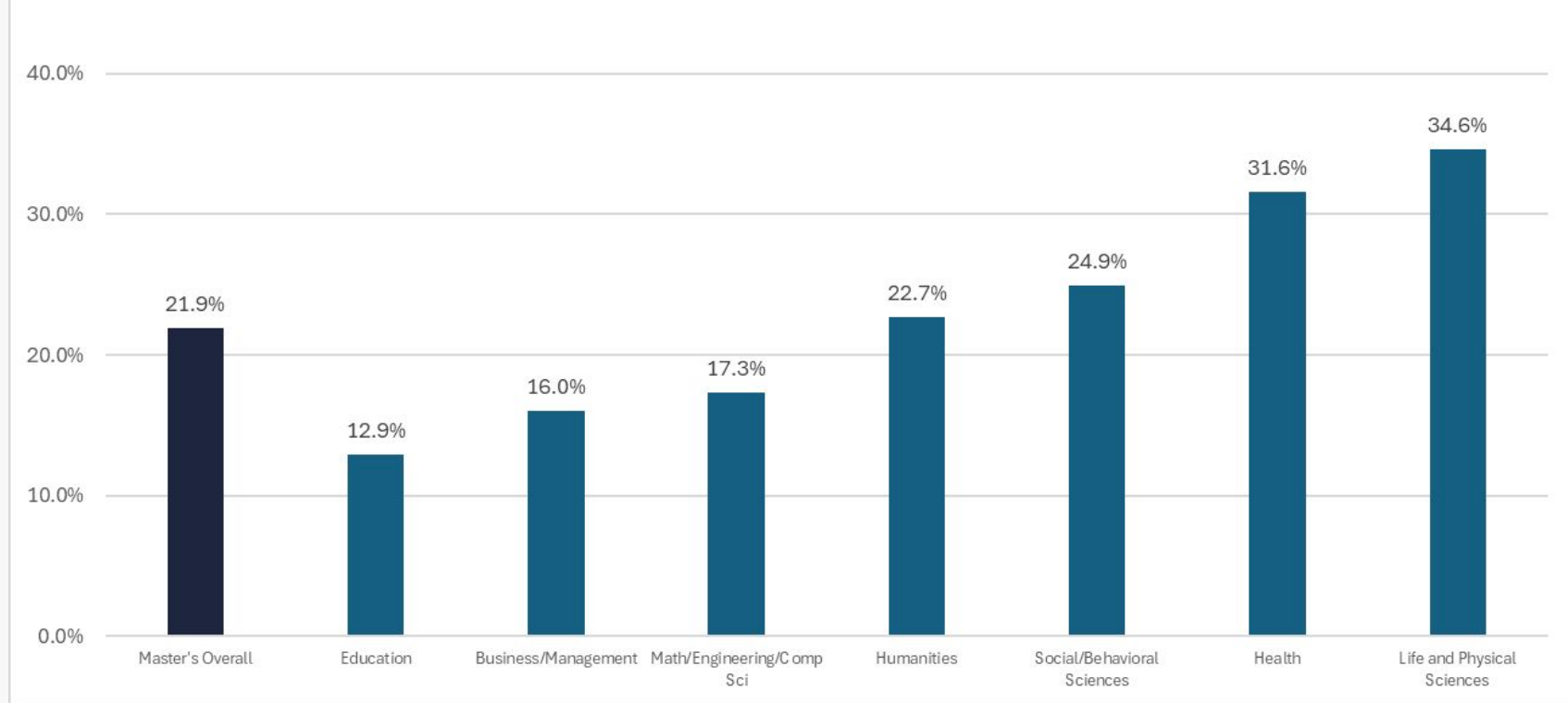
Borrowing Above the New OBBBA Limits

- Overall, 26% of borrowers (367,000) will be affected. If we model with prorated limits assuming all part-time students get half-time loans, those numbers increase to 41% (588,700 borrowers)

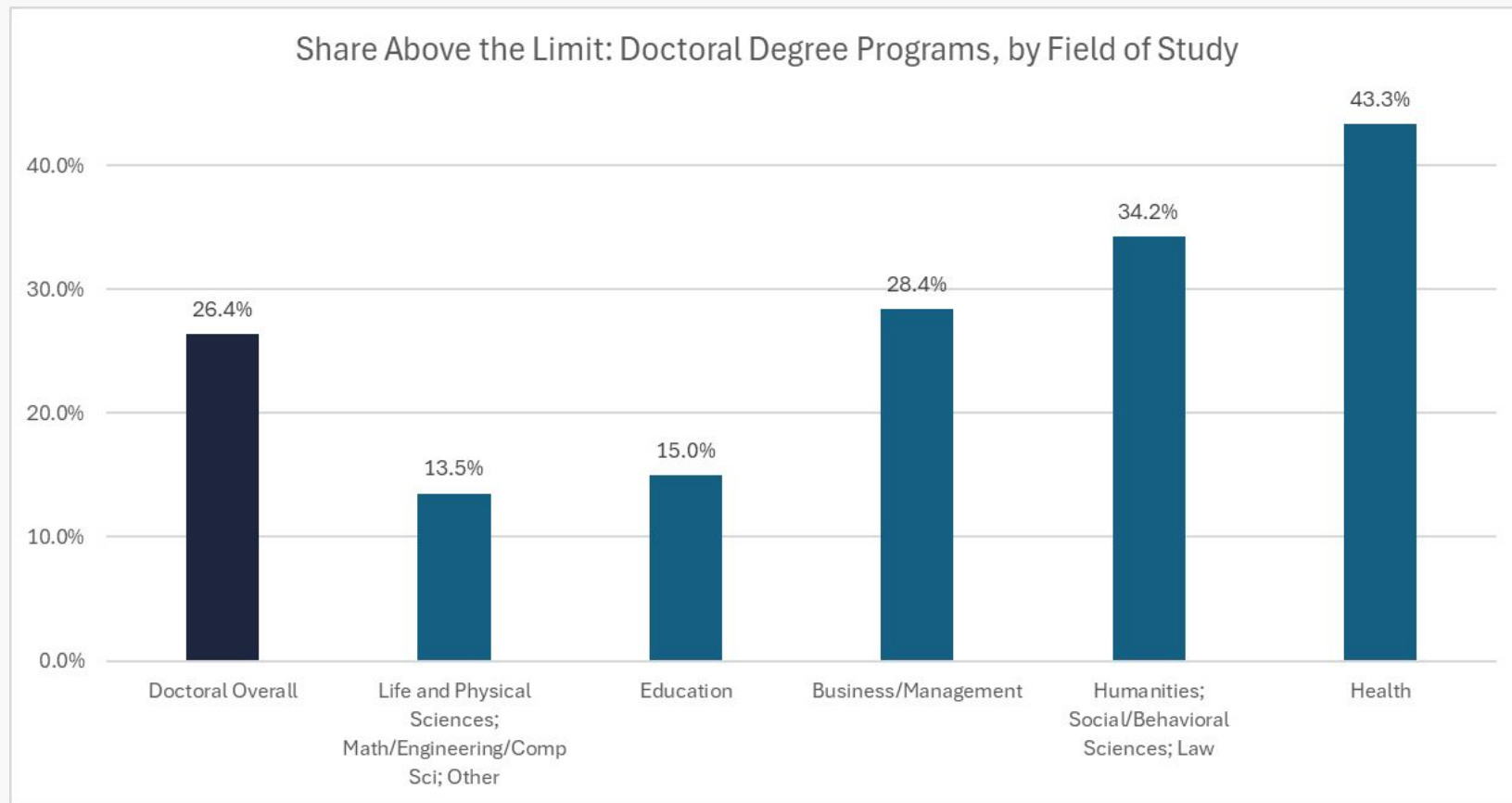


Master's Degrees by Field

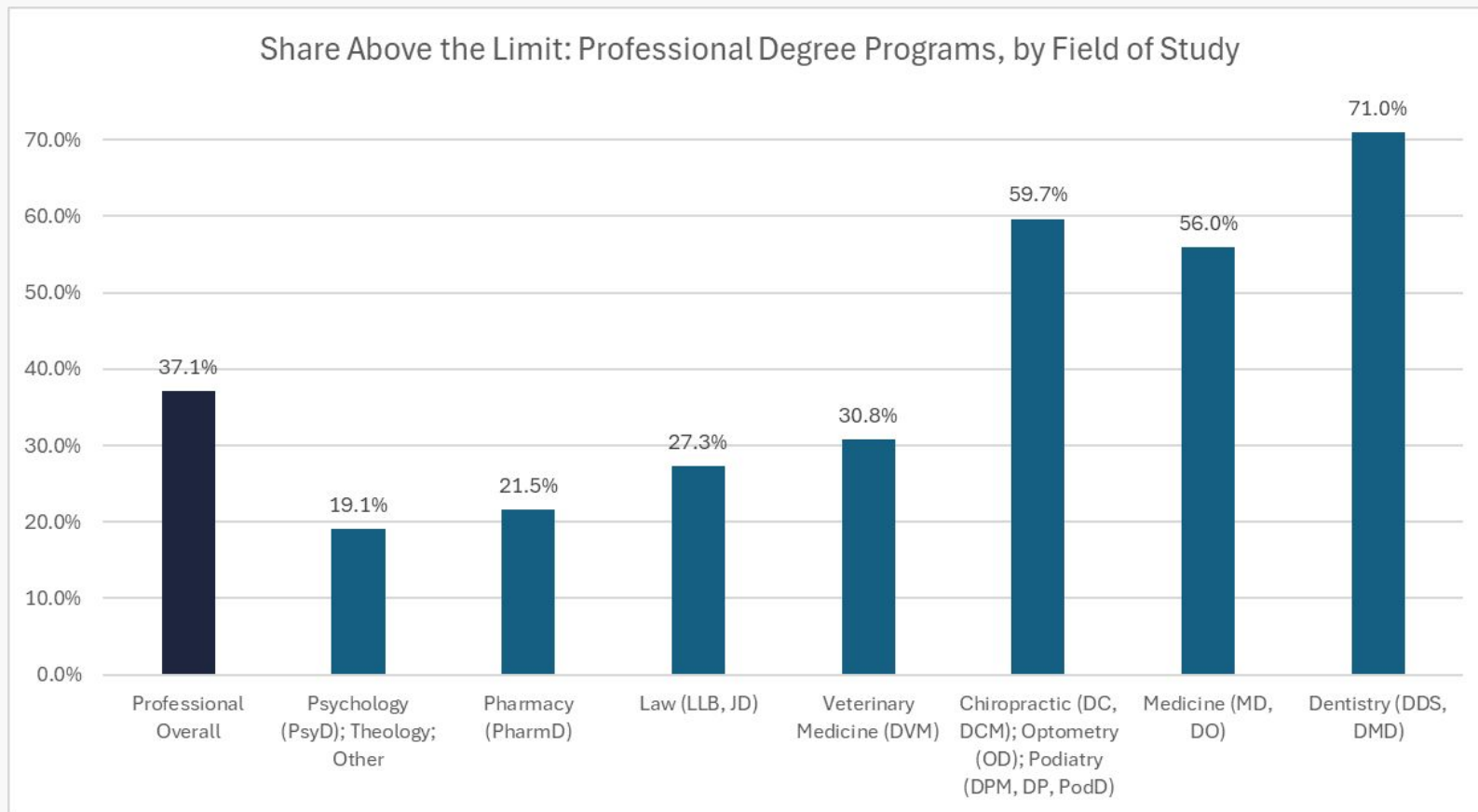
Share Above the Limit: Master's Degree Programs, by Field of Study



Doctoral Degrees by Field



Professional Degrees by Field



How Will the Private Loan Market Respond?

- Scale of the current private loan market is \$2.9 billion per year
 - We estimate that the limits to graduate lending will 'cap' about \$8 to 10 billion per year in federal loans.
 - To fully make up for this loss of federal credit, the private sector will need to grow to 3 to 4 times its current size.
- Many will be unlikely to secure private loans at all due to poor or thin credit, or may face less affordable loan terms.

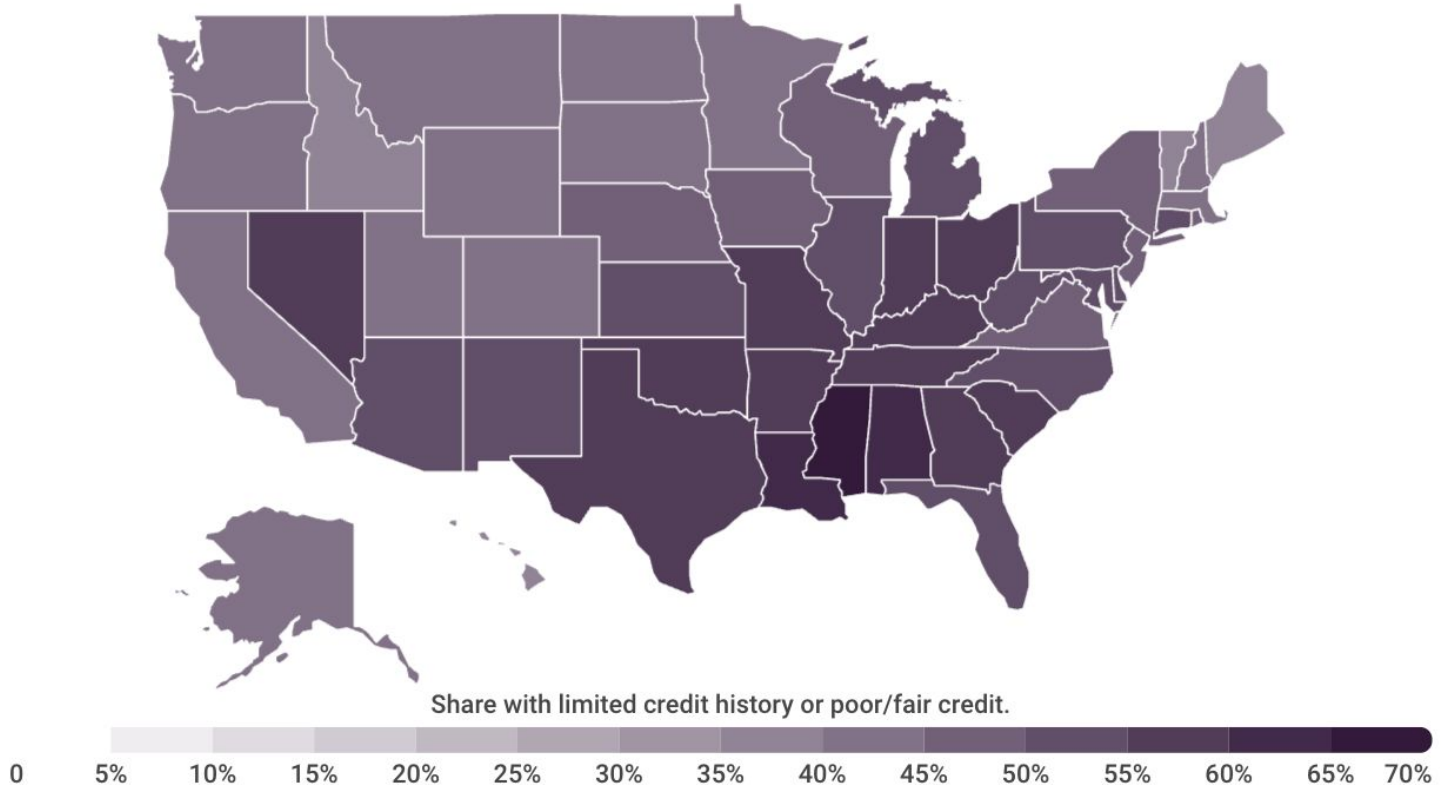


The “FICO Factor” & Outside Lending

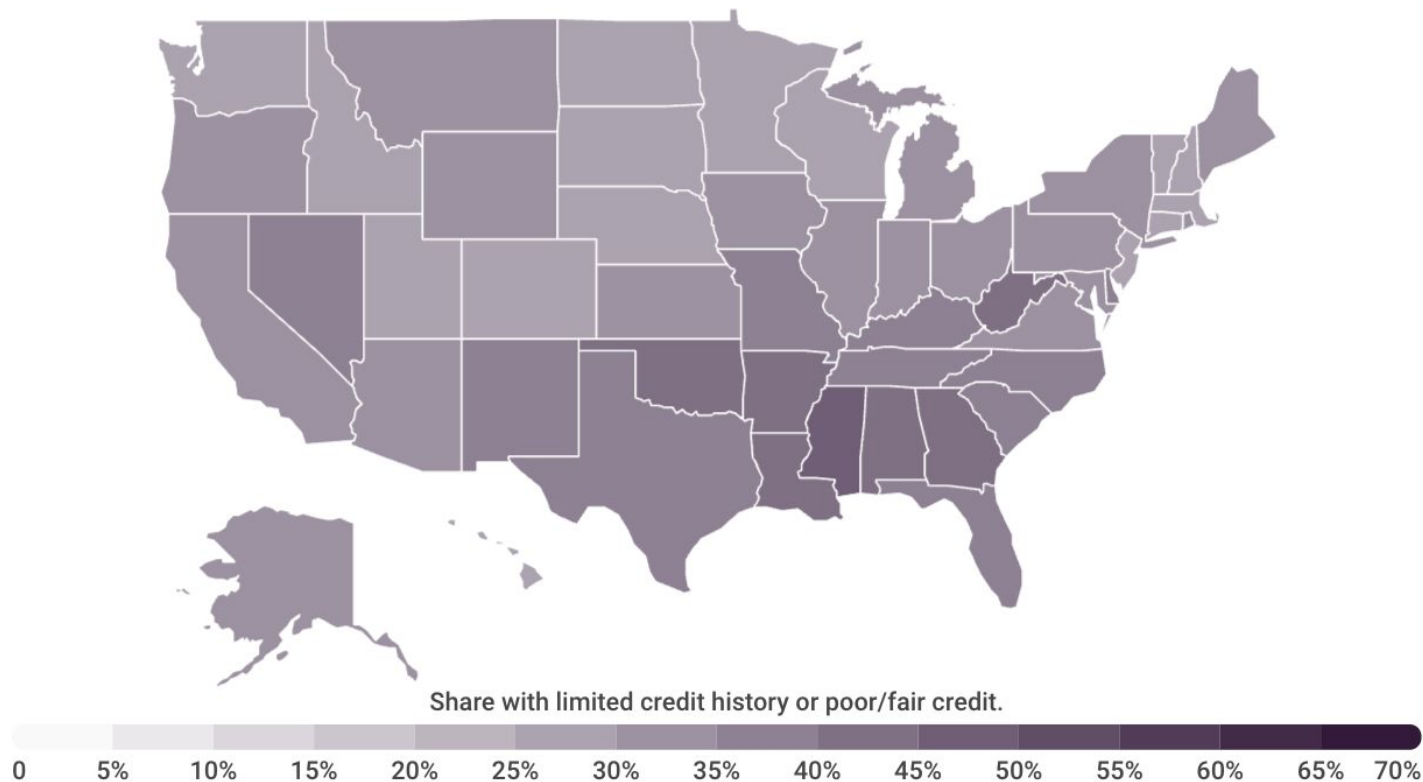
- Expanded role for private loan market means expanded role for credit scores
 - Nationwide 38% of adults have a poor/fair credit score or no (or limited) credit history
 - 51% in low/moderate-income neighborhoods
- Private student loan terms: much less favorable for borrowers than federal student loans' terms
 - Access and affordability implications of variable interest rates based on credit score
- Big risk: Highest-paying graduate fields, especially medical professions, are closed off for people from low-income families



**NATIONWIDE, A HIGH SHARE OF ADULTS
IN LOW- AND MODERATE-INCOME HOUSEHOLDS
WOULD STRUGGLE TO OBTAIN A PRIVATE STUDENT LOAN.**



**NATIONWIDE, A LOW SHARE OF ADULTS
IN UPPER- AND MIDDLE-INCOME HOUSEHOLDS
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Potential State Actions & Federal Protections



Potential State Actions

- **Student protections**
 - Oversight of lending partnerships and ISAs
 - Student Loan Borrower Bill of Rights laws
- **New programs**
 - Expand or create state-sponsored loan programs
 - Guarantee private loans (i.e. assume a share of the default risk)
 - Create grant aid or tax credits for service professions

Existing Federal Protections

- Truth in Lending Act
- Equal Credit Opportunity Act
- Higher Education Opportunity Act
- Fair Credit Reporting Act
- Fair Debt Collection Practices Act
- Consumer Financial Protection Act

Protections enforced by the CFPB, at least in the past

- Agency is targeted for closure and may run out of funding early 2026

How are Universities Responding?

First, the funding analysis

- Modeling of funding gaps on program-specific basis
 - Impacts of loan limit changes, elimination of Grad PLUS, adjustments based on enrollment status, and legacy provisions
 - Because of legacy provisions, 26-27 will look different from future years
- Exploring potential funding sources to fill gaps
 - Institutional, state, private sources
 - Preferred lender lists - remember those?



How are Universities Responding?

Second, collaboration, communication, and implementation

- Collaboration across institutional offices to determine all decision points
 - Domino effects, avoiding surprise impacts
- Communication to students
 - Who, what, when, where, how
- Short implementation timeline



How are Universities Responding?

Long Term Response

- Stated goal of loan and accountability provisions is to force institutions to evaluate costs and ROI of their programs
 - Will this happen or no?
- Forcing necessity as the mother of invention



What Happens Next?



Resources

Scan the QR Code





Questions



