Higher Education: Characteristics of Graduate PLUS Borrowers

A Briefing to Congressional Requesters

March 20, 2018

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- Objectives
- Background
- Scope and Methodology
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Objectives

- What is known about Graduate PLUS borrowers and the loan repayment plans they use to manage their debt?
- How might the addition of loan limits affect the number and type of borrowers, and the amount of money awarded for Graduate PLUS loans?

Background

- Graduate PLUS (Grad PLUS) loans have been available to borrowers since July 1, 2006. These loans are not need-based and students can borrow up to the cost of attendance (such as tuition and room and board) minus any other estimated financial assistance.
- Grad PLUS loans have higher interest rates and loan origination fees than other federal student loans.[1]
- In addition to Grad PLUS loans, a borrower may receive up to $20,500 annually in unsubsidized Stafford loans, or up to $138,500 total in subsidized and unsubsidized Stafford loans, including loans received for undergraduate study. Subsidized loans are loans for which borrowers are generally not responsible for paying interest while in school or during certain grace and deferment periods; on unsubsidized loans, borrowers must ultimately pay all interest.
- The Department of Education (Education) offers a variety of repayment plans for Grad PLUS borrowers, including the Standard plan and several Income-Driven Repayment plans. The Standard plan generally has a repayment period of 10 years. Unlike the Standard plan, Income-Driven Repayment plans set repayment amounts based on borrower income and offer loan forgiveness after 20 or 25 years, depending on the plan.
- Borrowers in Income-Driven Repayment plans who work in public service may be eligible to participate in the Public Service Loan Forgiveness program. These borrowers may have their outstanding loan balances forgiven after 120 monthly payments in eligible plans.

[1]Interest rates for loans first disbursed from July 1, 2017 to June 30, 2018 are 4.45 percent (undergraduate Stafford), 6 percent (graduate Stafford), and 7 percent (Grad PLUS). Origination fees for loans first disbursed from Oct. 1, 2017 to Sept. 30, 2018 are 1.066 percent (Stafford) and 4.264 percent (Grad PLUS).

Scope and Methodology

To address our objectives, we analyzed:

National Student Loan Data System data

- The National Student Loan Data System is an Education database with information about federal student loan borrowers.
- We used the portion of the National Student Loan Data System that encompasses all Grad PLUS borrowers, and includes Grad PLUS borrowing data from award years 2007 (July 1, 2006-June 30, 2007) through 2017 (July 1, 2016-June 30, 2017). The figures we present from this data set have been rounded.
- For borrowers who consolidated their Grad PLUS loans with one or more other federal loans into a single new "consolidation" loan, we did not analyze actions, such as defaults or changes to repayment plans, that occurred after the consolidation took place. As of March 2017, fewer than 25 percent of Grad PLUS borrowers consolidated their Grad PLUS loans, and those who did represented less than 25 percent of overall Grad PLUS disbursements.

Baccalaureate and Beyond survey data

- Baccalaureate and Beyond is a nationally representative longitudinal survey of students' education and work experiences post-bachelor's degree undertaken by Education; the 2012 data set includes students who completed bachelor's degree requirements in the 2007-2008 academic year.[2]
- A 2012 survey sample includes 1,239 Grad PLUS borrowers. Results are estimates. All percentage estimates presented are +/- 5 percentage points, unless otherwise indicated.[3]

[2]We selected this data set because it was the most recent Baccalaureate and Beyond data available and the only Baccalaureate and Beyond data that captured students with Grad PLUS loans.
[3]We express precision of the results at the 95 percent confidence level.

Scope and Methodology

Hypothetical borrower scenarios

- To estimate repayment outcomes under certain student loan repayment plans, we modeled three scenarios with differing graduate borrowing and income amounts based on Education's survey data to portray a range of hypothetical borrowers from the beginning of repayment until the loans are paid off or forgiven.[4]
- We calculated total repayment amounts for each scenario under the Standard plan and three Income-Driven Repayment plans—Income-Based Repayment, New Income-Based Repayment, and Pay As You Earn—to focus on Income-Driven Repayment plans with income-eligibility requirements.[5]
- For these models, we utilized interest rates from award year 2018, assumed that borrowers were unmarried and had no dependents, and matched other assumptions to those used by Education's online student loan repayment calculator. These assumptions, which we built into our models, include that federal poverty guidelines would follow the Congressional Budget Office's inflation projections and that borrowers would experience 5 percent annual income growth. We also assumed borrowers were eligible for the Public Service Loan Forgiveness program.

We conducted this performance audit from January 2017 to April 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[4]These data came from the 2012 data set of Education's Baccalaureate and Beyond survey.
[5] Due to similar requirements, New Income-Based Repayment and Pay As You Earn produced identical results in our models, so we grouped those plans together.

Summary of Findings

- As of June 2017, the median Grad PLUS borrower had taken out over $140,000 in federal student loans overall—including nearly $27,000 in Grad PLUS loans.[6]
  - Of Grad PLUS borrowers in repayment status, less than 40 percent had ever participated in Income-Driven Repayment plans, and a smaller proportion have been certified as eligible for Public Service Loan Forgiveness.
- Over award years 2007-2017, the lowest Grad PLUS annual loan limits we modeled—$10,000—would have reduced awards to 1.2 million unique borrowers and decreased overall federal student loan disbursements by $41.6 billion.
  - Based on available survey data, the largest groups of borrowers who would be affected by certain lifetime limits would be those in doctoral professional practice programs and those in law and health-related fields of study.[7]

Sources: GAO analysis of data from the National Student Loan Data System and Baccalaureate and Beyond survey.
[6]The $140,000 figure is for all federal student loans, including those from both undergraduate and graduate studies.
[7]Doctoral professional practice degrees include, for example, chiropractic, dentistry, law, medicine, optometry, osteopathic medicine, and pharmacy.

Overview of Grad PLUS Borrowing

- According to our data analysis, $71 billion was disbursed to 1.7 million unique borrowers from award years 2007 through 2017.
- **Table 1: Grad PLUS Loan Amounts Per Borrower (as of June 2017)**

	Average	10th percentile	Median	90th Percentile
Disbursed	$41,530	$5,000	$26,863	$98,554
Outstanding	$32,670	$0	$10,857	$97,229

- Income-Driven Repayment: As of June 2017, 36 percent of Grad PLUS borrowers in repayment status had ever been in an Income-Driven Repayment plan.
- Public Service Loan Forgiveness: As of June 2017, 11 percent of Grad PLUS borrowers in repayment status had been certified as eligible for Public Service Loan Forgiveness.
- Default: As of March 2017, 2 percent of borrowers had defaulted on at least one Grad PLUS loan. In comparison, the default rate was 22 percent among borrowers who had taken out one or more federal undergraduate loans but no graduate loans during the same time period (July 2006-March 2017), according to Education data.

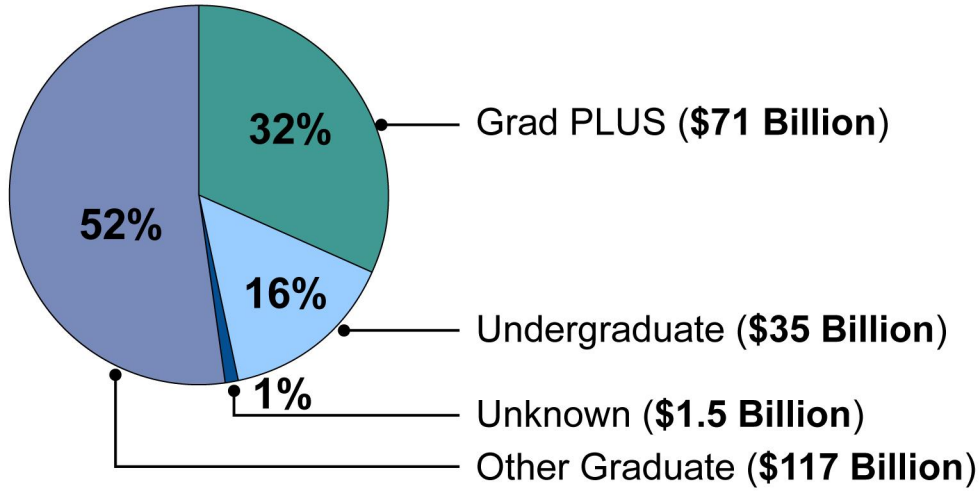
Source: GAO analysis of data from the National Student Loan Data System. Notes: “Disbursed” amounts include only the funds that students received. In contrast, “outstanding” amounts include principal (disbursed funds) and interest minus loan payments borrowers had made as of June 30, 2017. This is why outstanding amounts may be less than disbursed amounts. Default rates exclude defaults that occurred after loans were consolidated.

Total Federal Borrowing by Grad PLUS Borrowers

- Virtually all Grad PLUS borrowers (99.9 percent) have other federal student loans.
- From award years 2007-2017, disbursements from all federal student loans totaled $306 billion, with an outstanding balance of $229 billion as of June 2017 (see figure).

- Disbursements per borrower:
  - Average: $178,418
  - 10th percentile: $56,865
  - Median: $140,950
  - 90th percentile: $347,887
- Outstanding balance per borrower:
  - 10th percentile: $0 (loans repaid)
  - Median: $110,830
  - 90th percentile: $281,944

Total Federal Student Loan Disbursements to Graduate PLUS Borrowers, Award Years 2007-2017



Source: GAO analysis of U.S. Department of Education's National Student Loan Data System. | GAO-18-392R

Notes: Excludes $79 billion in loans that have been consolidated, which can include loans from undergraduate and/or graduate studies. All figures have been rounded to the nearest billion. Percentages may not sum to 100% due to rounding.

- In comparison, during the same time period (award years 2007-2017), borrowers who took out one or more federal loans for undergraduate studies but did not take out loans for graduate studies had borrowed an average of approximately $16,300 in federal student loans, according to Education.

Source: GAO analysis of data from the National Student Loan Data System. Notes: Total federal borrowing includes borrowing for both undergraduate and graduate studies. "Disbursed" amounts include only the funds that students received, whereas "outstanding" amounts include principal (disbursed funds) and interest minus loan payments borrowers had made as of June 30, 2017.

Academic Characteristics of Grad PLUS Borrowers

Table 2: Selected Degree Programs in which Grad PLUS Borrowers Enrolled

Degree Program	Percent Enrolled
Master's Degree	49%
Doctoral Degree – Professional Practice (e.g., Medicine, Law, Dentistry)	43%
Doctoral Degree – Research/Scholarship	4%

Table 3: Selected Fields of Study in which Grad PLUS Borrowers Enrolled

Field of Study	Percent Enrolled
Legal professions and studies	29%
Health professions and related sciences	26%
Business, management, and marketing	9%
Education	8%

Source: GAO analysis of data from Baccalaureate and Beyond survey. Note: The data in these tables represent the highest degree program that borrowers had enrolled in, as of 2012, after completing their bachelor's degrees.

Impact of Income-Driven Repayment Plans on Hypothetical Borrowers

Key Takeaways

- In each of the hypothetical scenarios we modeled, borrowers who were in Income-Driven Repayment plans would pay back less if they participated in Public Service Loan Forgiveness.[8]
- If borrowers were not enrolled in Public Service Loan Forgiveness, in some cases, they would pay back more under the Income-Driven Repayment plans than under the Standard plan.

[8]We estimated what borrowers would pay with and without Public Service Loan Forgiveness.

Impact of Income-Driven Repayment Plans on Hypothetical Borrowers

Table 4: Impact of Income-Driven Repayment Plans and Public Service Loan Forgiveness (PSLF) on Hypothetical Borrowers

Borrower 1: Total Graduate Borrowing - $24,800 (Grad PLUS - $4,800), Initial Adjusted Gross Income - $21,000

Repayment Plan	Estimated Repayment	Estimated Repayment with PSLF
10-Year Standard	$33,329	$33,329
Income-Based Repayment	$51,849	$9,405
New Income-Based Repayment/Pay As You Earn	$23,771	$6,270

Borrower 2: Total Graduate Borrowing - $82,000 (Grad PLUS - $25,000), Initial Adjusted Gross Income - $45,000

Repayment Plan	Estimated Repayment	Estimated Repayment with PSLF
10-Year Standard	$110,751	$110,751
Income-Based Repayment	$168,669	$54,685
New Income-Based Repayment/Pay As You Earn	$103,129	$36,457

Borrower 3: Total Graduate Borrowing - $195,000 (Grad PLUS - $89,000), Initial Adjusted Gross Income - $95,000

Repayment Plan	Estimated Repayment	Estimated Repayment with PSLF
10-Year Standard	$265,168	$265,168
Income-Based Repayment	$377,953	$149,019
New Income-Based Repayment/Pay As You Earn	$268,459	$99,346

Source: GAO analysis of data from Baccalaureate and Beyond survey. Note: Income-Based Repayment resulted in higher payments for the scenarios because borrowers pay 15 percent of discretionary income for up to 25 years, while under New Income-Based Repayment and Pay As You Earn borrowers pay 10 percent of discretionary income for up to 20 years.

Finding 2: Effect of Loan Limits

Effect of Hypothetical Grad PLUS Loan Limits

- The lowest hypothetical annual loan limit on Grad PLUS that we modeled ($10,000) would have reduced the amount 1.2 million borrowers received and decreased overall federal disbursements by $41.6 billion. To determine the amount not awarded, we assumed that borrowers over a hypothetical limit would instead have borrowed up to the limit; we counted any amount over that limit as funds that would not have been awarded.

Table 5: Effect of Hypothetical Grad PLUS Loan Limits on Borrowers, Award Years 2007-2017

Hypothetical Loan Limits	Number of Borrowers with Grad PLUS Loans Above Limit	Amount Not Awarded
$125,000 Lifetime	90,449 (5% of all Grad PLUS borrowers)	$4,028,534,070
$100,000 Lifetime	164,592 (10%)	$7,129,139,076
$50,000 Lifetime	502,597 (29%)	$22,387,424,998

Hypothetical Loan Limits	Number of Borrowers with Grad PLUS Loans Above Limit in at Least One Academic Year	Amount Not Awarded
$25,000 Annual	635,733 (37%)	$16,539,786,840
$20,000 Annual	801,298 (47%)	$22,894,630,371
$10,000 Annual	1,223,354 (71%)	$41,647,546,107

Source: GAO analysis of data from the National Student Loan Data System. Notes: Lifetime loan limits would restrict the cumulative amount of student borrowing (referred to by Education as “aggregate limits”). Annual loan limits would restrict the academic year amount of student borrowing.

Key Characteristics of Borrowers Above Hypothetical Grad PLUS Loan Limits

Below we provide data on the *degree types* and *fields of study* for Grad PLUS borrowers above certain borrowing amounts. Because some borrowers had not completed their programs at the time of the 2012 survey, we examined borrowers who had attained a degree, as well as borrowers who were still enrolled in graduate school.

Borrowers with more than $100,000 in Grad PLUS loans:

- Of those who had attained a degree
  - 96 percent received a doctoral professional practice degree [CI: 87% to 100%]
  - 77 percent studied Legal Professions and Studies [CI: 49% to 94%]
- Among those still enrolled at the time of survey follow-up, at least one-third studied Health Professions and Related Sciences [CI: 34% to 85%].

Borrowers with more than $50,000 in Grad PLUS loans (including borrowers with over $100,000 in Grad PLUS loans):

- Of those who had attained a degree
  - 71 percent received a doctoral professional practice degree [CI: 59% to 81%]
  - 59 percent studied Legal Professions and Studies [CI: 46% to 71%]
- Among those still enrolled at the time of survey follow-up, 47 percent studied Legal Professions and Studies [CI: 32% to 62%] and 37 percent studied Health Professions and Related Sciences [CI: 25% to 51%].

Source: GAO analysis of data from Baccalaureate and Beyond survey. Notes: All percentages are estimates. Figures in brackets are 95 percent confidence intervals. Some confidence intervals are particularly wide due to the small sample of respondents who had borrowed above these limits.