

PUBLISHED DECEMBER 16, 2025 *30 minute read*

Financing Graduate Training for the Next Generation

The passage of the *One Big Beautiful Bill Act* (OBBBA) put an end to two decades of virtually unlimited access to federal loans for graduate study by axing the Graduate PLUS (Grad PLUS) loan program. Beginning in 2026, graduate and professional programs will be delineated into separate categories, with each subject to distinct lending limits. Borrowers will be able to take out \$20,500 annually and \$100,000 total in federal unsubsidized loans for graduate degrees (broadly, master's and academic doctoral degrees), or \$50,000 annually and \$200,000 total for professional degrees (those in law, medicine, dentistry, and similar fields).

The fact that these caps were passed through partisan reconciliation legislation should not obscure that both parties have long recognized the need to impose downward pressure on college costs and graduate lending. Today, one-fifth of borrowers have more than \$100,000 of student loan debt, and graduate students hold most of the \$1.7 trillion federal student loan portfolio despite making up less than a quarter of borrowers.¹ This was simply not sustainable, and while budget reconciliation was the bluntest tool through which to make updates to the loan program, the changes in the OBBBA now present an opportunity to powerfully redesign the broken system of financing graduate training.

Some Democrats have reacted to the passage of OBBBA with a call to simply restore Grad PLUS loans. Not only is this unlikely to occur, but reverting to a flawed mean would be a mistake. Yes, there are details in the legislation that must be addressed. (For one, lending caps will need to be adjusted for inflation to maintain appropriate purchasing power over time.) But make no mistake: Grad PLUS is over. Protecting students and taxpayers from the risk of unlimited borrowing is the right decision. Wasting the opportunity to leverage this moment of change into long-term improvements to how students pay for graduate school would be the wrong one.

We're on the cusp of a new normal. Federal loans will still be one piece of the funding puzzle for graduate students, and private loans will assume a greater market share—but the goal should not be to simply fill in the Grad PLUS gap with other loans. It should be to promote a broad, sustainable ecosystem of financing options that put graduate training in reach for students of all backgrounds without saddling them with a lifetime of debt.

The dual imperative to produce the advanced degrees needed to fuel the American workforce and ensure that students no longer bear all the risk associated with costly graduate training demands that federal and state governments, universities, employers, philanthropy, and the private market each pull their weight in offering a mix of loans with reasonable terms *and* grant aid that does not need to be repaid and is targeted to support in-demand degrees. This report unpacks opportunities to improve the system by promoting sustainable long-term financing models for graduate-level training, along with the imperatives for policymakers.

The Status Quo

Roughly half (48%) of graduate students borrow federal student loans, with just 16% making use of Grad PLUS loans, and the median debt among completers who borrow is \$70,000. ² This indicates that a significant portion of students self-fund their studies to some degree, be that through personal earnings, savings, and/or family support. Academic doctorates are a notable outlier, with many Ph.D. students receiving partial or full funding from their institutions, often through a combination of scholarships, fellowships, and assistantship programs.

The federal changes to graduate lending are substantial, but most borrowers won't feel dramatic effects. Fewer than one in five borrow from the now-extinct Grad PLUS program to begin with, and the new limits will remain sufficient to cover costs for a significant portion of master's degrees, which make up more than 80% of the graduate degrees awarded each year. ³

Given that reality, this report will not speculate on further changes to federal lending and will assume that some level of self-funding will continue to be the norm. We will instead consider other funding mechanisms with high potential to fill gaps in financial aid left by changes in federal lending.

Non-Federal Loans

State Loan Programs

The Opportunity: State loans for graduate programs can be targeted to address regional workforce shortages and serve the unique needs of residents. With many students skeptical of private lending, states can offer a trusted alternative with better rates and repayment options than the private market.

Policymakers' Imperative: States with graduate loan programs can look to expand or refine eligibility, while those without should assess whether they can offer a competitive product and identify high-demand fields that require graduate training and may be at risk of shortages without new sources of funding.

Seventeen states have implemented state loan programs to help residents finance their education, and in 16 states, students can use them for graduate programs. State loans often have lower interest rates and better repayment terms than private loans, offering an advantage to borrowers. State leaders can shape programs to support their learners, strengthen their workforce, and set eligibility and loan limits that make sense for their budgets.

States can tailor program eligibility criteria and borrowing limits to meet their populations' needs. Every state that currently has a loan program for graduate education has some age, institution, citizenship, and residency requirements. But states can tweak eligibility to meet students' and workforce needs. For example, some loans are only available to state residents, while others partner with neighboring states to make loans accessible for more students. Texas residents, for example, can access Oklahoma Higher Education Loan Program (OK HELP) loans if they attend a graduate program in neighboring Oklahoma. ⁴ This special eligibility recognizes that students are mobile and may need to cross state lines for the right graduate training and benefits workforce development and employers in Oklahoma.

Beyond residency requirements, states can offer loans for specific programs to help meet workforce demands in certain fields. The Kansas Medical Student Loan, which provides loans to University of Kansas medical students pursuing primary care or psychiatry, offers one such example. ⁵ As a condition of borrowing, students must practice medicine full-time in Kansas after their residency for twelve months for each year the loan was received. ⁶ The program is funded by the state and enjoys continued support from the legislature, as it helps to address Kansas's shortage of primary care doctors and psychiatrists. ⁷ Other states struggling to fill in key jobs that require graduate education, like nurse practitioners or social workers, could leverage a similar model.

Additionally, states get to decide their own loan limits. Maximum borrowing amounts range considerably from state to state. In North Dakota, graduate students can take out a maximum total of \$60,000 to finance their education, while those in Pennsylvania can borrow up to \$300,000. ⁸ States could theoretically adjust borrowing limits based on the program of study, program length, and the numbers of students who want to access a loan. These decisions are customizable for every state, allowing leaders to support their students while working with the resources they have.

State loan programs also generally offer better interest rates for students in comparison to the private market. Arkansas Education Loans have a fixed interest rate between 2.95% and 6.42%, and Minnesota's 10-year repayment plan has a fixed 5.95% rate, for example, though other states have slightly higher ranges. Private rates vary more significantly and typically have variable rates, meaning they are subject to change over time. ⁹ This year, Sallie Mae offered variable loans with interest rates between 4.37% and 16.99%, and College Ave's went up to 17.99%. ¹⁰ Many state loan programs offer more appealing fixed rates for students, and some even have better interest rates than traditional Grad PLUS loans from the federal government, which have an interest rate of 8.94% this year.

Each state structures and funds its graduate loan program differently. Some direct a state agency to oversee the loans, while others outsource the management to non-profit

organizations. Funding sources for the loans also vary, though bonds and public trusts are particularly popular options. Arkansas, Kansas, Maine, New Jersey, and North Dakota also have state entities that oversee their graduate loans. In Alaska and Minnesota, state agencies oversee the loan programs. Minnesota graduate students can access low-interest, long-term Student Educational Loan Fund (SELF) loans, which are administered by the Minnesota Office of Higher Education and financed by revenue bonds.¹¹ The Alaska Commission on Postsecondary Education administers its student loans, which are funded by tax-exempt bonds.¹² Before 1987, Alaska supported the program with state funding, but when that was no longer a stable option, the state pivoted to bonds—a lesson new entrants should consider, given projected constrictions in state funding for higher education.¹³

Eight states—Connecticut, Kentucky, Louisiana, North Carolina, Oklahoma, Pennsylvania, Rhode Island, and Vermont—outsource the management of their loan programs to non-profit organizations. Many of the non-profits are established in statute by the state legislature to support college affordability.¹⁴ For example, the Rhode Island Student Loan Authority (RISLA), a “non-profit quasi-state organization” has since 1981 provided low-interest loans for residents funded by tax-exempt bonds.¹⁵ Oklahoma’s OK HELP loans are funded by the Oklahoma Student Loan Authority, a public trust created in 1972 by the state legislature that benefits the state, and the trust does not receive appropriated state funds.¹⁶

State legislatures can craft programs to fit the state’s capacities and funding sources. Some agencies may have the capacity to oversee loan programs themselves, while it makes sense for others to partner with a non-profit organization. Bonds and public trusts are another route for state leaders to consider if they cannot appropriate funds for loans in their budgets. Regardless of the funding source, state-based graduate loans can meet workforce demand and serve residents who may struggle to afford graduate education or otherwise only have access to predatory private loans.

Private Loans

The Opportunity: For some students in some fields—particularly the highest-cost programs with the highest return on investment, like medicine and law—private loans may offer competitive or even superior rates and terms.

Policymakers’ Imperative: Congressional committees will need to collaborate across jurisdictions to update federal laws and regulations that provide oversight and protection for private student loan borrowers.

Only about 5% of graduate students currently hold loans from private lenders.¹⁷ That figure will certainly tick up in the years ahead, but access to private lending is not

guaranteed: private lenders have steeper standards than the federal government, and not all borrowers will qualify. Inability to pass a credit check or provide a qualified co-signer could pose barriers, as could the return on investment prospects for different types of graduate degrees.

Students in very expensive programs where the cost of attendance far exceeds the annual limits are those most likely to turn to the private market to fill in financing gaps. Private lenders will be loath to lend money to borrowers with low future ability to repay, so students in high-cost programs that have poor return on investment may be unable to procure private loans. On the other hand, borrowers pursuing programs—even extremely expensive ones—that set them up for high-paying jobs will be more appealing to private lenders. Medical doctors typically graduate owing more than \$200,000 in debt (earning a medical degree can cost more than \$300,000 at public universities and \$400,000 at private universities) but have high income potential and low default rates.¹⁸ Similarly, law school students borrow about \$120,000 for their degree but default at a rate of less than 2%, positioning them as a reliable constituency for private lenders looking to capitalize on recent policy changes to expand their footprint in student loans.¹⁹

Indeed, private lenders have not been shy about their appetite for capturing newly available market share. Sallie Mae, one of the largest private student lenders, has stated it anticipates a gain of \$4.5–5 billion each year in loan originations and recently announced a private equity partnership to expand its origination and servicing capacity.²⁰ Prior to the bill's passage, the CEO of SoFi told investors that should Congress limit Grad PLUS, the lender would “absolutely capture that opportunity” and would “be very happy to step in for the government.”²¹

Still, private and federal loans are very distinct financial products. In addition to lower interest rates, federal student loan borrowers benefit from income-driven repayment plans, loan forgiveness programs, and critical safeguards like borrower defense to repayment and total and permanent disability discharges that private loans currently lack. Market demand may incentivize private lenders to offer competitive rates, better servicing practices, and more flexible repayment terms that will serve some graduate students well. However, federal and state policymakers must still act promptly to address the significant risks in private lending and protect borrowers from exposure to predatory practices as new loan limits take effect. Congress should revisit and modernize statutory requirements for transparency and consumer protections. This should include tighter rules governing the marketing and advertising of co-branded private student loan products and preferred lender arrangements between creditors and institutions, as well as strengthened requirements for mandatory disclosures of interest rates, fees, and repayment terms. Federal and state policymakers, including state attorneys general, should also ensure

adequate enforcement capabilities for deceptive or discriminatory lending practices and consider what additional protections related to non-bank lenders, new financial products, and data sharing and privacy may be needed to address emerging concerns.

Several different pieces of federal legislation touch on private lending and stipulate existing baseline protections for private student loan borrowers—among them, the *Truth in Lending Act*, the *Dodd-Frank Act*, the *Fair Credit Reporting Act*, and the *Equal Credit Opportunity Act*. These laws fall primarily under the jurisdiction of the House Financial Services Committee and the Senate Banking Committee—not the education committees in either chamber—meaning that cross-committee collaboration will be necessary to make any updates to better protect borrowers in the private student loan market.

Dodd-Frank established the Consumer Financial Protection Bureau (CFPB) and mandated the position of a Private Education Loan Ombudsman within the agency to provide information to private student loan borrowers and review and investigate borrower complaints. The Trump Administration has significantly crippled the CFPB, including terminating the Private Education Loan Ombudsman in early 2025.²² The position remains unfilled. This undercuts the primary federal recourse available to private loan borrowers, exposing them to heightened risk while weakening incentives for predatory private lenders to comply with the law. To create and maintain conditions in which graduate students can responsibly access the advantages of a competitive private loan market, policymakers should ensure that enforcement agencies, including the CFPB, have the authority and capacity to fulfill their mandates.

Outcomes-Based Financing Products

The Opportunity: Well-structured income-share agreements and outcomes-based loans can offer responsive alternative financing for graduate programs.

Policymakers' Imperative: Federal and state policymakers should refine regulatory frameworks so providers are held accountable, and borrowers can benefit from innovative outcomes-based financing products with fair terms and adequate consumer protections.

Outcomes-based financing (OBF) products are alternative loans for which repayment terms are linked to specific outcomes—in the case of higher education, typically post-program earnings. Outcomes-based student loans are often referred to as Income Share Agreements (ISAs). Like traditional loans, amounts borrowed through an ISA must be repaid. Unlike traditional loans, payment amounts are tied to the borrower's earnings, and payments are only required once the borrower surpasses a set income level. The borrower's obligation is fulfilled once they either make a minimum number of payments or repay a maximum dollar amount, which may exceed the amount they borrowed.

ISAs can reduce financial risk for students: the loan does not accrue interest, payments are not required if earnings are too low, and if earnings remain suppressed over time, the total repayment amount may even be less than what was borrowed. The loan design can also incentivize investors and OBF providers to focus on strong earnings outcomes and target eligibility accordingly—in turn, helping students identify and pursue credentials of value. Examples of ISA and OBF products serving the higher education market (predominantly undergraduates) include the “Back a Boiler” ISA fund run by Purdue University between 2016 and 2022, the “Invest in U” ISA pilot run by the University of Utah between 2019 and 2023, and Student Education Funds offered by the non-profit provider Better Future Forward.²³

Two common critiques of ISAs have been the lack of transparency offered by some providers in marketing and explaining the products—including refusals to call ISAs “loans” (which they are)—and the risk of predatory terms, particularly for high-earning borrowers who may end up with large unaffordable payments or repaying significantly more than they originally borrowed. These are valid critiques, and it is of utmost importance that borrowers considering ISAs or OBF products clearly understand that they are, indeed, loans, and what the accompanying repayment terms will look like for them. Still, well-designed and sufficiently protective ISAs can offer borrowers distinct benefits and introduce productive market forces that reward positive program outcomes into the student lending space. For graduate students pursuing advanced study to drive up their earnings, an OBF loan could offer a smart alternative to high-interest private loans where additional capital is needed to fill in gaps in a financial aid package or to complement self-funding in lieu of borrowing a federal or private loan at all.

Rather than ignoring ISAs due to potential risk, policymakers should exercise their privilege to appropriately regulate OBF loan products so that they can be paired with other loan and grant aid options to fulfill a student’s cost of attendance. Lack of congressional action won’t serve to delegitimize ISAs—it will just mean the ISAs that exist and continue to proliferate will be less safe for borrowers. Federal legislation on OBF loans should ensure that institutions and providers participating in these programs must follow the same requirements related to preferred lender agreements, marketing and advertising conditions, and mandatory disclosures that are in place for traditional private education loans. It should also consider appropriate interplay with other student loan repayment options, such that students borrowing from multiple sources will not find themselves in a situation where most of their income is going to various student debt payments.

As the ISA and OBF markets evolve, the CFPB should be engaged in oversight and enforcement capacities to ensure borrowers have reasonable avenues for recourse if their provider engages in misconduct, and states should be empowered to layer on additional

consumer protections to hold providers accountable. Earlier this year, Illinois became the first state to pass a bill regulating ISAs, which can provide a model for thoughtful engagement around these issues for other states and Congress.²⁴

Employer Investment

Employer-Sponsored Training

The Opportunity: As primary beneficiaries of well-trained graduate students, employers can and should play a larger role in offsetting the costs of graduate study.

Policymakers' Imperative: For employer-sponsored training models to take hold, policymakers should consider tax incentives or other structures by which to promote cohesive pipelines that benefit both workers and employers.

This model involves an employer directly covering the costs of an employee's advanced degree, often requiring a commitment to remain with the employer for a specified period post-graduation. A common variant is the "scholarship-for-service" model, where tuition and other costs are covered in exchange for guaranteed employment. Tuition assistance can be a meaningful recruitment and retention tool for employers. One 2024 workforce survey found that 87% of workers believe their employer should be investing in their continued education and that those whose employer offered a tuition assistance benefit felt more valued at work.²⁵

There are many examples of employer-tuition benefit programs in the private sector, where tuition is covered as an employment benefit by large employers like Walmart, Macy's, Chipotle, and Amazon. In these cases, eligibility for specific courses is typically restricted by the employer, but in theory, these benefit programs could be designed to fund employees' advanced graduate training. A tuition assistance program geared toward graduate training could be particularly well-suited for fields in which a post-baccalaureate degree is required for advancement—such as teaching, school administration, social work, or nursing. For example, some school districts offset or cover the cost of teachers pursuing a master's degree.

With both public and private sector employer-sponsored training, students should carefully review the fine print and weigh the benefits and obligations. For example, some employers may utilize contractors that receive financial kickbacks for steering students into certain programs, and oftentimes tuition benefit programs require students to use up all federal or state grants for which they are eligible (like Pell) before any payment from the employer kicks in. Finally, most employer-sponsored training programs come with an employment obligation the student must fulfill, regardless of the state of the job market. Failure to fulfill

an employment obligation typically converts the employer's sponsorship into a loan. Students should therefore be wary of programs that come with employment obligations but do not include assurances or assistance in securing the relevant employment.

Corporate-academia partnerships are another way for employers to fund graduate training. In this case, employers collaborate with universities to both support trainees and provide input into training programs. A point of consideration is whether employers should provide training solely through institutions that have missions beyond specific workforce development, though sustained collaborations (over transactional interactions) could mitigate that concern. This may be best achieved via consortia or advisory boards that can provide input on skills needed in the workforce, especially in rapidly changing technology fields.²⁶ Such a board can help universities design and evolve curricula and facilities to ensure students are learning with the most recent technologies. For corporations, this creates a pipeline of job-ready graduates who require minimal additional training, offers access to faculty research, and allows for mentorship opportunities for students through projects and internships. These sorts of partnerships should be driven by clear principles around intellectual property, facility and infrastructure management, and mutual benefits.

The federal government has also sponsored employee training in some fields. For example, the Department of Defense scholarship for STEM graduate students covers tuition, provides a stipend, and requires subsequent employment in a DoD lab; and the Office of Personnel Management's CyberCorps initiative provides scholarships to undergraduate and graduate students in exchange for a commitment to work in cybersecurity for the federal government.

Degree Apprenticeships

The Opportunity: Degree apprenticeships can transform graduate education and workforce training through scalable earn-and-learn models that simultaneously lower educational costs for trainees and strengthen talent pipelines for employers.

Policymakers' Imperative: Leverage bipartisan appetite for expanding apprenticeship to incentivize the creation and scaling of graduate and professional degree apprenticeships in more fields.

Apprenticeships, in the context of graduate education, involve a structured partnership where an employer plays a central role and the government provides validation and support. Conceptually, the apprenticeship model aligns naturally with graduate training. Existing structures like research and teaching assistantships already function similarly by providing in-field work experience alongside experts, in exchange for wages and/or tuition coverage.

Graduate-level apprenticeships would formalize and expand this approach to bachelor's degree holders pursuing advanced credentials. Examples from universities abroad illustrate how it could work. For example, England and Wales offer “degree apprenticeships” that last between three and six years where employers cover tuition fees and pay the apprentice a salary. Similarly, Scotland's graduate apprenticeship program is orchestrated with heavy involvement from employers in high-demand sectors like engineering and data science, many of whom use the program for talent recruitment. Across the UK, employers report high retention rates of employees recruited through the apprenticeship pipelines.²⁷ Even so, there are equity concerns with the programs' designs that could limit the ability of students from low-income backgrounds to participate, since they are highly competitive and apprentices in these programs are ineligible for student loans.

In the United States, “registered apprenticeships” are governed by the Department of Labor and can include graduate-level roles, though the use of this structure in graduate training programs is uncommon. Registered apprenticeships are required to meet set standards for instructional hours and training timelines, promoting a baseline level of quality assurance. They typically focus on industries like technology, health care, and advanced manufacturing, with varying program lengths and potential tuition support. Innovative uses of the registered apprenticeship program are emerging, such as a recent collaboration between the Departments of Labor and Education to widen the pathway into K-12 teaching. Both parties have expressed an interest in expanding the role of apprenticeship opportunities in workforce training. Strong partner relationships between participating employers and training providers are foundational to scaling the apprenticeship model successfully, and the United States lags notably behind other countries, particularly those in Europe, in establishing the infrastructure for such growth at scale. As policymakers continue to focus on apprenticeship development, they should consider how federally supported models targeted toward core graduate-level training needs may deliver significant returns for students, employers, and the national economy.

Institutional & Philanthropic Strategies

Funding from Professional Associations

The Opportunity: Professional associations can leverage deep in-field connections to expand scholarship opportunities for graduate training.

Policymakers' Imperative: Policymakers should consider tax incentives for donations to associations for specific scholarship funds, tax credits to associations for funds directed to graduate students, and designating associations as official distribution partners for federal graduate fellowship funds.

Professional associations—organizations that convene and represent professionals working in a particular field—are well-positioned to understand and address the needs of graduate students and practicing professionals. Their industry-wide focus gives them a comprehensive view of trends and skill requirements, allowing them to identify the specific educational and financial support required by those in and those who wish to enter the profession. Associations serve an entire profession rather than a single company's agenda, so they can also offer training and graduate student support that is impartial and trusted for its credibility.

For graduate students, associations can guide students toward and even directly provide financial support and research and training opportunities that are responsive to a field's demands. Some associations provide grants, fellowships, and awards like dissertation research grants or financial support for attending academic conferences, both of which are vital for advancing the field and for professional network development. For example, the American Psychological Association and the American Educational Research Association provide funding for doctoral dissertation research support. ^[28] The American Society for Engineering Education has historically administered comprehensive funding programs for graduate students, and the American Dental Association coordinates a scholarship program and offers access to student loan refinancing. ^[29] Such in-field, targeted support helps develop new generations of professionals.

Associations also support the ongoing training and development of established professionals. Most are hubs for continuous education through conferences, workshops, and seminars that help members stay current with emerging technologies and methodologies. ^[30] Associations can also play a role in maintaining professional standards by providing input into licensing and credential requirements. While the focus on direct financial support for graduate students is currently inconsistent across different associations, their existing infrastructure for professional development highlights their potential for taking on a central role in identifying needs, advocating for resources, and administering comprehensive support programs for current and aspiring professionals.

Philanthropic Support

The Opportunity: Institutions and non-profit organizations can target philanthropic grant and scholarship dollars toward graduate students.

Policymakers' Imperative: Creating new tax credits for individuals and organizations that support graduate students through scholarships would incentivize private investment needed to sustain talent pipelines.

Graduate and professional training programs are an essential yet vulnerable pipeline for innovation and expertise in society. Without sustained financial support, programs face precarity, and would-be students can be deterred from pursuing certain fields if their only option to do so is to take on debt. Individuals and foundations could target donations to students and lessen the individual financial strain of pursuing advanced professional training. Charitable foundations that already directly support graduate and advanced professional students include the Fannie and John Hertz Foundation, the Ford Foundation, and the Spencer Foundation. Such foundation-based programs are highly competitive and fund a small share of graduate students. Yet they offer a model for how to effectively target and connect more students to grant opportunities fueled by philanthropy. Estimates indicate that \$100 million in available scholarship dollars go unclaimed each year—pointing to a clear interest on the part of donors and non-profit organizations to invest in American students, but a limited infrastructure to link qualified candidates with available funding. ^[31] New federal tax credits could both incentivize organizations to provide scholarships to students and individuals to donate to scholarship-granting organizations that support advanced professional students. ^[32] A national clearinghouse for scholarship information and application processes could also help address information gaps for students and improve the take-up of available philanthropic funding.

Pay-it-Forward Funds

The Opportunity: Revolving loan programs can support students in filling financial aid gaps while bolstering trust in higher education and a sense of community and belonging within individual institutions.

Policymakers' Imperative: Congress could provide seed funding or tax incentives to help colleges and universities establish and scale self-sustaining, pay-it-forward revolving loan funds to expand student access.

Pay-it-forward funds operate as revolving loans: an initial pool of capital, typically funded by public or philanthropic dollars, is lent out, and borrower payments replenish the fund to support additional participants. Colleges and universities could set up pay-it-forward funds to address financial gaps that can force students to drop out. Capital could be seeded by alumni or charitable donations, and programs could be designed provide low- or even zero-interest loans with generous terms, like deferred repayment until a graduate earns a minimum salary. As recipients repay their loans, the money would flow back into the pool, creating a self-sustaining resource for future students.

The benefits of such a program would extend beyond individual students by helping to restore public trust in institutions of higher education while strengthening the campus's community. Examples of well-designed revolving funds that have already supported

students include connections to employers in high-demand fields which, in turn, help repay the loans, such that the funds strategically align educational and financial support with workforce needs. ^[33]

County- or state-level pay-it-forward programs could also offer financing solutions that meet the needs of students at multiple institutions or are targeted to address regional workforce needs. The County of San Diego has recently launched a zero-interest pay-it-forward loan program focused on training and retention for workers in behavioral health fields.^[34] Supported by \$75 million in funding from the state of California, the program is partnering with training programs that prepare licensed clinicians in social work, professional clinical counseling, and marriage and family therapy in its first year in operation. The fund's performance will be evaluated by the University of California San Diego. ^[35] A similarly-structured effort in Colorado provides low- or no-interest loans to students pursuing training for in-demand and high-paying jobs in fields including cybersecurity, information technology, and health care. ^[36] Across initiatives, payments are income-based, and recipients must reach a specified income level—typically at least \$40,000—before a monthly payment is required, establishing a key protection for trainees. Hawaii, Massachusetts, and New Jersey are among other states experimenting with pilot programs of this nature. ^[37]

Government-Subsidized Training Programs

The Opportunity: Direct government support to train professionals in high-demand, high social value fields can lower the cost of entry into high social value careers and ensure essential services remain accessible to the public.

Policymakers' Imperative: Congress could amplify state efforts by providing targeted subsidies to states for in-demand and high-social-value fields.

This category encompasses graduate education funded directly by government entities. It can resemble the employer-funded model when the government acts as the employer (for example, the Department of Defense's scholarship-for-service program).

Internationally, some nations fund graduate training universally through public university systems, where government appropriations support institutional operations and program availability. In the United States, examples of direct federal funding of graduate training include the National Science Foundation's Graduate Research Fellowship, which provides tuition support and a stipend without a post-graduation work requirement. ^[38] The Department of Energy fellowship program funds students in fields like computational

science, and the National Institutes of Health provides training grants for funding biomedical students. ^[39]

States play an important role in understanding where economic growth may be stalled at a local level and could do well with targeted subsidies for in-demand fields. Such funding can stabilize tuition costs for students pursuing careers in high social value and critical shortage fields, reducing the need for trainees to take on personal debt and creating clear pathways to stable, well-compensated employment. Beyond economic returns, targeted state subsidies are vital for supporting fields of high social value that may not offer high market wages but are fundamental to a healthy society. Professions in early childhood education, social work, mental health counseling, and public service can be understaffed because they do not offer compensation that is on par with the investment students must make in their own training and qualifications. States can lower the cost for aspiring professionals to enter these fields and affirm the public good these roles provide. Such investments would bolster the infrastructure of care and civic well-being and cultivate a more equitable community by ensuring essential services remain accessible to all residents.

Federal policymakers should likewise consider how they could supplement state-led efforts to offset the costs of graduate programs that prepare vital community workers but also have high typical training costs and low typical personal financial returns. Such programs will feel the strongest impacts of new federal policies that condition student loan access on program-level earnings outcomes and cap graduate student lending. Time-limited seed funding or competitive grant programs could help create a bridge to ensure community needs do not go unmet during this transition and empower states to take on a larger role in subsidizing such training over time.

Conclusion

The financing landscape for graduate education is—and will increasingly become—a complex patchwork of options for students. Without an unlimited pot of federal loan dollars, the ecosystem simply must evolve. Institutions, private lenders, professional associations, philanthropies, states, and the federal government must each fill a lane to ensure sustainable access to graduate training opportunities that offer strong returns for students and taxpayers.

This fragmentation will inevitably present challenges. Navigating the complex process of enrolling in graduate studies requires substantial time, resources, and information—resources often scarce for first-generation and low-income students. The knowledge gap itself becomes a barrier, as students unaware of professional associations, competitive

fellowships, or apprenticeship opportunities may default to high-debt self-funding routes or potentially exploitative programs or lenders. The antidote to this lies in significantly enhanced and sustained funding to support graduate training without placing the sole financial burden on individual students, and clear, centralized channels of communication to ensure students can access useful information about how to pay for their continuing education.

There has been no shortage of commentary about the downsides and risks of the contraction in federal graduate student lending. But there has not been enough conversation about the upsides and potential for genuine improvement. Ten years from now, we can and should have a functional post-baccalaureate training system in the United States that produces the skilled professionals we need to fuel our economy and does so without locking students into a lifetime of repayment to the federal government. Doing so will require better targeting of grant and scholarship funds; learning from other countries' successful apprenticeship strategies; experimenting with innovative financing models; and braiding government, employer, and private investment in workforce training. Policymakers at all levels and from both sides of the aisle must come to the table to achieve that goal. The choices they make next will determine whether this disruption becomes a setback—or sparks the shift to a more affordable, more effective system for financing professional training.

ENDNOTES



- 1.** Akers, Beth, et al. “A Framework for Reforming Federal Graduate Student Aid Policy.” The Century Foundation, 8 Dec. 2023, <https://tcf.org/content/report/a-framework-for-reforming-federal-graduate-student-aid-policy/>. Accessed 2 Dec. 2025.
- 2.** Elliott, Mia, Casey K. Nguyen, and Ellie Bruecker. “The Graduate Student Loan Borrowing Landscape.” The Institute for College Access and Success, Feb. 2025, <https://ticas.org/wp-content/uploads/2025/02/Graduate-Borrowing-Landscape-Brief-Feb-2025-Updates.pdf>. Accessed 2 Dec. 2025.
- 3.** Kelchen, Robert and Faith Barrett. “Exploring the Growth of Master’s Degree Programs in the United States.” Postsecondary Equity & Economics Research Project, Apr. 2024, https://www.american.edu/spa/peer/upload/peer_masters-degrees_b-2.pdf. Accessed 2 Dec. 2025.
- 4.** Oklahoma Higher Education Loan Program. “Graduate Loan.” <https://okhelp.org/graduate>. Accessed 14 Oct. 2025.
- 5.** Kansas Medical Center. “Kansas Medical Student Loan (KMSL).” <https://www.kumc.edu/academic-and-student-affairs/departments/student-financial-aid/financial-aid/loans/loan-programs/kansas-medical-student-loan.html>. Accessed 14 Oct. 2025.
- 6.** Kansas Medical Center. “Kansas Medical Student Loan (KMSL);” Kansas Medical Center. “The Kansas Medical Student Loan—Primary Care Program.” <https://www.kumc.edu/documents/sfa/KMSL-%20Primary%20Care%20Information%20Sheet.pdf>. Accessed 14 Oct. 2025.
- 7.** Chumley, Heidi M.D. et al. “The Kansas Medical Student Loan Program: A Successful Tuition-Service Exchange Model.” *Academic Medicine*, vol. 85, no. 11, 2010, pp. 1676. https://journals.lww.com/academicmedicine/fulltext/2010/11000/the_kansas_medical_student_loan_program_a.16.aspx. Accessed 14 Oct. 2025.

- 8.** Rhode Island Student Loan Authority. “Student Loans.” <https://www.risla.com/student-loans>. Accessed 14 Oct. 2025; Bank of North Dakota. “DEAL Student Loan.” <https://bnd.nd.gov/education-funding/apply-for-student-loan/deal-student-loan/>. Accessed 14 Oct. 2025.
- 9.** Haverstock, Eliza and Lisa Mulka. “Current Student Loan Interest Rates and How They Work.” NerdWallet, Aug. 2025, <https://www.nerdwallet.com/article/loans/student-loans/student-loan-interest-rates>. Accessed 14 Oct. 2025; Safier, Rebecca. “Fixed or Variable Student Loan: Which Is Better?” U.S. News, Sept. 2025, <https://money.usnews.com/loans/student-loans/articles/are-fixed-or-variable-rate-student-loans-better>. Accessed 14 Oct. 2025; Bruecker, Ellie Ph.D. “Private Student Loans: Facts & Trends.” The Institute for College Access and Success, <https://ticas.org/wp-content/uploads/2023/12/Private-Student-Loans-Facts-and-Trends.pdf>. Accessed 14 Oct. 2025.
- 10.** Safier, Rebecca. “Fixed or Variable Student Loan: Which Is Better?” U.S. News, Sept. 2025, <https://money.usnews.com/loans/student-loans/articles/are-fixed-or-variable-rate-student-loans-better>. Accessed 14 Oct. 2025.
- 11.** Minnesota Student Loan. “State Loan Option: SELF Loan.” [https://www.ohe.state.mn.us/Documents/Publications/2023-24/OHE Loans 2023-24.pdf](https://www.ohe.state.mn.us/Documents/Publications/2023-24/OHE%20Loans%2023-24.pdf). Accessed 14 Oct. 2025; Minnesota Student Loan. “SELF Loan.” <https://selfloan.mn.gov/selfloan>. Accessed 14 Oct. 2025.
- 12.** Alaska Commission on Postsecondary Education. “Alaska Commission on Postsecondary Education & Alaska Student Loan Corporation.” <https://acpe.alaska.gov/About>. Accessed 14 Oct. 2025.
- 13.** Alaska Commission on Postsecondary Education. “Alaska Commission on Postsecondary Education & Alaska Student Loan Corporation.” <https://acpe.alaska.gov/About>. Accessed 14 Oct. 2025.

14. CHESLA. “In-School Loan Program.” <https://chesla.org/loan-basics/>. Accessed 14 Oct. 2025; KY Advantage Education Loan. “The money you need for college is right here in Kentucky.” <https://www.advantageeducationloan.com/ael/kael/homepage.faces>. Accessed 14 Oct. 2025; Louisiana Education Loan Authority. “About Lela.” <https://lela.org/#about>. Accessed 14 Oct. 2025; Oklahoma Higher Education Loan Program. “Graduate Loan.” <https://okhelp.org/graduate>. Accessed 14 Oct. 2025; PHEAA. “PA Forward Graduate Loan.” <https://paforward.pheaa.org/grad?Referrer=PHEAA>. Accessed 14 Oct. 2025; Rhode Island Student Loan Authority. “Student Loans”; VSAC. “VSAC Student Loan Details.” <https://www.vsa.org/pay/student-aid-options/loans/vermont-advantage/student>. Accessed 14 Oct. 2025.
15. Rhode Island Student Loan Authority. “Who we are.” <https://www.risla.com/about>. Accessed 14 Oct. 2025.
16. Oklahoma Higher Education Loan Program. “Graduate Loan.” <https://okhelp.org/graduate>. Accessed 14 Oct. 2025.
17. Equity in Higher Education. Race and Equity in Higher Education. *Equity in Higher Education*, 21 May 2024, https://www.equityinhighered.org/wp-content/uploads/2024/05/REHE2024_Full_Report.pdf. Accessed 2 Dec. 2025.
18. Scott, Bruce. “Federal student-loan changes would worsen physician shortage.” American Medical Association, 03 Jun. 2025, <https://www.ama-assn.org/about/leadership/federal-student-loan-changes-would-worsen-physician-shortage>. Accessed 2 Dec. 2025.
19. “Rethinking Law School Financing.” *The Practice*, Center on the Legal Profession, Harvard Law School, Sept./Oct. 2023, <https://clp.law.harvard.edu/knowledge-hub/magazine/issues/student-debt/rethinking-law-school-financing/>. Accessed 2 Dec. 2025; Stetz, Mike. “Law school loan default rates low, with median below 2%.” *The National Jurist*, <https://nationaljurist.com/law-school-loan-default-rates-low-median-below-2/>. Accessed 2 Dec. 2025.

- 20.** Place, Nathan. “After weak quarter, Sallie Mae foresees big beautiful future.” *American Banker*, 25 Jul. 2025, <https://www.americanbanker.com/news/after-weak-quarter-sallie-mae-foresees-big-beautiful-future>. Accessed 2 Dec 2025.
- Place, Nathan. “Sallie Mae joins forces with private equity giant KKR.” *American Banker*, 12 Nov. 2025, <https://finance.yahoo.com/news/sallie-mae-joins-forces-private-212901965.html>. Accessed 2 Dec. 2025.
- 21.** Brown, Dalvin. “The Federal Government Is Retreating From Student Lending.” *The Wall Street Journal*, 13 Jul. 2025, https://www.wsj.com/personal-finance/trump-student-loans-tax-spending-bill-9dfc96eb?st=6GrrWs&reflink=desktopwebshare_permalink. Accessed 2 Dec. 2025.
- 22.** Minsky, Adam S. “Trump Administration Dismantles Key Student Loan Protections.” *Forbes*, 6 Mar. 2025, <https://www.forbes.com/sites/adamminsky/2025/03/06/trump-administration-dismantles-key-student-loan-protections/>. Accessed 2 Dec. 2025.
- 23.** “Back a Boiler – ISA Fund.” Purdue University, <https://purdue.edu/backaboiler/>. Accessed 2 Dec. 2025; Adams, Brooke. “Invest in U.” The University of Utah, 25 Jan. 2019, <https://attheu.utah.edu/facultystaff/invest-in-u/>; “Learn About Our Student Education Funds.” Better Future Forward, <https://www.betterfutureforward.org/student-education-funds>. Accessed 2 Dec. 2025.
- 24.** Pollack, Ethan and Megan Soetaert. “Illinois Passes Landmark Bill Regulating Income Share Agreements.” *Jobs for the Future*, 11 Sept. 2025, <https://www.jff.org/blog/illinois-passes-landmark-bill-regulating-income-share-agreements/>. Accessed 2 Dec. 2025.
- 25.** “Realizing and Unlocking the Strategic Value of Tuition Assistance Benefits.” Harvard Business Review Analytic Services, 26 Mar. 2024, <https://hbr.org/sponsored/2024/03/realizing-and-unlocking-the-strategic-value-of-tuition-assistance-benefits>. Accessed 2 Dec. 2025.
- 26.** Strategic Education, Inc. “Upskilling Survey.” May 2024, <https://www.upskillingsurvey.com/>. Accessed 2 Dec. 2025.

- 27.** McSwigan, Curran and Frank Avery. “What Five Countries Can Teach America About Apprenticeships.” Third Way, 30 Oct. 2025, <https://www.thirdway.org/report/what-five-countries-can-teach-america-about-apprenticeships>. Accessed 2 Dec. 2025.