HIGHER EDUCATION PRIORITIES:

Policy and Funding Recommendations

AccessLex INSTITUTE®

HIGHER EDUCATION PRIORITIES: **POLICY AND FUNDING RECOMMENDATIONS**

AccessLex Institute®, in partnership with its nearly 200 nonprofit and state-affiliated ABA-approved member law schools, has been committed to improving access to legal education and to maximizing the affordability and value of a law degree since 1983.

Annual education funding legislation and the reauthorization of the Higher Education Act (HEA) present strong opportunities to strengthen graduate and professional education to help students better manage its expense and succeed in their chosen careers. We also believe that reforming the federal student loan program to create broader federal financing policy for graduate and professional education that properly balances access, accountability, and quality will further the academic and economic goals and objectives of both students and the public.

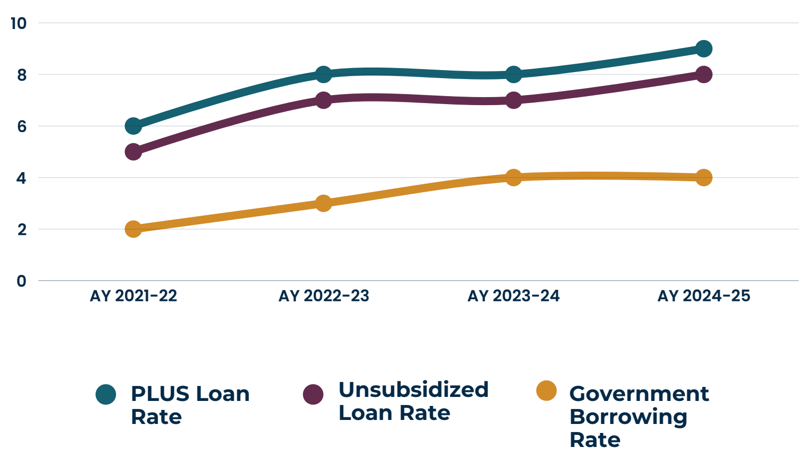
In this document, we present policy and funding recommendations, including decreased loan costs, increased support for minority-serving institutions, and greater consumer information and counseling, to serve as the cornerstones for the type of reform and financial investment that we believe is required in a reauthorized HEA and education funding bill. Through these recommendations, AccessLex hopes to modernize the student loan system and rein in the cost of higher education for borrowers, while promoting greater access to graduate and professional education.

HIGHER EDUCATION ACT REAUTHORIZATION

Increase Affordability

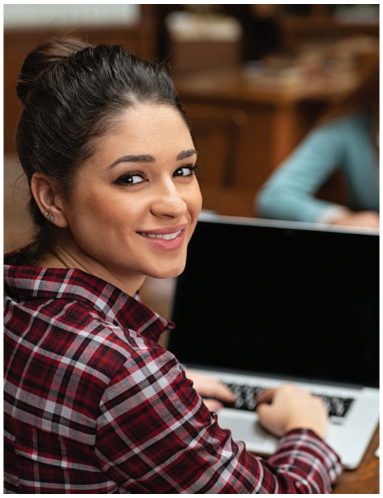
Provide student borrowers with a low interest rate on all federal student loans. The federal Direct Loan program is designed to generate a substantial profit to the federal government. This profit exists partly because the interest rates charged to students far exceed the rate at which the federal government can borrow money. To illustrate, the interest rates for the 2024-25 academic year were set at 8.08% and 9.08% for graduate students, at a time the federal government could borrow for 30 years at a rate of roughly half of that. These high interest rates contribute to ballooning student loan debts that borrowers are increasingly unable to pay. By lowering interest rates, the federal government could help reduce costs for students while still generating sufficient revenues for the government to cover its programmatic costs, including the cost of capital, loan servicing, collection costs for defaulted loans, and any losses due to defaults or other discharge of the debt.

Federal Student Loan Interest Rates



Congress should eliminate origination fees on all federal student loans. Federal student loans assess an origination fee – a percentage of the loan amount charged for the processing of the loan – leading to a disbursement amount that is lower than the student borrowed. Origination fees on federal student loans are currently set between 1.057 and 4.228%. Origination fees serve to generate revenue for the federal government and increase costs for students. The taking of more than four percent of the proceeds of a federal student loan adds an additional expense on students who have already demonstrated a need for financial aid and the practice should be ended.

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 federal student loans. 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. 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 a legal job which would enable them to repay their loans. 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.

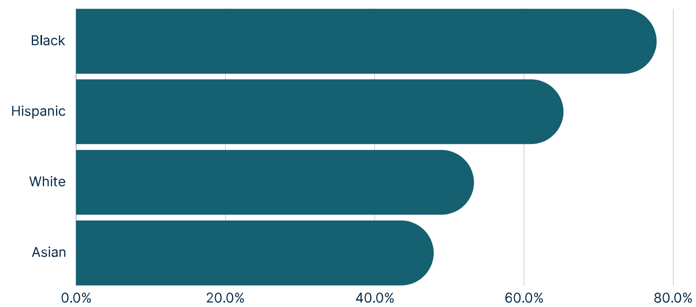


Support Diversity and Access

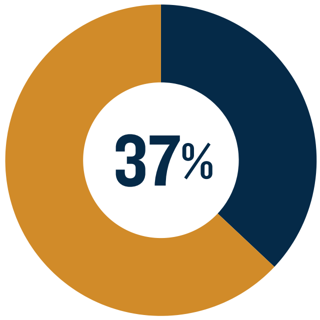
Any changes to federal graduate loan programs should not limit access to graduate and professional education for students from traditionally underrepresented backgrounds. The availability of federal financing has made it possible for students who would otherwise be unable to pay for school to pursue and attain a graduate or professional degree. Without access to federal graduate loans, many low-income students would likely have to forgo pursuing an advanced degree. Additionally, with 78% of Black students relying on federal student loans in 2019-20 for graduate school, efforts to severely limit or eliminate federal graduate loans would likely result in severe negative unintended consequences for the neediest students and would disproportionately harm Black borrowers and Historically Black Colleges and Universities (HBCUs).[1]

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. Students who have remaining Pell eligibility should be allowed to use those grant funds to finance their graduate or professional degrees. With 37% of law students receiving Pell Grants as undergraduates in 2019-20, this policy change could have a substantial impact on the neediest student's ability to pay for school.[2]

Graduate Borrowing by Race



Cumulative federal loan amount for graduate and professional students



37% of law students received Pell Grants as undergraduates in 2019-20

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. Subsidized Stafford Loan eligibility should be reinstated 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.

Strengthen Repayment

An affordable income-driven repayment (IDR) plan that is easy to navigate and enroll in should always be available to federal Direct Loan borrowers entering repayment. In recent years, positive changes have been made to IDR plans that make repayment more affordable for struggling borrowers. However, more work is needed to strengthen and preserve these plans because of the confusion caused by the availability of four IDR plans with slightly different terms and a borrower experience that is less than ideal because of long wait times and unclear or inaccurate information. Additionally, technology systems that do not support quickly evolving changes in law and legal challenges that threaten to permanently deprive borrowers of options to manage unaffordable student loan payments continue to hamper the repayment process. Though the Education Department (ED) has taken steps to phase out new enrollment in IDR plans such as income-contingent repayment and Pay As You Earn, borrowers should only be eligible for a single IDR plan with the most favorable repayment options. Additionally, simplifying the enrollment process, creating a user-friendly experience, and providing ED with the resources it needs to enhance its technology will ensure that borrowers have an experience that minimizes stress and maximizes the potential for successful repayment outcomes. Lastly, due to pending litigation that has temporarily halted implementation of the Saving on a Valuable Education (SAVE) plan, borrowers must deal with the possibility that they may be left with no affordable option to repay their student loans. Ensuring that an affordable IDR plan remains available to borrowers will provide them with the financial stability that so many desperately need.

The Public Service Loan Forgiveness (PSLF) program should be preserved and strengthened. The PSLF program encourages individuals to enter public service fields, incentivizes a longer-term commitment to public service, and increases vital services to individuals, states, and the nation as a whole. Preserving the program ensures continued support for individuals dedicated to serving the community and fosters a workforce committed to public service. While every effort should be made to keep the program, issues that have contributed to the less than five percent approval rate, based on currently available data, must be addressed. One common issue is the complexity of eligibility requirements, particularly concerning the types of loans, employers, and repayment plans that qualify for forgiveness. Discrepancies in payment counts, processing delays and unreliable technological upgrades have also been reported, leading to confusion and frustration among borrowers. This indicates that there is tremendous room for improvement through enhanced communication from ED, creating efficiencies in the program, and reducing administrative and procedural burdens that make it difficult for public servants to properly navigate the program.

Any student debt forgiveness provided to borrowers, whether in part or in whole, should be done so on a tax-free basis. In 2021, Congress passed the *American Rescue Plan Act* which made federal student loan forgiveness tax-free until 2025. However, this provision should be made permanent. Borrowers who qualify for loan forgiveness are often those who have the least ability to pay. These individuals are typically on IDR plans, which means they are already struggling financially, and a large tax bill would likely put them in a worse financial situation. To prevent creating an undue financial burden on the most vulnerable borrowers, Congress should make the tax-free student loan forgiveness a permanent solution.

Improve Consumer Information

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, policymaking, 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 privacy and security. Such a system could provide accurate post-graduation data, including more precise earnings data from the Internal Revenue Service 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.

Congress should standardize both the content and format of financial aid offer letters. Students and families rely heavily on financial aid offer letters to communicate the financial obligation required to attend an institution of higher education. Unfortunately, a pervasive lack of uniformity between offer letters across institutions has led to concerns about the potential for students and their families to make uninformed financial decisions and to misunderstand the debt they are taking on. Standardizing the content and format of financial aid offer letters would ensure that all necessary information is clearly presented, allowing students to compare offers across schools and make the best financial choices for their 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, the information provided to students regarding their loan terms often falls short, with most of the counseling taking place in a 30-minute online questionnaire. Additionally, 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 more loan counseling would provide a strong benefit for both students and the federal government.

Congress should require loan counseling and financial education specifically tailored to graduate and professional students. The needs of undergraduate and graduate students may require different types of information and different levels of support. To best serve the needs of graduate and professional student borrowers, loan counseling must strike the balance between providing relevant information with providing the right amount of information. Additionally, financial education provided to graduate and professional student borrowers should be high quality and include personalized information to enable individuals to make informed decisions.

FEDERAL INVESTMENTS

Strengthen Diversity

Appropriate full funding for Title III programs supporting HCBUs and other minority-serving institutions. In 2008, Congress authorized specific funding levels for programs under Title III of HEA, which support institutions that serve a high percentage of minority students from low-income backgrounds, but they have never been fully funded. One such program, the Historically Black Graduate Institutions (HBGI) program, provides grants to eligible graduate and professional institutions to support increasing the number of Black individuals in certain professional fields. Funds can be used for things like academic development, student services, scholarships, fellowships, and other financial assistance for needy graduate and professional students. Research shows that Black bachelor's degree-holders make 20% less than their white counterparts, thus necessitating that Black students earn a graduate degree to receive similar pay. Increasing funding for the HBGI and other Title III programs could help close this gap.

It is estimated that between 1987 (when data became available) and 2020, HCBUs were underfunded by

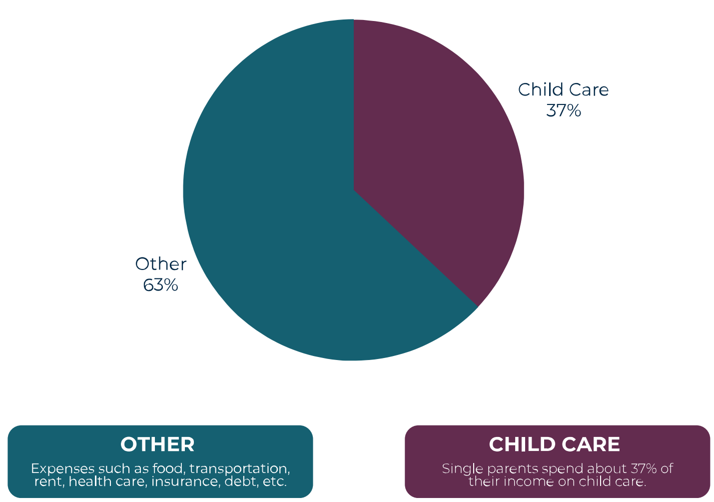
$12.8 BILLION

Prioritize Financial Security

Congress should create and fund a program that provides higher education institutions with emergency financial aid grants for students in need. During the COVID-19 pandemic, Congress created the Higher Education Emergency Relief Fund (HEERF), which allocated billions in emergency grants to support postsecondary education institutions and their students to navigate the pandemic's economic fallout. Similarly, to ensure that financial emergencies do not derail a student's academic pursuits, Congress should create a grant program that provides emergency funds to students to help them navigate unanticipated emergencies. Time-sensitive financial emergencies like medical bills, car repairs, or dealing with sudden loss can upend a student's already precarious financial situation, sometimes leading to dropping out of school. By ensuring that students have the resources they need during emergencies, Congress can provide the financial stability students struggling to manage life's uncertainties require.

Congress should invest in programs that ease the cost of child care for student-parents and caregivers. According to a recommendation by the U.S. Department of Health and Human Services, families should not spend more than seven percent of their income on child care costs. However, the average single parent spends nearly 37% of their household income on child care for one child and married couples pay almost 11%. This expense affects 20% of undergraduate and 32% of graduate student-parents and caregivers, jeopardizing their academic pursuits and potential contributions to the workforce.[3] By appropriating funding for child care programs, such as the Child Care Access Means Parents in School (CCAMPIS) program, Congress would be investing in the educational and economic future of families, thereby strengthening the workforce and the economy.

Single-Parent Child Care Expenses



ENDNOTES

1 U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2020 National Postsecondary Student Aid Study (NPSAS). Retrieved from **https://nces.ed.gov/datalab**

2 U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2020 National Postsecondary Student Aid Study (NPSAS). Retrieved from **https://nces.ed.gov/datalab**

3 U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, 2020 National Postsecondary Student Aid Study (NPSAS). Retrieved from **https://nces.ed.gov/datalab**

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