THE INSTITUTE FOR COLLEGE
ACCESS & SUCCESS

Improve Protections for Private Loan Borrowers

Since the Great Recession, the federal government has originated the vast majority—more than 90 percent—of student loans. However, **the OBBBA made significant changes to the federal student loan system, with many of those changes likely to increase graduate students' reliance on private student loans.** Compared to federal loans, private student loans typically offer worse terms and fewer benefits for borrowers. Unfortunately, many students who borrow private loans—and the family members who co-sign them—do not understand the difference between federal and private loans until it is too late.

While the OBBBA made no changes to the amount that undergraduate students can borrow from the federal government, it ended the federal Graduate PLUS loan program and placed restrictive caps on the amount that graduate students can borrow through the non-PLUS loan program. The Graduate PLUS program enabled students to borrow up to the full cost of their graduate program, which meant students had little reason to turn to the private market.

The average annual and total cost of many graduate programs—notably, those in medical fields—exceed the new limits. As a result, these changes are likely to push many students to take out riskier, more expensive non-federal loans or to forgo graduate education altogether.

In anticipation of these changes, we encourage policymakers at both the federal and state levels to act pre-emptively to protect students from risky private loans.

Congressional Action

- **Closely monitor and assess how the OBBBA's new limits on federal graduate borrowing impact students and key industries** and consider additional reforms to protect students from any related harms.
- **Require school certification of private loans.** Nearly 60% of undergraduates who borrow private loans borrowed less than the annual maximum allowed for safer federal student loans. Requiring private lenders to confirm a borrower's eligibility with their school before disbursing the loan ensures the student is eligible for that loan.