

Student Loan Counseling

Financial aid administrators at graduate and professional schools should be able to use their professional judgment to require additional loan counseling for students.

Current law requires that Direct Loan borrowers receive loan counseling when they first take out a Direct Loan and again when they graduate to assist them with understanding their rights and responsibilities and to encourage them to manage their educational expenses. However, current law prohibits schools from requiring students to complete additional loan counseling as a condition of receiving a Direct Loan.

Borrowers need to be fully aware of the implications of borrowing. They should be given all the information they need to make well-informed decisions, and for some students, the minimum counseling requirements are not enough. Specifically, graduate and professional students, who tend to borrow more than undergraduates, need better and more tailored loan counseling.

Graduate and professional students as a group hold the largest loan balances upon graduation, and as such, more comprehensive and customized counseling would provide a strong benefit for both students and the federal government in the way of higher repayment rates.



Sixty-five percent of students reported **misunderstanding** or being surprised by certain parts of their loans and the borrowing process.¹



Thirty-seven percent of students could not **accurately estimate** the amounts they owed and one out of every 10 students underestimated their loan amounts by more than \$10,000.²



Millennials are **overly confident** in their financial knowledge and capability, despite having low levels of financial understanding.³



Individuals from **underserved communities** may be more susceptible to financial pitfalls associated with high student debt.⁴

¹Whitsett, H. (2012). *High Debt, Low Information: A Survey of Student Loan Borrowers*. Retrieved from NERA Economic Consulting: http://www.nera.com/content/dam/nera/publications/archive2/PUB_Student_Loans_0312.pdf

²Steele, P. and Anderson, C. (2016). *Loan Counseling for Graduate and Professional Students*. Retrieved from AccessLex Institute: https://www.accesslex.org/sites/default/files/2017-04/counseling_for_graduate_and_professional_students.pdf

³*Id.*

⁴*Id.*