The Critical Role of the Grad PLUS Loan Program

The number of low-income students in graduate school is growing. In 2014, 48% of master's students and 45% of doctoral students had a family income of less than $32,000. More graduate students are also former Pell recipients, with a significant proportion remaining income-eligible to receive Pell while in their graduate programs. Without access to these and other streams of means-tested financial assistance, federal lending programs—such as Grad PLUS—are critical for this population to continue accessing and financing graduate school. This is particularly true for psychologists, all of whom require a graduate degree to work in their fields.

What is Grad PLUS?
- Grad PLUS loans are federal loans that graduate or professional degree-seeking students can use to pay for education expenses upon exhausting other federal loans. The maximum loan amount is the student’s cost of attendance minus any other financial aid received.
- When authorizing the Grad PLUS program, Congress’s intent was to address concerns about predatory lending on the private loan market, particularly as it concerns first-generation students, low-income students, and students of color. The program has largely been successful in limiting graduate students’ reliance on private loans.
- Grad PLUS also has a very high repayment rate, with defaults at just 2 percent.

Who are Grad PLUS borrowers?
- As a cohort, graduate students are typically older, and many are married and/or have dependent children. A significant proportion of Grad PLUS borrowers are also underrepresented minorities.
- In Academic Year 2015-16, over 70 percent of graduate and professional students receiving Grad PLUS reported an adjusted gross income of $40,000 or less.
- Federal loans are the primary source of borrowing for graduate psychology students, with about 71 percent reporting to have used federal loans to finance their education.

What are the Impacts of Proposals to Eliminate the Program or Lower Borrowing Limits?
- Would limit both access to and affordability of graduate school, particularly for students from historically underrepresented populations.
- Would likely force these students back into the private loan market—where they may be denied loans or receive less favorable terms—thus increasing the cost of graduate education or potentially forcing them to forgo graduate school altogether.
- Would set back efforts to diversify the workforce, including in mental and behavioral health occupations. This is of particular importance as the nation faces a shortage of qualified providers in these fields, as demand continues to increase.