AccessLex Institute, a nonprofit membership organization comprised of nearly 200 nonprofit and state-affiliated ABA-approved law schools, works to further access, affordability, and the value of legal education, specifically, and graduate and professional education more broadly, through research, policy analysis, and advocacy.

AccessLex Institute believes that the reauthorization of the Higher Education Act presents a strong opportunity to strengthen graduate and professional education and to help students better manage its expense and succeed in their chosen careers. Through these recommendations, AccessLex hopes to simplify the overly complex student loan system, promote greater access to graduate and professional education, and improve comprehensive federal higher education data.

**Federal Student Loan Program**

The federal student loan program should be reformed to improve access and opportunity for aspiring graduate and professional students from underrepresented minority groups and economically-disadvantaged backgrounds while simultaneously promoting greater affordability for all graduate and professional students. Current law enables (and indirectly encourages) students to borrow the full cost of the pursuit and attainment of any graduate and professional degree at any Title IV-eligible school. While there is no question that this federal financial aid program component eliminates available upfront financing as a barrier to access, we believe that the development and implementation of a broader federal financing policy for graduate and professional education that properly balances access, accountability, and quality will further the goals and objectives of students and the public alike. In this document, we present various policy recommendations, including those relating to decreased loan costs, flexible grant funding, greater consumer information and counseling, and reduction of complexity, that serve as the cornerstones to the type of policy reform that we believe is required to begin this overdue conversation.

**Congress should establish a student loan cost structure that seeks to operate in a cost-neutral manner, providing for neither profit nor loss for the federal government.** The federal Direct Loan program is estimated to provide a substantial profit to the federal government. This profit exists because student interest rates are set in a manner that generates greater revenue than is needed to cover the costs of making and servicing a loan. This proposal would create a cost structure (including interest rates, fees, and other components) that would generate sufficient revenues for the government to cover its costs of lending, including its cost of capital, loan servicing, collection costs for defaulted loans and any losses due to defaults or other discharge of the debt.
Graduate and professional students whose undergraduate degree was obtained no greater than five years prior and who have not used their maximum Pell Grant amount as undergraduates should be allowed to use the remainder of their Pell funds for graduate or professional school. The federal Pell Grant program provides need-based grants to low-income undergraduate students. The amount of aid offered is calculated based on a student’s financial need, the cost of attendance at the student’s school, and other factors. The amount of Pell Grant funds a student is eligible to receive over their lifetime is limited to the equivalent of six years of Pell Grant funding, however some undergraduate students may use less than their maximum eligibility amount.

The costs associated with preparing for the test required for professional licensure should be included as a component of the cost of attendance and therefore eligible to be funded by the federal student loan program. Current law permits “the one-time cost of obtaining the first professional credentials” to be included in the cost of attendance calculation for eligibility for federal loans, however, this does not include costs associated with preparing for the test required for professional licensure, except under limited circumstances. For example, for law students, this means that only the relatively small fee for the bar exam itself can be included in the cost of attendance, not the cost of bar review courses or living expenses associated during the two-month study period immediately prior to the bar exam. Without access to federal loan funding, many graduating law students may be forced to rely upon credit cards or other higher-cost alternatives to cover bar exam expenses. Others may forego a bar preparation course and/or work full-time during the study period, which could negatively impact bar passage rates and graduates’ ability to secure legal positions. This could, in turn, negatively impact the federal fiscal interests by increasing the rate of deferments, forbearances, and defaults on the federal student loans which financed the professional degree for which licensure is sought.

Eligibility for subsidized Stafford Loans should be reinstated for graduate and professional students from the neediest backgrounds. Prior to July 1, 2012, graduate students, like undergraduates, could borrow both subsidized and unsubsidized Stafford Loans. However, the Budget Control Act of 2011 eliminated subsidized Stafford Loans for graduate students. Graduate students can still borrow the same amounts, but only as unsubsidized Stafford loans. This change means that graduate students accrue interest on their loans while enrolled in school, potentially adding thousands of dollars in capitalized interest to their loan balances. Our proposal would create subsidized Stafford Loan eligibility for any graduate and professional student who received a Pell grant as an undergraduate student within five years prior to the origination date of any new loan.

Income-Driven Repayment

Federal Direct Loan borrowers entering repayment should be eligible for a single income-driven repayment plan. Five discrete federal income-driven repayment plans, which tie a borrower’s monthly loan payment amount to their income and forgive any remaining balance after a set number of years, currently exist to help federal student loan borrowers better manage their loan repayment obligations. For example, a borrower in the Pay As You Earn plan would pay 10 percent of their discretionary income per month, and have their balance forgiven upon making 20 years of payments. While AccessLex Institute supports the intent of these plans -- to ease the financial burden of borrowers -- the number and details of the plans create unnecessary complexity and often lead to undue confusion for borrowers.
Public Service Loan Forgiveness

The Public Service Loan Forgiveness program should be preserved. Under this program, federal student loan borrowers may qualify for forgiveness of the remaining balance of their federal Direct Loans after making 120 qualifying payments on eligible loans while employed full-time by qualified public service employers. An important goal of the PSLF program is to encourage individuals to enter public service fields, create an incentive that promotes a longer-term commitment to public service, and increase vital services to individuals, states, and the nation as a whole. While participating borrowers certainly can benefit from the program, the primary benefit of PSLF derives from the value that directly accrues to the beneficiaries of those services and society in general.

Data Transparency

Congress should overturn the 2008 student-level data ban and expand access to comprehensive higher education data. More and better higher education data are needed to assist a variety of stakeholders in making crucial decisions related to accountability, policy-making, and consumer choice. However, in 2008 Congress banned the creation of a federal student unit record data system. Some of the stated reasons for opposing a federal student unit record data system are centered on student privacy and data security. A well-designed, federal student unit record data system could, however, generate valuable information to assist students, schools, and policymakers in decision-making in a manner that maintains necessary levels of privacy and security. For example, it could provide accurate post-graduation data, including more precise earnings data from the IRS on all graduates. It could also reveal more information on the types of jobs graduates obtain. Analyzing these data points together—earnings and job type—could reveal more about the value of higher education.

Loan Counseling and Financial Education

Financial aid administrators at graduate and professional schools should be able to use their professional judgment to require additional loan counseling for students. The levels of borrowing incurred by many graduate and professional school students creates an imperative that they have sufficient information to make the best financial decisions. Under current law, entrance counseling is required for all first-time Direct Loan borrowers, and exit counseling is required for Direct Loan borrowers who are graduating, leaving school, or dropping below half-time enrollment. However, current law prohibits schools from requiring students to complete additional loan counseling to supplement the minimum requirements. Graduate and professional students as a group hold the largest loan balances upon graduation, and as such more comprehensive and customized counseling should provide a strong benefit for both the students and the federal government.

Congress should commission a taskforce comprised of relevant stakeholders, with the goal of drafting specific policy recommendations aimed at assisting schools with providing loan counseling and financial education to graduate and professional students. In order to best serve the needs of student borrowers, loan counseling must strike the balance between providing valuable information with providing the right amount of information. At a minimum, financial education provided to student borrowers should be high quality and include personalized information to enable individuals to make
informed decisions. However, the needs of undergraduate and graduate students may require different types of information and different levels of support.