

# Federal Student Loan Limits

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What are the potential benefits of lowering federal student loan limits?

# Potential benefits of lowering loan limits

Prevent payment difficulties, delinquencies, defaults

Limit spillovers to other financial markets

Hold down tuition increases

# Potential benefits of lowering loan limits

Prevent late payments, delinquencies, defaults

Limit spillovers to other financial markets?

Hold down tuition increases?

What about the federal budget?

What are the potential costs of lowering federal student loan limits?

# Potential costs of lowering loan limits

Shift borrowing to more costly forms of debt

Reduce attainment

# Potential costs of lowering loan limits

Shift borrowing to more costly forms of debt?

- Undergraduates who have unmet need and forgo federal loans are **33% more likely to use a credit card** to cover tuition and fees (*2016 NPSAS*)

# Potential costs of lowering loan limits

Shift borrowing to more costly forms of debt

## Reduced attainment?

- Community college students attempted and earned **fewer credits**, received **worse grades**, and were less likely to transfer to a BA program when **not offered loans**  
*(Turner & Marx 2019)*
- **Reductions in persistence and degree completion** when community colleges **opt-out of federal loan programs**  
*(Dunlop 2013; Wiederspan 2016)*



How are institutions and governments responding?

# Responses by institutions and governments

Institutions have focused almost exclusively on efforts to reduce borrowing:

- Opting-out of federal loan programs
- Not offering loans in aid award letters
- “Know your debt” letters
- Comprehensive debt reduction initiatives

Limited experimentation with allowing colleges to reduce borrowing limits at federal level, numerous policy proposals

# THANK YOU

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