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Student Loans for Graduate School: Who Will Be Affected by the New Federal Lending Limits?

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Introduction

A key provision in the One Big Beautiful Bill Act of 2025 (Public Law 119-21, 139 Stat. 334; henceforth, OBBBA), signed into law in July 2025, will dramatically alter whether and how millions of students are able to afford a graduate degree. For the past two decades, the federal government has allowed[1] graduate students to borrow up to the full amount charged by institutions for tuition, fees, and room and board to attend graduate school through the Graduate PLUS loan program. Beginning in July 2026, however, students will face both annual and cumulative limits to the amount they can borrow from the federal government. Most graduate students will face annual borrowing limits of $20,500 and cumulative limits of $100,000; students in professional degree programs (e.g., law, medicine, dentistry, etc.) will face limits of $50,000 annually and $200,000 total.

While these limits do not include any undergraduate loans, they will nevertheless bind for many students. Previous analyses have shown the new federal loan limits could affect more than one-third or more of all graduate borrowers, if recent borrowing patterns continue (Matsudaira 2025). Students pursuing professional credentials like law and medicine will be most affected, with more than half of recent federal borrowers graduating with more debt than the $200,000 cumulative limit and many students borrowing more than $100,000 beyond that amount. But even in master's degree programs — where typical borrowing levels are lower — many borrowers will need additional financing to cover the gap in federal loan availability created by the new caps.

All else equal, the effects of these new caps depend importantly on the extent to which the private sector is willing and able to fill in the gap left by the withdrawal of the U.S. Department of Education as the main financier of graduate education. Private lenders currently play a limited role in the market for in-school graduate student loans, and it is unclear the extent to which they will be willing to extend credit to graduate students affected by the loan caps. Some observers worry that many borrowers, especially those from more disadvantaged backgrounds, those with a poor or thin prior credit history, and those with no available cosigner, may not be able to get a private loan and will therefore be unable to pursue graduate study.

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[1] The Graduate PLUS loan program was created in 2006 and allowed graduate students to borrow up to the full cost of attendance of an approved educational program, such that students can borrow beyond the limits of the existing federal Direct Loan program. The OBBBA eliminates Graduate PLUS and modifies the limits of the unsubsidized Direct Loan loans for graduate programs as described in the text.

This report represents a first step toward estimating the extent to which graduate borrowers might experience difficulties obtaining credit from private lenders as the new loan limits take effect. We use a unique new anonymized data set combining representative individual level records of recent graduate school enrollment with representative data on the borrowing and credit history of those students from a large credit bureau. We use these data to identify borrowers who take out loans in excess of the new federal limits and use data on their creditworthiness to estimate the share of borrowers who might struggle to obtain private loans to pay for graduate school. Our analysis is based on cohorts of students who first started graduate school during 2015–2024, providing a picture of the distribution of borrowing before the OBBBA was enacted. The market for graduate lending is likely to evolve after the new provisions take place, and our estimates describe the initial conditions before that evolution.

We begin with an overview of recent borrowing patterns for graduate studies, highlighting the credit records of graduate student loan borrowers and the contrast between the characteristics of private student loan borrowers and federal borrowers. Then, using information on the creditworthiness of graduate students borrowing in excess of the new federal limits, we provide some back-of-the-envelope estimates of the number of graduate borrowers (and the amount of their loans) that might not be readily served by traditional private lenders. We close with a discussion of how the private sector may react to the new limits and some barriers that may slow or limit private lenders' loan volume expansion.

A Novel Data Source

The analyses in this report are based on a unique anonymized data set compiled by the Federal Reserve Bank of Philadelphia's Consumer Finance Institute, based on a double-blind match of college program enrollment records from the National Student Clearinghouse (NSC) with FRBNY Consumer Credit Panel/Equifax data (CCP) data. The CCP is an anonymized 5 percent sample of all individuals with a credit file and tracks those individuals' credit history at a quarterly frequency from 1999 to 2025 (see Lee and Van der Klaauw 2010 for more information on the CCP). A subsample of the CCP — amounting to approximately a 0.6 percent sample of the entire credit bureau population — was submitted to the NSC for matching with the NSC's educational history database, whose postsecondary enrollment coverage is near-universal in recent years.

For purposes of this study, we see a total of about 91,000 graduate students observed in both data sets at some point, and we focus on a subset of about 66,000 who first enrolled in a graduate program during 2015–2024. Our analysis necessarily is restricted to individuals who have a credit history at some point during our sample; we cannot observe individuals who attended a graduate program but have never had a credit file. Since such individuals must not have taken out student loans for their studies, they are unlikely to be affected by loan limit changes.

These data allow us to observe student loan disbursement amounts contemporaneous with the enrollment spells in particular graduate programs observed in the education history data. We measure student loans originated during the period of enrollment and develop a measure of the average amount of student loans per year over the student's enrollment spell. Specifically, we add up all student loan disbursements originated during the enrollment spell and divide by the number of academic years of enrollment. Next, we infer whether these loans are private or federal based on an algorithm leveraging the fact that all federal student loans held by the Department of Education were paused during the COVID-19 national emergency (adapted from Goss, Mangrum, and Scally 2022). The algorithm categorizes a loan as private if it had positive scheduled payments during the payment pause and was originated after the end of the Federal Family Education Loan (FFEL) program. It tags a loan as federal if it had positive scheduled payments during 2019 but then zero scheduled payments during the pause. For loans not covered by these assignment rules, information about the loan servicer is used to infer whether a loan is likely to be private. In particular, the share of each servicers' loans in delinquency is estimated quarterly. Loans at servicers where either the delinquency share is exactly zero during the payment pause (or the share of cosigned loans — a strong indicator of lender type — is lower than 50 percent) are treated as federal loans. The few remaining unclassified loans are categorized as private.

Overview of Student Loan Borrowing Patterns

Panel A of Table 1 shows the breakdown of our sample of graduate students across the credential level of the programs in which they enrolled.[2] Most graduate students enroll in master's degree programs — about 75 percent in our sample — while 8 percent are in professional programs (such as medical school or law school), and 7 percent are pursuing doctoral degrees.[3]

The dominant role of the federal government in financing graduate education in recent years is apparent in this table. While 43 percent of graduate students in our sample took out federal student loans, only about 4 percent took out private student loans to finance their graduate studies.[4] Because some students borrow both private and federal loans, the overall borrowing rate (both private and federal) is 44 percent. Borrowing for graduate school is more common among those pursuing professional degrees; about 67 percent of these individuals borrow federal loans, and 6 percent borrow private loans. The last column in Panel A shows that graduate students generally have assistance securing credit when they do look to the private market for financing. Across all credential types, most students borrowing from the private market had a cosigner, ranging from 52 percent of those in master's programs to 58 percent of those in doctoral programs. The public perception of private student loans tends to be that young undergraduate students would typically be the only ones to require a cosigner, but our analysis shows that this phenomenon is prevalent even among graduate students.

In Panel B of Table 1, we summarize the distribution of federal student borrowing in our sample.[5] About 33 percent of master's students took out loans within the new annual limit of $20,500 per year, whereas 12 percent borrowed above the new limit.[6] Because 45 percent of master's students were federal borrowers, this implies 27 percent (0.12/0.45) of master's students who took out federal loans were above the new limit. For doctoral students, a smaller share (35 percent) borrowed from the federal government, but among those borrowers, about half (46 percent) borrowed above the new loan limits of $20,500 per year.[7] About two-thirds of professional degree seekers borrowed from the federal government and will face the higher borrowing limit of $50,000 annually. Among federal borrowers in professional programs, 36 percent currently borrow more than the new limit. Those borrowers would need alternate sources of financing to pursue these credentials when the limits take effect in July 2026.

Figure 1 shows that graduate students whose current borrowing exceeds the new caps will need sizeable supplemental private student or other types of loans, on average, to make up for the loss in federal loan eligibility.[8] Master's students hitting the caps will need to borrow about an additional $16,000 on average in both public and private for-profit degree programs, and about $24,000 in private not-for-profit degree programs. Average borrowing needs from the private sector will be greater in doctoral and professional programs, ranging from $19,000 to $26,000 in public and private for-profit programs, and at around $28,000 to $30,000 in private not-for-profit programs.

[2] In Table A1 of the Appendix, we show a similar sample breakdown for students that were enrolled in graduate programs during academic year 2019–20, making it directly comparable with the sample frame of the nationally representative sample of enrolled graduate students from the 2019 National Postsecondary Aid Study (NPSAS) for Graduate Students (GR). Table A1, Panel B shows that the composition of 2019 NPSAS GR is generally similar to that of our sample.
[3] Relative to the data in NPSAS, fewer borrowers in our sample appear to be classified as enrolled in professional programs (most are likely instead classified as enrolled in master's programs). This may lead us to treat some master's students as subject to the lower loan limit of $20,500 and potentially overstate the number of master's students borrowing over the new loan limits. Since misclassified professional students would likely account for a small share of students in the master's category, we expect the impact of this misclassification on the numbers presented to be slight.
[4] The focus of this study is borrowing to finance a degree while enrolled, otherwise known as "in school loans." Many borrowers refinance their student loans once they have terminated their studies — taking out so-called "refinance loans" — and do so through private lenders, but such loans are outside of the scope of this analysis.
[5] Table A2 in the appendix presents a parallel comparison of this distribution to the NPSAS 2019–20, indicating that our sample is representative of the federal borrowing distribution in the population.
[6] Our estimates of the share of students borrowing over the new limits is likely understated because many graduate students – about one-third – are enrolled part-time. Part-time students will face a pro-rated loan limit under the new law, and prior analyses suggest they are more likely to borrow above the pro-rated limit (Matsudaira et al. 2025). Since we lack data on credit hours attempted for enrolled students, we cannot model this in our analyses.
[7] It is likely that some doctoral programs in the data will be classified as professional programs for the purposes of the new federal loan limits. The Department of Education will hold regulatory rulemaking sessions in fall 2025 aimed at clarifying the definition of "professional" programs as part of its efforts to administer the loan limits.
[8] We recognize that other components of the financial aid package might adjust, such as grants or tuition discounts. Colleges may also reduce the cost of attendance outright; in fact, advocates of loan limits typically hope/assume that this will be the case. Yet evidence that cost of attendance is responsive to changes in graduate loan limits is limited (e.g., Black et al. 2025), and any changes would likely take time to implement. Therefore, our analysis is certainly informative in the short term, but likely also in the medium-to-long term.

Table 1. Analysis Sample Summary, Entering Graduate Students 2015–2024

Panel (A)

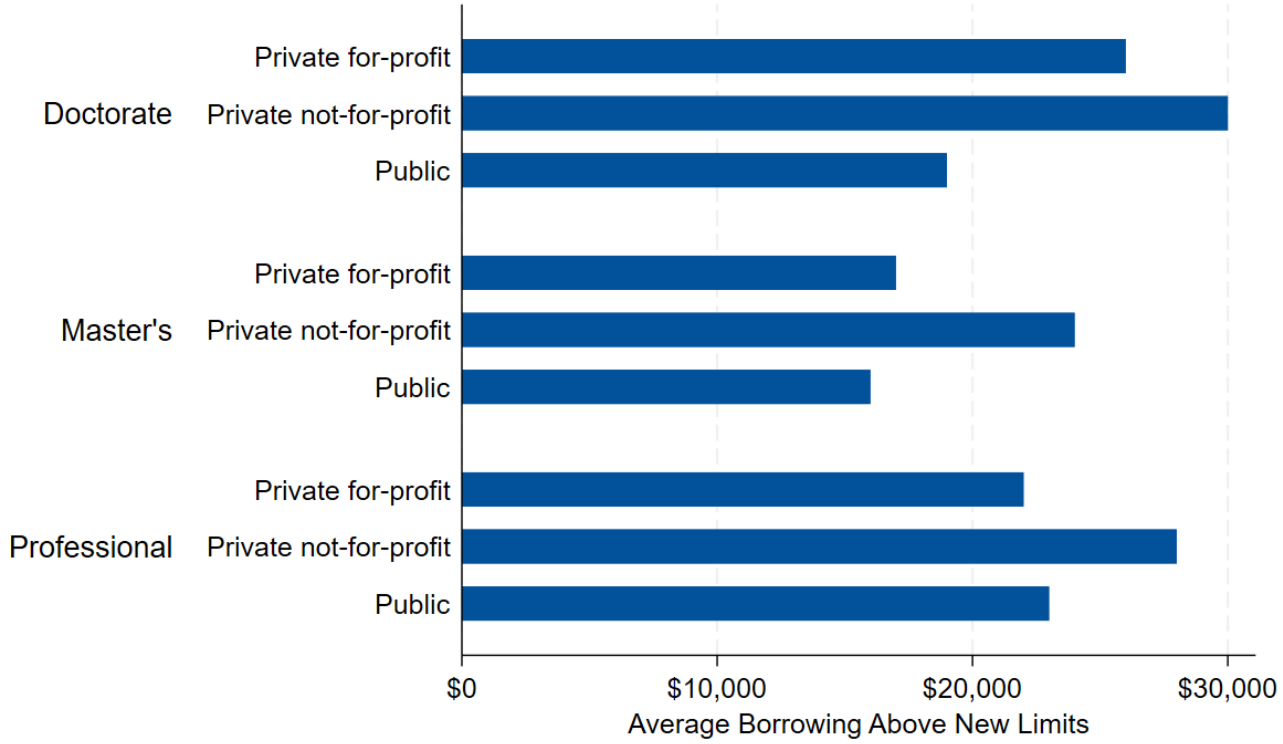
Credential Level	% of Overall Sample	% Who Borrowed	% Who Took Out Federal Loans	% Who Took Out Private Loans	% of Priv. Borrowers w/ Cosigner
All	100%	44%	43%	4%	54%
Master's	75%	46%	45%	4%	52%
Grad. cert.	10%	19%	17%	3%	59%
Professional	8%	69%	67%	6%	58%
Doctorate	7%	36%	35%	3%	58%

Panel (B)

	Distribution of Avg. Annual Federal Borrowing				
	$0	$0–$20.5K	$20.5K–$50K	$50K–$75K	>$75K
All	57%	29%	10%	3%	2%
Master's	56%	33%	9%	2%	1%
Grad. cert.	83%	14%	3%	0%	0%
Professional	33%	18%	25%	14%	10%
Doctorate	65%	19%	11%	3%	2%

Source: Authors' calculations using anonymized credit bureau data from the CCP and NSC educational history records.
Notes: The sample consists of individuals who had a credit file at some point by December 2024 and who first enrolled in a graduate program during 2015–2024. The percent who took out federal loans and the percent who took out private loans will not add up to the percent who borrowed owing to some overlap; a subset of people borrowed both in the federal and private loan markets, and these are only counted once in the percent who borrowed. Most graduate students will face annual borrowing limits of $20,500 and cumulative limits of $100,000; students in professional degree programs (e.g., medicine, dentistry, law, etc.) will face limits of $50,000 annually and $200,000 total.

Figure 1. Average Annual Borrowing Above New Limits, by Institution Sector



Source: Authors' calculations using anonymized credit bureau data from the CCP and NSC educational history records.
Notes: The sample consists of individuals that had a credit file at some point by December 2024 and that first enrolled in a graduate program during 2015–2024. Most graduate students will face annual borrowing limits of $20,500 and cumulative limits of $100,000; students in professional degree programs (e.g., medicine, dentistry, law, etc.) will face limits of $50,000 annually and $200,000 total. Averages are for those borrowing above new loan limits.

Overview of Borrower Credit Characteristics

To shed light on the potential for graduate students' access to student loans from private lenders, Table 2 shows the distribution of the Equifax Risk Score (hereafter Risk Score) — a type of credit score — for all graduate students in our sample. We measure the Risk Score at the end of the quarter before the start date of the student's enrollment spell to ensure that the Risk Score is unaffected by any student loan origination around the start of the enrollment spell. We then analyze the share of students whose Risk Scores fall into different ranges. The ranges we use correspond with commonly used ranges of creditworthiness: Risk Scores of 300–619 are considered "subprime," 620–669 is "near prime", 670–739 is "good/prime," 740–799 is "very good," and 800–850 is "excellent."

While different student private lenders have different tolerances for risk, industry observers note that a minimum threshold — especially for lenders issuing bonds to finance the loans — for an individual to access private student loans without a cosigner tends to be a credit score above 670. As shown in Table 2, about 16 percent of graduate students who ultimately appear in our CCP credit panel had no Risk Score before starting their graduate studies, either because they had no credit file or because the file was not sufficiently complete to generate a Risk Score.[9] About 22 percent of students had a Risk Score that was below 670, 32 percent had Risk Scores in the 670 to 739 range, and 31 percent had higher Risk Scores. The prevalence of these characteristics — no/limited credit history or low Risk Score, comprising 38 percent of our graduate student sample — provides a first glimpse into the size of the graduate student population who might struggle to qualify for a private student loan without a cosigner's assistance.

Table 2 also considers an alternate, minimal measure of creditworthiness, known as the Adverse Credit History (ACH) standard.[10] While the federal government does not consider borrower creditworthiness for the Stafford loan program (which has borrowing limits), the ACH standard used to be employed by the Department of Education to deny some federal loans (under the PLUS program) to applicants who had a delinquency of 90 days or more (on any credit product), collections accounts, a bankruptcy, a foreclosure, a derogatory mark, or a tax lien in their credit file.[11] From the perspective of private lenders, the ACH standard — the strictest standard recently used by the federal government — is generally seen as a low bar to screen for student loan eligibility. In other words, private lenders would likely follow a stricter standard than the ACH but are highly unlikely to lend to those with any evidence of the elements of the ACH standard. We find that 13 percent of our sample failed the ACH standard six months before their enrollment, with 20 percent of students with federal loans failing the standard. These shares likely represent a conservative lower bound estimate of the share of borrowers unlikely to be able to secure credit in the private market without a cosigner.

[9] Individuals with no file had no credit records and were not present in the CCP at the time of measurement (one quarter before graduate school enrollment). Individuals with thin files have credit records on file and are present in the CCP, but do not have sufficient credit history (i.e., they have few loans or limited time in repayment) to be assessed with a Risk Score.
[10] We use the ACH definition that was used by the Department of Education for loans funded during 2011–2014, as well as by private lenders that originated federally guaranteed student loans under the FFEL program. This ACH standard is stricter than the one in effect today. This standard was applied to Parent and Graduate PLUS loans, whose borrowing limit was capped by cost of attendance.
[11] The PLUS Loan program consists of federal loans for graduate students (Grad PLUS) and parents of dependent undergraduate students (Parent PLUS) to help finance education costs not covered by other financial aid. Applicants with no credit history were still eligible for these loans because they had no evidence of adverse credit events. After 2014, eligibility for PLUS loans has been subject to a less strict ACH standard, whereas federal loans under the Stafford loan program (which make up most federal lending and are subject to borrowing limits) do not require any credit check. See Cellini, Darolia, and Ritter (2020) for additional details on the evolution of credit standards for PLUS loans.

Table 2. Risk Score Distribution of Entering Graduate Students, Two Quarters Before Enrollment, by Borrower Status

Borrower Type	Risk Score						
	No Risk Score	300–619	620–669	670–739	740–799	800–850	Adverse Credit History (2011–2014 Standard)
All	16%	12%	10%	32%	23%	8%	13%
No loans	24%	6%	6%	26%	27%	12%	9%
Only federal	5%	20%	15%	39%	18%	3%	20%
Private (w/cosigner)	9%	9%	17%	46%	15%	4%	8%
Private (no cosigner)	5%	10%	13%	44%	24%	4%	9%

Source: Author's calculations using anonymized credit bureau data from the CCP and NSC educational history records.
Notes: The sample consists of individuals that had a credit file at some point by December 2024 and that first enrolled in a graduate program during 2015–2024. Risk Score is the Equifax Risk Score. Categories other than "all students" are mutually exclusive, such that some borrowers with private loans might also have federal loans, but borrowers with only federal loans have no presence of private loans. Adverse Credit History standard used to be employed by the Department of Education in the PLUS program during 2011–2014.

How Many High-Balance Borrowers Might Struggle to Get Private Loans?

As noted previously, under current underwriting and pricing rules, only borrowers who can demonstrate good to excellent credit history (most likely, a credit score above 670) and no recent major derogatory credit events are likely to be able to obtain loans in the private market on their own. Borrowers with limited or poor credit history would still be able to obtain loans with a well-qualified cosigner, such as a parent or spouse. This means borrowers with a limited credit history but no adverse credit events who have thus far been eligible for PLUS loans would be unlikely to be able to borrow for graduate studies without a well-qualified cosigner.

What will happen when new loan limits take effect and many borrowers cannot satisfy all their credit needs from loans provided by the federal government? As noted previously, borrowers with scores below 670 will likely struggle to obtain credit if they don't have a cosigner. Table 3 shows the distribution of borrowers with loans above the new federal loan limits across Risk Score categories by institution sector and program of study.

Across all borrowers, our data show about 28 percent borrowed above the new federal limits in recent years and on average would need supplemental funds of about $21,700 to make up for the reduced federal loan limits. Of those borrowers, nearly four in 10 (38 percent) have either subprime Risk Scores (below 670) or have no Risk Score and thus may be unlikely to be able to secure private loans without a cosigner. At for-profit institutions, for most degree types there are fewer borrowers over the new federal limits, but the Risk Scores of those borrowers who will need new financing tend to be much worse: About 60 percent have either a subprime or no Risk Score. For doctoral and professional programs in not-for-profit institutions, borrowing beyond new limits is most prevalent, but the credit histories of high balance borrowers are significantly better than is true for students in master's programs. In these programs, the share of high-balance borrowers with subprime or no Risk Scores ranges from 23 percent to 29 percent, whereas in master's programs, the share is 42 percent for borrowers in public institutions and 38 percent at private nonprofit institutions.

Table 4 provides similar information, disaggregated by the credential level and fields of study where graduate students are enrolled. We only report for programs with at least 50 federal borrowers in our sample; hence, we opt for coarse (CIP-2) field of study categories owing to sample size limitations. Interestingly, the credit histories of graduate borrowers who will need additional financing varies substantially across fields of study. For doctoral and professional programs, borrowers in health profession fields tend to have relatively better credit standing than other fields, with 22 percent to 26 percent having poor or missing Risk Scores. Among doctoral/professional students in legal studies, education, or psychology, the share with poor or no Risk Scores ranges from 30 percent to 38 percent.

Table 3. Distribution of Risk Scores by Institution Control and Program Sector, Federal Loan Borrowers Only

			Risk Score Dist., Conditional on Borrowing Above New Fed. Limit						
	Above New Limits	**Avg. Borrowing >New Limits**	No Risk Score	300–619	620–669	670–739	740–799	800–850	Adverse Credit History
All borrowers	28%	$21,700	6%	17%	15%	42%	18%	2%	16%
Loan volume above new lim.*			7%	16%	14%	42%	19%	3%	15%
Institution Control									
Public	25%	$17,200	6%	17%	15%	42%	17%	2%	16%
Private not-for-profit	34%	$24,900	6%	15%	15%	43%	18%	3%	15%
Private for-profit	14%	$18,500	4%	40%	16%	25%	13%	2%	36%
Program Sector									
Professional									
Public	27%	$23,000	12%	4%	10%	51%	21%	3%	6%
Private not-for-profit	44%	$28,100	10%	7%	12%	50%	20%	2%	8%
Private for-profit	30%	$21,500	5%	21%	11%	32%	24%	8%	21%
Doctorate									
Public	41%	$18,900	6%	10%	10%	48%	22%	4%	10%
Private not-for-profit	53%	$29,800	5%	8%	10%	48%	24%	5%	8%
Private for-profit	27%	$25,700	4%	28%	12%	37%	16%	4%	23%
Masters									
Public	24%	$15,500	5%	20%	17%	40%	16%	2%	18%
Private not-for-profit	31%	$23,600	5%	17%	16%	41%	18%	3%	17%
Private for-profit	13%	$17,100	4%	42%	17%	23%	13%	1%	38%

Source: Authors' calculations using anonymized credit bureau data from the CCP and NSC educational history records.

Notes: The sample consists of individuals who had a credit file at some point by December 2024 and who first enrolled in a graduate program during 2015–2024. Average borrowing above new limits is calculated by taking the average loan amount above the limit in the sample of borrowers above the limit. Risk Score is the Equifax Risk Score. *Loan volume above the limit shows the distribution in this row is weighted by the origination amounts above the new limit. Adverse Credit History is the version in effect in 2011–2014.

Table 4. Distribution of Risk Scores by Graduate Programs of Study, Federal Borrowers

Program of Study (CIP-2)	Above New Limits	Avg. Borrowing >New Limits	Risk Scores, Conditional on Borrowing Above New Fed. Limit						
			No Risk Score	300–619	620–669	670–739	740–799	800–850	Adverse Credit History
Professional									
Health professions	39%	$28,500	11%	5%	10%	51%	21%	2%	7%
Legal professions and studies	35%	$23,700	10%	9%	13%	48%	18%	2%	10%
Doctorate									
Health professions	61%	$26,700	6%	7%	9%	51%	25%	3%	7%
Education	24%	$15,400	2%	20%	8%	36%	17%	17%	20%
Psychology	33%	$20,900	4%	20%	14%	41%	18%	2%	14%
Master's									
Health professions	33%	$22,700	4%	13%	14%	47%	19%	2%	13%
Business, management, marketing	23%	$20,000	4%	21%	18%	31%	23%	4%	21%
Education	17%	$14,900	3%	33%	15%	36%	13%	1%	30%
Public admin. and social services	30%	$19,000	3%	23%	19%	34%	17%	3%	18%
Psychology	25%	$17,400	4%	22%	21%	42%	10%	1%	21%
Computer and information sciences	18%	$17,200	21%	18%	8%	29%	19%	4%	17%
Biological and biomedical sciences	41%	$27,600	12%	11%	19%	44%	13%	1%	14%
Visual and performing arts	36%	$22,000	6%	23%	19%	42%	9%	1%	22%
Engineering	25%	$18,300	16%	11%	14%	47%	13%	0%	11%
Homeland security, law enforcement	20%	$15,200	0%	32%	23%	34%	9%	1%	27%
Social sciences	28%	$20,900	7%	19%	16%	48%	8%	3%	14%
Multi/interdisciplinary studies	27%	$18,900	7%	20%	14%	41%	17%	0%	20%
Communication, journalism	34%	$18,800	10%	22%	14%	43%	11%	1%	18%
Parks, recreation, leisure	18%	$15,500	2%	27%	20%	43%	7%	0%	27%
Theology and religious vocations	15%	$22,000	0%	33%	21%	33%	9%	3%	33%
Library science	19%	$22,100	14%	19%	8%	39%	17%	3%	14%
English language and literature	24%	$12,900	7%	20%	30%	32%	9%	2%	25%
Architecture and related services	46%	$17,500	9%	7%	19%	54%	11%	0%	10%
Legal professions and studies	55%	$25,500	9%	26%	22%	25%	13%	4%	28%

Source: Authors' calculations using anonymized credit bureau data from the CCP and NSC educational history records.
Notes: The sample consists of individuals who had a credit file at some point by December 2024 and who first enrolled in a graduate program during 2015-2024. Average borrowing above new limits is calculated by taking the average loan amount over the new loan limits in the sample of federal borrowers with loan amounts above the new limit. Risk Score is the Equifax Risk Score. Loan volume above the limit shows the dollar-weighted distribution of Risk Scores, with weights equal to total federal loan originations per borrower. Adverse Credit History is the version in effect in 2011–2014.

Credit histories look worse in general for high-balance master's students and vary substantially across fields of study. On the one hand, about one-third of master's students borrowing above the new limits have poor or no Risk Scores in health professions and architecture-related fields. But in master's programs in the fields of education, homeland security and law enforcement, parks and recreation and fitness, theology, English language, and legal professions, at least 50 percent of all students above the new limits would struggle to obtain private loans based on their credit profiles.12 Students in master's programs for other fields (e.g., business, public administration, computer science, engineering, and biology) land somewhere in the middle, with 40 percent to 49 percent having subprime (or missing) Risk Scores.

Challenges in Expanding Private Sector Participation in Student Lending

The data presented in this brief suggest that a substantial number of graduate borrowers who would otherwise have relied on the federal government to finance their studies will instead need to secure funds from private student lenders or other sources. Based on current underwriting practices for in-school private loans and the distribution of credit history among recent borrowers, about 40 percent of recent graduate borrowers who borrowed above the new limit may struggle to obtain a private loan. Those borrowers may also face higher interest rates and/or less generous terms than they would have obtained from the U.S. Department of Education under prior law. It is worth noting that, relative to existing private student loans, federal student loans have provided additional consumer protections and repayment plans that accommodate unexpected financial struggles among borrowers.

As the limits take effect, it is possible that private lenders would adjust their credit standards in ways that would absorb some of the loan volume previously in the Graduate PLUS program. One possibility is a relaxation of lending standards in ways that continue to rely on traditionally used metrics like credit scores, debt-to-income ratios, etc. Such a loosening of standards would likely come with higher interest rates than currently offered in the private market, imposing significantly higher financing costs on graduate students who would not otherwise qualify for loans under the extant market standards. Even so, it is unlikely that lending standards would be relaxed in such a way that private loans would be offered to graduate students with no credit histories or with a very low credit score (i.e., the highest-risk categories), without necessitating the addition of a creditworthy cosigner. At this stage, any predictions about the future direction of the private in-school graduate student loan market are purely speculative, of course.

An alternate evolution of the market — and one that has seen considerable experimentation both in the United States and abroad — involves adoption of nontraditional private education funding constructs such as income-share agreements (ISAs). Unlike traditional student loans, which rely on demonstrated ability to repay, many of these approaches revolve around predicting future ability to repay — in part by considering the nature of the institution, degree program, or major of the student. The potential benefits and challenges in designing and implementing sustainable alternative financial contracts such as ISAs are discussed in more detail by Ritter and Webber (2021).

The ability of private lenders to fill the gap created by the new federal graduate loan limits will depend in part on regulation at the federal and state level. For example, the ability of lenders to underwrite on the basis on nontraditional characteristics — especially in relation to individuals with no or thin credit files — may be constrained. As an example, historically, factors such as the type of college or a student's major have not always been considered permissible characteristics to be used in underwriting or pricing student loans, even though they may be predictive of repayment outcomes. Variations in state regulations may also result in geographic variation in credit supply and/or the level of consumer protections afforded to borrowers.

[12] Within these differences, it is worth noting that in some fields — like computer and information science — the high share is driven by a large share of students with no Risk Score rather than a poor Risk Score. This may be related to differences in the pathways students take before enrolling and their ages at enrollment in graduate programs.

Conclusion

Beginning in July 2026, the OBBBA legislation will impose borrowing limits on federal student loans for individuals pursuing graduate school, replacing the current full-cost-of-attendance coverage. The effect of these new loan caps depends on private lenders' willingness and ability to fill the funding gap left by reduced federal support. Currently, private lenders have a minimal role in graduate student financing for in-school loans, and it is uncertain the extent to which they will expand lending to affected students. There is a concern that, at least as the market currently functions, students with limited or poor credit histories, or those without cosigners, may struggle to secure private loans, potentially limiting their access to graduate education.

This report brings new evidence on the potential effects of the reduced borrowing limits on access to graduate education. We summarize the distribution of federal borrowing and Risk Scores for a representative sample of students who began graduate studies during 2015–2024, providing key new facts about the creditworthiness of the borrower graduate student population. We find that about one in three graduate students with federal loans borrowed above the new limits. Among borrowers with loan amounts above the new borrowing limits, nearly 40 percent may not be able to secure private loans without a cosigner under existing underwriting standards. Additionally, we document significant heterogeneity in creditworthiness based on program of study, suggesting that the severity of credit rationing resulting from the new limits will vary across those programs.

This analysis provides an initial look at a potential driver of the impacts of the new borrowing caps for graduate studies: the historical creditworthiness of individuals pursuing graduate studies. Future research should focus on assessing the effects of this policy change, considering changes in the behavior of potential students, lenders, and university decision makers.

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Appendix

Table A1. Comparison of Analysis Sample and NPSAS GR 2019–2020

Credential Level	% Sample	% Borrowers	% Federal Borrowers	% Private Borrowers
Panel A. Analysis Sample, Graduate Students Enrolled in 2019–2020				
All		48%	46%	5%
Master's	73%	48%	47%	4%
Professional	10%	70%	69%	7%
Doctoral	10%	39%	38%	4%
Grad. cert./other	7%	24%	21%	4%
Panel B. NPSAS GR 2019–2020				
All		43%	40%	5%
Master's	56%	46%	42%	5%
Professional	23%	71%	69%	6%
Doctoral	13%	23%	22%	2%
Grad. cert./other	8%	25%	22%	4%

Source: Authors' calculations using anonymized credit bureau data from the CCP and NSC educational history records in Panel A and 2019 National Postsecondary Aid Study (NPSAS) for Graduate Students (GR) Powerstats table ids: azruyn, zrfcai in Panel B.
Notes: Data reflect the 2019–2020 academic year in both data panels.

Table A2. Distribution of Federal Borrowing in Analysis Sample and NPSAS GR 2019–2020

	Distribution of Federal Borrowing				
	$0	$0–$20.5K	$20.5K–$50K	$50K–$75K	>$75K
Panel A. Analysis Sample, Graduate Students Enrolled in 2019–2020					
All	54%	30%	11%	3%	2%
Master's	53%	35%	9%	2%	1%
Professional	31%	17%	26%	14%	11%
Doctorate	62%	20%	12%	4%	2%
Grad. cert./other	79%	16%	4%	0%	1%
Panel B. NPSAS GR 2019–2020					
All	60%	26%	8%	4%	2%
Master's	58%	33%	7%	2%	1%
Professional	31%	16%	27%	17%	10%
Doctorate	78%	16%	4%	1%	0%
Grad. cert./other	78%	20%	2%	0%	0%

Source: Authors' calculations using anonymized credit bureau data from the CCP and NSC educational history records in Panel A and NPSAS GR 2019–2020 Powerstats table ids: gpeyfq, xegldv in Panel B.