


Accessing Grad Ed: Grad PLUS Direct Loan Program

February 2021



Policy Brief

Background on the Grad PLUS Program

A black and white photograph showing a woman and a young child sitting together, looking at a laptop screen. The woman is smiling and pointing at the screen, while the child looks on with interest.

Grad PLUS is part of the Direct PLUS Loans program administered through the U.S. Department of Education. Grad PLUS loans are available to graduate or professional students enrolled at least half-time at an eligible school/program leading to a graduate or professional degree or certificate. The annual borrowing limit on a Grad PLUS loan is calculated by taking into consideration the cost of attendance, which is determined by an academic institution, minus other financial assistance. Therefore, the limit is "capped" at the cost of attendance. This loan is an attractive option for students needing to borrow in order to finance their education, with a standard interest rate of 5.3% (fixed). However, due to the COVID-19 pandemic, lawmakers have extended a **temporary 0% interest rate on all federal student loans through September 30, 2021.**

U.S. Department of Education Federal Student Aid. (n.d.). PLUS loans for graduate or professional students. Retrieved from: <https://studentaid.ed.gov/sa/types/loans/plus/grad-professional#eligibility>.

U.S. Department of Education Federal Student Aid. (n.d.). Federal Interest Rates and Fees. Retrieved from: <https://studentaid.gov/understand-aid/types/loans/interest-rates>



Who Are Grad PLUS Borrowers?

Graduate and professional students have varying levels of financial need, however, a growing number require greater financial support. Collectively, graduate students are typically older and a significant portion are married (38 percent of master's students and 45 percent of doctoral students) and/or have dependent children (collectively, 34 percent of master's and doctoral students). In 2014, 48 percent of master's students, 45 percent of doctoral students, and 79 percent of professional students had a family income of less than \$32,000. In academic year 2015-2016, the average Grad PLUS loan amount borrowed was \$22,300. Grad PLUS borrowers demonstrate great success in paying off their loans, with a **low default rate of just 2 percent.**

U.S. Department of Education, National Center for Education Statistics. (2019). *Table 1.1-B Percentage distribution of graduate students, by graduate degree program and selected student characteristics: 2015-16*. Retrieved from: <https://nces.ed.gov/pubs2019/2019469.pdf>.

U.S. Department of education, National Center for Education Statistics. (2019). 2015-2016 National postsecondary student aid study (npsas:16), Selected Findings. Retrieved from: <https://nces.ed.gov/pubs2018/2018466.pdf>.

Government Accountability Office. (2018). Higher Education: Characteristics of Graduate PLUS Borrowers. Retrieved from: <https://www.gao.gov/products/GAO-18-392R>.

Grad PLUS Empowers Students to Continue Their Education

Lowering borrowing limits on Grad PLUS loans would have a significant impact for students who have few options when it comes to paying for their education. These individuals would face difficult choices in order to finance the amount not covered under Grad PLUS, such as turning to private market loans with higher interest rates, not graduating on-time, or forgoing their degree altogether. These scenarios create adverse, downstream effects on the U.S. workforce.



Grad PLUS is an Investment in our Nation's Economic and Human Capital

According to the U.S. Bureau of Labor Statistics, jobs that require at least a master's degree are among the fastest growing in our economy. Grad PLUS provides a pathway to pursuing education leading to these careers.

Moreover, Grad PLUS increases access for individuals from diverse socio-economic backgrounds who want to pursue a graduate degree. Ensuring that individuals with diverse backgrounds may enter these professional pipelines increases diversity within the workforce, which leads to greater cross-cultural understanding and improved problem-solving in team-based settings.

Grad PLUS yields returns that allow the government to support other federal programs that bolster the entire continuum of students, including undergraduates.

U.S. Bureau of Labor Statistics. (2020.) Occupational outlook handbook. Retrieved from: <https://stats.bls.gov/ooh/>.