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Extending the Pell Commitment to Graduate School

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The Pell Grant is the primary federal financial aid tool for low-income undergraduates. Most Pell recipients come from families earning less than $40,000 per year, and they are eligible for a grant of up to $7,395 for up to six years of college study. An estimated 46% of entering graduate students received a Pell Grant as undergrads. Yet once they enroll in graduate school, they are considered independent students for federal financial aid purposes and are no longer eligible for Pell or other major need-based grants, often leaving loans as their only federal aid option.

Higher levels of education are correlated with increased lifetime earnings. But since private lenders typically require strong credit or a co-signer, low-income students who face a gap between the new federal loan limits and the cost of graduate school may find it harder to pursue the types of professional degrees that can significantly boost their economic mobility. The federal government invests meaningfully in Pell Grant recipients as undergraduates. By extending targeted support into their graduate studies, policymakers can build on that investment Pell and help low-income students overcome financing barriers to advanced degrees.

The Problem

There's no equivalent to the Pell Grant for low-income graduate students.

Loans are often the only federal financial support available for graduate students. When the Pell Grant was created in 1972, Congress designed it primarily as a program to support college access for low-income undergraduate students. That made sense at a time when both high school graduation rates and the number of students enrolling in college were on the rise. Graduate education was a much smaller part of the higher education system and not a major focus of policymakers' attention then, but today the landscape is quite different. Georgetown's Center on Education and the Workforce projects that by 2031, 16% of jobs will require graduate degrees—outpacing those requiring an associate degree. And as graduate education has become more common, so too has the number of former Pell recipients pursuing graduate degrees. Yet the federal aid system still effectively assumes that the financial barriers students faced as undergraduates have disappeared by the time they reach graduate school. For many students, that isn't the case.

Former Pell Grant recipients may face disadvantages in accessing private student loans.

Some graduate students, particularly those with a strong credit history and who are attending programs in a high-ROI fields like health care, will find that the private student loan market offers good financing options for them. On the other hand, students with poor credit, limited credit history, or no willing co-signer are the least likely to be served well by private lenders. Former Pell Grant recipients, millions of whom came from families living in or near poverty, may disproportionately fall into the category of borrowers for whom the private loan market is not a viable option—or they could find themselves targeted by predatory lenders. This creates a double bind for low-income students entering graduate school: they no longer have federal grant aid like the Pell Grant that helped them earn their bachelor's degree, and now they face constrained access to private loans in the wake of Grad PLUS elimination.

Excessive borrowing can reduce low-income students' return on investment and the economic mobility they receive from a graduate degree.

The private market does not have a natural incentive to serve borrowers who are a riskier bet, and for decades, unlimited federal lending for graduate school addressed that gap. Access to safe lending options in this new environment will be important, but unlimited debt cannot be the only solution on offer. Low-income students are also more likely to need to borrow for expenses beyond tuition. Taking on additional debt to cover living expenses like food, housing, child care, and transportation while they are enrolled may be essential to persistence, but it also increases the likelihood that the debt burden will erode the financial returns of the degree, even if they enter high-paying fields. And when low-income students face steeper barriers to entry into professions that require graduate-level credentials and offer strong ROI, those fields will have a smaller, weaker, and more homogenous talent pool in turn.

The Solution

The federal government should strengthen its commitment to Pell Grant recipients and their economic mobility by extending that investment beyond an undergraduate degree. This should be a multipronged effort that involves both expanded grant aid and an assurance of safer loan financing. Such approaches could include:

Allowing students to use remaining Pell Grant eligibility for graduate school.

A student's lifetime Pell Grant eligibility is capped at 12 semesters, or 6 years, of full-time undergraduate study. Many students do not exhaust their lifetime eligibility, notably those who graduate on time or early—a population that likely overlaps with those who would be inclined to pursue and succeed in graduate school. Congress should consider legislation to allow graduate students who received a Pell Grant as undergraduates to use their remaining Pell eligibility toward graduate study. The *Expanding Access to Graduate Education Act*, introduced in the 116th, 117th, and 118th Congresses, takes this approach while integrating an income eligibility cap for participants.

Increasing lifetime Pell eligibility and opening it up for graduate programs.

Increasing lifetime eligibility would go one step further than allowing students to maintain their unused Pell eligibility for graduate school. A full-time undergraduate who completes a bachelor's degree in four years would have two unused years of eligibility to tap into—which could support a one- or two-year master's degree program or a shorter graduate credential. By increasing the eligibility to 14 semesters (7 years) or even 16 semesters (8 years), Congress could ensure that low-income students can access additional grant aid to offset the costs of longer advanced degrees. The *Pell to Grad Act*, introduced in the 118th and 119th Congresses, would extend lifetime Pell limits to 16 semesters and allow eligibility for graduate programs.

Creating an FHA-style graduate student loan program for former Pell recipients.

Grant aid—which does not require repayment—is the ideal form of financial assistance for helping low-income students access valuable graduate education opportunities. Still, loans will remain part of the financing equation for many students. The goal for policymakers should be to protect students who lack access to affordable private credit without reopening the challenges of unlimited federal lending that characterized Grad PLUS. One option is to use the Federal Housing Administration's (FHA) mortgage insurance model as a framework for sharing risk with private lenders.

FHA loans are issued by approved private lenders and insured by the federal government. This reduces lenders' exposure to losses while expanding access to mortgage credit for borrowers who may otherwise have difficulty qualifying for conventional financing, including many first-time and lower-income homebuyers. The loans typically require lower down payments and offer more favorable terms than traditional mortgages.

A similar structure could be adapted for graduate student loans. Federal Student Aid or the Department of the Treasury could administer a targeted program for low-income graduate students, with eligibility tied to prior Pell Grant receipt. Approved private lenders would originate and service the loans, while the federal government would insure a portion of the lender's losses in the event of default.

To limit federal exposure, the guarantee could cover only a portion of the loan balance, and borrowers could be required to exhaust their unsubsidized federal loan eligibility before accessing the program. Program participation requirements should be consistent with the new eligibility standards for federal student loans—meaning that students could only use the loans to attend graduate programs that pass the bachelor's-degree earnings standard established in federal law. By targeting assistance to students with a demonstrated history of financial need and sharing the risk with private lenders, this type of program could expand access to affordable graduate financing without recreating unlimited federal lending.

Critiques and Responses

We're on the precipice of a major Pell Grant funding shortfall. Wouldn't allowing Pell to be used for graduate school make things worse?

Fixing the Pell shortfall must be a top priority for federal legislators. Cutting grant awards or existing eligibility is an unacceptable failure of the nation's highest-need students, and Congress must act to ensure funding remains stable and obligations to Pell-eligible undergraduates are met. But more than simply filling the shortfall is needed. The Pell Grant has lagged inflation for so long that its purchasing power has been significantly eroded: while in the 1970s the maximum award covered 80% of the costs of attending a public college, today it barely covers a third. It is well past time for lawmakers to make a major reinvestment in Pell Grants—like doubling the maximum grant or moving the program to fully mandatory funding to protect against future cuts.

A broader redesign should also consider how the program's goals have evolved over time. Pell Grant funding is now available for very short-term career training programs, reflecting a shift in the priorities of federal financial aid. In addition to a heightened focus on workforce preparation, trends indicate that more career paths will demand graduate-level training in the coming decade. Allowing Pell Grant recipients to use remaining funds for advanced degrees would both promote alignment across postsecondary credential types and clarify a forward-looking vision for the federal role in supporting low-income students.

Isn't the whole point of recent reforms to get the government out of graduate lending?

Yes and no. While the Grad PLUS lending program has been sunset, the federal government still offers graduate student loans through the Direct Unsubsidized Loan program. Grad PLUS had become a particular sore spot: uncapped federal lending and a lack of institutional accountability for cost and outcomes fueled a moral hazard that ultimately led to its repeal. The private market can and should fill part of the resulting gap, but it won't serve all students evenly. This proposal would target loan assistance to the students who are most likely to have to choose between not attending graduate school at all or taking out loans with risky terms to cover tuition and make ends meet. Through the Pell Grant program, the federal government has already demonstrated its longstanding investment in helping these students succeed in their educational goals, and additional grant support for their graduate studies would represent a further fulfillment of that commitment.

Would an FHA-style loan program expose taxpayers to losses?

No lending program is without risk, but by design, this program would have lower exposure than direct federal lending like Grad PLUS because private lenders would share the credit risk. And unlike the former Federal Family Education Loan (FFEL) program, which guaranteed nearly all of a private loan's principal and interest against default and was broadly available to student borrowers, an FHA-style approach would limit government and taxpayer exposure by insuring only a set portion of the lender's losses and targeting eligibility to a subset of students with demonstrated financial need. Graduate students are, on the whole, less likely to default on their loans. Eligibility restrictions tied to the federal earnings standards would also help ensure that students are borrowing to attend programs that meet a baseline level of quality, further reducing the chance of nonrepayment or delinquency.

Conclusion

Pell Grants have helped millions of students overcome financial barriers to attending college, but that investment ends before many students reach the advanced credentials required to enter some of the highest-return professional opportunities. Congress should build on its longstanding commitment to low-income undergraduate students by allowing former Pell Grant recipients to use remaining or expanded Pell Grant eligibility for graduate study, and by creating safer pathways to credit for students who need to borrow but will be boxed out of the private market. These approaches would focus federal support on the students who need it most while avoiding a return to the pitfalls of uncapped Grad PLUS.