

Federal Lending Changes in Higher Education

Testimony of The Commission on Independent Colleges & Universities

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Good morning, Chairpersons Hyndman and Vanel and members of the Higher Education and Banks committees.

Thank you for the opportunity to testify on behalf of New York's private, non-profit colleges and universities regarding the federal lending changes affecting students and the actions New York can take to support them.

At the joint budget hearing in February, CICU raised concerns about the elimination of the Graduate PLUS loan program. We have since continued working with the Legislature and Executive to explain the financing gap students are facing and advance a state-backed student lending option. We appreciate the attention this issue has received, and the legislative leadership related the graduate lending legislation introduced last session. With the federal changes now in effect, this hearing provides an important opportunity to turn that work into a sustainable financing pathway for students.

Understanding the Federal Lending Changes

The One Big Beautiful Bill Act (OBBBA), enacted in July 2025, drastically changed how students finance advanced education. Beginning July 1, 2026, the U.S Department of Education eliminated the Graduate PLUS loan program and implemented new federal student loan limits which divide graduate borrowing into two distinct tiers-general and professional. New graduate students can no longer access Graduate PLUS loans to cover educational costs that remain after other aid has been applied. Previously, the program allowed eligible students to borrow up to the remaining cost of attendance. Students subject to the new federal lending rules must now rely on capped federal loans and find alternative resources to address unmet costs.

Under the new lending rules, student access to financing depends on how the Department classifies their degree program. In its final rule, the Department adopted a narrower definition of “professional degree”. Programs excluded from the definition, including MBAs and graduate programs in public health, education, social work, the creative arts, and physician assistant, among others, were placed in the general graduate category. Borrowers enrolled in programs classified as general are subject to loan limits of \$20,500 annually and \$100,000 in aggregate. By comparison, students in programs classified as professional may borrow up to \$50,000 annually and \$200,000 in aggregate. Following a court order, the Department of Education temporarily expanded the list of programs designated as professional. These classifications remain subject to ongoing litigation, adding uncertainty to the lending environment for students and institutions.

As a result, qualified students may be unable to afford the education and professional training required to enter critical professions, leaving our state with fewer workers to meet the growing demands of our communities. New York must act now to advance a state-backed lending option to support students in completing their education, rather than leave them to navigate the gap on their own.

Private Capacity will Expand, but Access will Remain Uneven

As federal financing becomes more restricted, the new loan caps push students to seek private financing to cover the cost of attendance. Students who previously relied on Grad Plus to cover their remaining educational costs are now facing stricter eligibility requirements, higher interest rates and fewer borrower protections.

For private lenders, loan approvals increasingly depend on which school and program students are enrolled in and how much they are likely to earn after graduation, as well as credit history. Students enrolled in high social value lower-earning fields such as teachers, social workers, mental health care specialists, and others, may experience lower loan approvals, higher interest rates, or denial if the borrower is on the cusp of the lender's credit standard. In addition, unlike federal loans, private student loans do not provide access to repayment protections and hardship relief.

New York Faces Large and Concentrated Exposure

Higher education expands opportunity for New Yorkers and strengthens the communities we call home. For many students, the path to a meaningful career and economic security includes an advanced degree. The new federal limits threaten that path.

In FY25, approximately 32,000 New York graduate students relied on the federal Grad PLUS program to finance their education. With the program now eliminated, many students no longer have a realistic pathway to afford advanced degrees required to enter critical professions.

Students with strong credit or a qualified cosigner may be able to secure private financing with favorable terms. Borrowers with limited credit histories may face higher interest rates and less favorable terms or may be unable to secure financing at all. Students from low-income backgrounds and underrepresented communities may face additional barriers as they turn from federal aid to private credit. The timing of these federal changes is especially concerning given New York's growing workforce shortages and aging population. Across multiple sectors, New York's workforce is nearing retirement age, particularly in education and healthcare. New York is already projected to face a shortage of approximately 40,000 nurses, and 65,000 teachers. Behavioral health providers are also reporting vacancy rates between 30% and 45% for positions such as social workers, counselors, and case managers. In critical fields already facing labor shortages, the impact of Grad PLUS elimination could result in up to 12,000 fewer cumulative master's degree completions by FY31.

For communities already struggling to secure care, fewer qualified graduates can mean longer wait times and reduced service capacity. Schools face similar consequences when they cannot recruit prepared educators. Rural areas and other underserved communities have a particular stake in maintaining these pathways. These workforce shortages are not hypothetical future concerns but are already affecting communities across our State. Hospitals, schools, mental health providers, and human service organizations are struggling to hire and retain workers. Limiting access to graduate and professional

education will only exacerbate shortages and make it more difficult for New York to meet future workforce and care demands. These impacts affect both public and private institutions and put further strain on local economies and the workforce pipelines that colleges and universities sustain.

State-backed Student Lending Option

To address this gap, New York must establish a state-backed graduate loan program that offers reliable financing options with strong borrower protections. The recent legislation establishing a state-backed student lending program (**S.10568 / A.11549**) sponsored by Senator Stavisky, and Assemblymember Hyndman, provides a framework for a program funded by bond financing and administered by the Dormitory Authority of the State of New York (DASNY). CICU strongly supports advancing this legislation and thanks the sponsors for their leadership.

The legislation provides that eligible New York residents pursuing graduate degrees at participating accredited institutions in New York State can borrow toward their remaining education costs after exhausting all other available aid. DASNY would draw on its experience in finance, municipal bond markets, and working with higher education institutions to oversee the program and contract with qualified partners to service the loans. Students would gain a financing pathway backed by public oversight with competitive fixed rates and clear terms.

Several states across the country have taken varying approaches to preserve access to graduate education financing by establishing or expanding state-backed lending options. Some states, like Iowa, Maine, Pennsylvania, New Jersey, Rhode Island, South Carolina and Vermont have long operated state-backed student loan programs, while others, like Connecticut, Massachusetts, and Minnesota are expanding existing programs or launching new loan products to address the emerging financing gap. Connecticut and Pennsylvania have expanded eligibility for their program to New York students.

This creates a significant risk for New York as students may choose to pursue their degrees in states where financing is available and remain there to work after graduation. New York stands to lose workers in critical professions along with their future earnings and tax contributions. Establishing a state-backed lending program would enable students to complete their education here and contribute their talent and expertise towards New York's future business innovations and economic stability.

New York has long been a national leader in expanding access to quality higher education and charting the course for the way forward. CICU calls on the Legislature to work jointly with Governor Hochul to enact and fund a state-backed graduate student loan program. Students are deciding now whether they can afford to continue their education, and where they will build their futures. New York must act with that same urgency to preserve educational opportunity and retain the professionals our communities desperately need.