Department of Education

STUDENT LOANS OVERVIEW

Fiscal Year 2025 Budget Proposal

CONTENTS

Federal Family Education Loan Program (FFEL)
(Higher Education Act of 1965, Title IV, Part B)

William D. Ford Federal Direct Loan Program (Direct Loan)
(Higher Education Act of 1965, Title IV, Part D)

(dollars in thousands)

FY 2025 Authorization: Indefinite

Mandatory Budget Authority:

	2024 Annualized CR	2025 Request	Change
Net Loan Subsidies:			
DL Net New Loan Subsidy	$32,986,256	$42,266,917	$9,280,661
DL Net Reestimate[1]	64,160,384	0	-64,160,384
DL Net Modification	0	0	0
DL Total Net Subsidy	97,146,640	42,266,917	-54,879,723
FFEL Net Reestimate	9,637,242	0	-9,637,242
FFEL Net Modification	0	0	0
FFEL Total Net Subsidy	9,637,242	0	-9,637,242

[1] The Direct Loan (DL) upward net reestimate for fiscal year 2024 is primarily due to updated discharge assumptions outside of the Income-Driven Repayment (IDR) model.

FEDERAL STUDENT LOANS

Authorization

2005: Language authorizing the loan programs beyond fiscal year 2008 was contained in the Higher Education Reconciliation Act (HERA) of 2005 (P.L. 109-171).

2007-2008: The College Cost Reduction and Access Act (CCRAA) (P.L. 110-84) amended loan and other Higher Education Act (HEA) programs. The Ensuring Continued Access to Student Loans Act (ECASLA) of 2008 (P.L. 110-227) provided the Government with purchase authority to buy Federal guaranteed student loans from lenders and ensure access to FFEL loans. It also increased Unsubsidized Stafford Loan limits for undergraduates.

2010: The SAFRA Act (formerly the Student Aid and Fiscal Responsibility Act), Title II, Subtitle A of the larger Health Care and Education Reconciliation Act of 2010 (P.L. 111-152), terminated the FFEL loan program. As of July 1, 2010, all new Federal student loans originate in the Direct Loan (DL) program.

2011: The Budget Control Act of 2011 (P.L. 112-25) generated savings by eliminating Subsidized Stafford Loans for graduate and professional students and ending most repayment incentives for all borrowers—effective July 1, 2012. Savings helped cover a shortfall in the Pell Grant program.

2012: The Consolidated Appropriations Act, 2012, (P.L. 112-74) eliminated interest payments during the grace period for loans made in academic years (AY) 2012-2013 and 2013-2014 and introduced a lender option to change the basis for the Government-funded lender interest subsidy known as a special allowance payment which ensures a guaranteed rate of return on FFEL student loans. The lenders were now given the option to change the calculation basis from commercial paper to an alternative index—the 1-month London InterBank Offered Rate (LIBOR)—for determining special allowance.

2012: The Moving Ahead for Progress in the 21st Century Act (P.L. 112-141), signed July 6, 2012, extended the Subsidized Stafford interest rate of 3.4 percent for 1 year and limited the Subsidized Stafford in-school interest subsidy to 150 percent of normal program length.

2013: The Bipartisan Student Loan Certainty Act of 2013 (P.L. 113-28) tied student loan interest rates to the high-yield 10-year Treasury note plus a basis point add-on per loan type and a cap.

2013: The Bipartisan Budget Act of 2013 (P.L. 113-67) eliminated the amount that FFEL guaranty agencies—State and private nonprofit entities that provide default insurance payments to lenders, as well as collection and default counseling activities—could keep from defaulted loan recoveries. The Act also reduced the maximum amount guaranty agencies could charge a borrower on a rehabilitated loan (a defaulted loan that has returned to performing status) from 18.5 to 16 percent. Guaranty agencies were also now required to send any rehabilitated loans to the Department if they could not find a private lender buyer.

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2016: The Consolidated Appropriations Act, 2016, (P.L. 114-113) increased the reimbursement percentage paid to guaranty agencies by the Department of Education from 95 percent to 100 percent and extended Account Maintenance Fees paid to guaranty agencies.

2018: The Bipartisan Budget Act of 2018 (P.L. 115-123) continued the authority to make Account Maintenance Fee payments to guaranty agencies and modified existing authority to allow waiving cohort default rate requirements for public institutions of higher education operating in economically distressed counties. In addition, the Act provided authority for emergency relief to student loan borrowers who were victims of hurricanes Harvey, Irma, or Maria in places such as Puerto Rico and the U.S. Virgin Islands.

2018 & 2019: The Consolidated Appropriations Act, 2018, (P.L. 115-141) and the 2019 Appropriations Act funding the Department of Education (P.L. 115-245) each provided $350 million toward Temporary Expanded Public Service Loan Forgiveness (TEPSLF) for borrowers who met eligibility for public service employment but were not enrolled in a qualified repayment plan.

2020: The Consolidated Appropriations Act, 2020, (P.L. 116-93) provided $50 million for TEPSLF. The Coronavirus Aid, Relief, and Economic Security (CARES) Act automatically suspended principal and interest payments and set interest rates to 0 percent on federally held student loans through September 30, 2020. During the payment suspension, borrowers can continue making payments, and any payments made during this time will be applied directly to principal. On August 8, 2020, the President signed an Executive order that continued the CARES Act borrower relief provisions through December 31, 2020.

2021: The Consolidated Appropriations Act, 2021, (P.L. 116-260) provided $50 million for TEPSLF and repealed the 150 percent of normal program length limitation on lifetime subsidized loan eligibility. On December 4, 2020, the CARES Act borrower relief provisions were extended by administrative action through January 31, 2021. On January 20, 2021, the provisions were further extended through September 30, 2021. On August 6, 2021, the Department announced an extension of the relief provisions until January 31, 2022.

2022: The Consolidated Appropriations Act, 2022, (P.L. 117-103) permitted lenders to change the special allowance calculation basis from LIBOR to the Secured Overnight Financing Rate (SOFR). On December 22, 2021, the Department announced an extension of the CARES Act borrower relief provisions through May 1, 2022.

2023: The Joint Consolidation Loan Separation Act (P.L. 117-200) allowed joint consolidation loan borrowers to separate their joint loan obligation into separate individual Direct Consolidation Loans. On November 22, 2022, the Department announced an extension of the CARES Act borrower relief provisions through August 30, 2023.

FFEL and Direct Loans

PROGRAM DESCRIPTION

The Federal student loan programs provide students and their families with funds to help meet postsecondary education costs. Because funding for the loan programs is provided through permanent and indefinite budget authority, student loans are considered separately for budget purposes from other Federal student financial assistance programs; however, they should be viewed as part of the overall Federal effort to expand access to higher education.

In the FFEL program, private lenders provided loan capital, backed by a Federal guarantee on the loans. The Federal Government provided interest subsidies to lenders and reimbursement to guaranty agencies for most costs associated with loan defaults and other write-offs. As stipulated by SAFRA, the FFEL program ceased making new loans as of July 2010. Since that date, the Direct Loan program has originated all new Federal loans. The Direct Loan program, created by the Higher Education Amendments of 1992 as a pilot program and expanded by the Student Loan Reform Act of 1993, has operated since July 1, 1994. Under this program, the Federal Government provides the loan capital, postsecondary schools disburse the loans, and loan servicing is handled by the Department through private contractors.

In fiscal year 2025, new Direct Loan volume is estimated at $93.1 billion, and Consolidation Loans (which include older loans) are estimated at $41.5 billion, for a total of $134.6 billion. In fiscal year 2025, new Direct Loan volume alone will account for nearly 69 percent of all new postsecondary student aid (including loans, grants, and work-study) available from the Department.

Four types of loans are available under the current Direct Loan program: Subsidized Stafford, Unsubsidized Stafford, PLUS, and Consolidation. Loans can be used only for qualified educational expenses, although credit balances that result from loans greater than the cost of tuition, fees, and campus housing are paid to students. Subsidized Stafford Loans are available to undergraduate students from low- and moderate-income families and are awarded based on unmet financial need. Unsubsidized Stafford, PLUS, and Consolidation Loans are available to borrowers at all income levels. PLUS Loans are available to parents of dependent undergraduate students and to graduate and professional students. Consolidation Loans allow borrowers to combine all Higher Education Act Title IV loans—including FFEL, Direct Loans, and Perkins Loans, as well as some loans made under the Public Health Service Act—into one loan, eliminating multiple monthly payments.

Direct Loan borrowers are charged a loan origination fee upon taking out a loan. Subsidized and Unsubsidized Stafford Loan borrowers pay an origination fee equal to 1 percent of principal. PLUS Loan borrowers pay a 4 percent origination fee. Under sequestration, which is intended to limit program costs, the origination fees for Subsidized and Unsubsidized Stafford, and PLUS Loans are required to increase based on a percentage that OMB calculates for non-exempt nondefense mandatory programs. The sequestration percentage is calculated using a methodology described in the Budget Control Act of 2011. In fiscal year 2024—the most recent applicable year—the nondefense mandatory sequester percentage will be 5.7 percent, with Stafford and Unsubsidized Stafford loan origination fees equal to 1.057 percent and PLUS loan fees equal to 4.228 percent. The 2025 Budget proposes to eliminate origination fees.

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The COVID-19 emergency relief measures in the Direct Loan program, including suspending loan payments, halting collections on defaulted loans, and setting interest rates to 0 percent have ended. Interest began accruing on September 1, 2023, and the first payments were due in October. To help borrowers successfully return to repayment, the Department created a temporary on-ramp period through September 30, 2024. This on-ramp prevents the worst consequences of missed, late, or partial payments. It protects borrowers from having a delinquency reported to credit reporting agencies. While payments are due and interest accrues during the on-ramp period, interest does not capitalize. There is uncertainty regarding cost estimates as millions of borrowers have not been required to make monthly payments on their federal student loans since March 2020 and a portion of those borrowers have no previous experience in making loan payments.

In addition to the on-ramp period, the Department created Fresh Start, a one-time, temporary program that offers special benefits for borrowers with defaulted federal student loans. These benefits include halted collections on defaulted loans through September 30, 2024.

Loan Repayment Plans

Borrowers may choose from four basic types of repayment plans: standard, graduated, extended, and Income-Driven Repayment (IDR). The IDR plans include Income Contingent Repayment (ICR), Income-Based Repayment (IBR), New IBR, Pay As You Earn (PAYE), and Saving on a Valuable Education (SAVE).

FFEL borrowers may change repayment plans once per year, and Direct Loan borrowers may switch between repayment plans at any time. In general, student loans may be discharged when borrowers die, are totally and permanently disabled, or in limited cases, through personal bankruptcy. In addition, borrowers who were falsely certified as eligible or were misled by school actions or misconduct—often referred to as a borrower defense to repayment—may be eligible to have their loans discharged. Finally, if borrowers were enrolled in or recently withdrew from a school that closes, they may be eligible for closed-school loan discharge.

There are four main features of repayment plans: eligibility, monthly payment, repayment term, and forgiveness. Each repayment plan's features are summarized on the next page. The main features of IDR plans are household income and family size.

According to the Department's September 2023 Federal Student Aid (FSA) Data Center quarterly report (the most recent report publicly available), as of the fourth quarter of fiscal year 2023 approximately 10 million Direct Loan borrowers were enrolled in IDR plans, representing about 32 percent of all Direct Loan borrowers and 50 percent of all Direct Loan outstanding dollars in repayment status. Borrower participation reflects a 19 percent increase over fiscal year 2022 fourth quarter and a 12 percent increase in dollars being repaid via IDR plans. The percentage of outstanding Direct Loan dollars not currently listed on a repayment plan has fallen since the end of the COVID-19 pandemic. As of the fourth quarter of fiscal year 2022, that percentage was 18 percent. As of the fourth quarter of fiscal year 2023, the percentage was 2 percent.

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History of Repayment Plans

1990s to early 2000s: Standard, Graduated, Extended, and ICR have been available since the early 1990s. The number of available repayment plans remained constant until the late 2000s.

2007: CCRAA established the IBR plan, which set monthly loan repayments at 15 percent of a borrower's discretionary income, capped at the 10-year standard repayment plan amount, with forgiveness of any remaining loan balance after 25 years of repayment.

2010: SAFRA created a second IBR plan, referred to below as post-2014 IBR, which reduced monthly payments for future borrowers starting July 1, 2014, from 15 percent of a borrower's discretionary income to 10 percent, and reduced the maximum period for a borrower to receive loan forgiveness from 25 to 20 years.

October 2011: Under regulatory authority, the Department accelerated the SAFRA IBR benefits for qualified borrowers who were new borrowers as of October 1, 2007, and had received a Direct Loan disbursement on or after October 1, 2011. This PAYE plan became available for eligible borrowers on December 21, 2012.

December 2015: Under regulatory authority, the Department began offering the modified Revised Pay As You Earn (REPAYE) plan to all qualified student borrowers regardless of when they borrowed. The REPAYE plan resembles PAYE, with a few key exceptions – such as eliminating the payment cap from the 10-year standard repayment plan and providing a more generous interest subsidy. As in PAYE, the Government pays 100 percent of interest on subsidized loans for the first three years. However, under REPAYE the Government will also pay 50 percent of unpaid interest on subsidized loans after three years and 50 percent of interest on unsubsidized loans in all years.

June 2023: Under regulatory authority, the Department finalized the most affordable repayment plan in history, called the Saving on a Valuable Education (SAVE) plan. This income-driven repayment plan will cut borrowers' monthly payments in half, allow many borrowers to make $0 monthly payments, save other borrowers around $1,000 per year, and ensure borrowers don't see their balances grow from unpaid interest. Specifically, the plan will:

- For undergraduate loans, effective July 2024, cut in half the amount that borrowers have to pay each month from 10% to 5% of discretionary income.
- Raise the amount of income that is considered non-discretionary income and therefore is protected from repayment, guaranteeing that no borrower earning under 225% of the federal poverty level—about the annual equivalent of a $15 minimum wage for a single borrower—will have to make a monthly payment under this plan.
- Forgive loan balances after 10 years of payments, instead of 20 years, for borrowers with original loan balances of $12,000 or less. The Department estimates that this reform will allow nearly all community college borrowers to be debt-free within 10 years.
- Not charge borrowers with unpaid monthly interest, so that unlike other existing income-driven repayment plans, no borrower's loan balance will grow as long as they make their monthly payments—even when that monthly payment is $0 because their income is low.

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All student borrowers in repayment will be eligible to enroll in the SAVE plan. Borrowers who sign up or are already signed up for the current REPAYE plan will be automatically enrolled in SAVE once the new plan is implemented.

Repayment Plans

Key Features	Standard	Graduated	Extended	ICR	Income-Based	New Income-Based	PAYE	SAVE
Eligibility	All Direct and FFEL loans	All Direct and FFEL loans	Direct or FFEL borrowers w/$30,000 or more in outstanding student loans	All Direct loans except for non-Consolidated Parent PLUS	Income-eligible student borrowers [loans issued before 7-1-2014][1]	Income-eligible student borrowers [loans issued 7-1-2014 or later][1]	Income-eligible student borrowers [loans issued 10-1-2011 or later] [1]	All Direct Loan student borrowers
Monthly payment	Remains fixed	Increases over time	Fixed or increases over time	20% of borrower's discretion-ary income; max pay is 12-yr fixed[2]	15% of borrower's discretion-ary income; max pay is 10-yr fixed[2]	10% of borrower's discretion-ary income; max pay is 10-yr fixed[2]	10% of borrower's discretion-ary income; max pay is 10-yr fixed[2]	10% of borrower's discretion-ary income[2]
Remaining balance forgiven after repayment period complete?	No	No	No	Yes	Yes	Yes	Yes	Yes
Repayment terms (in years)	10	10	up to 25	25	25	20	20	10 to 25

NOTES: Standard, Graduated, and Extended plans are fully repaid at the end of term. Only Direct Loans may be repaid under ICR, PAYE, and SAVE plans. However, FFEL Program loans that are consolidated into a Direct Consolidation Loan are, for the most part, eligible to be repaid under ICR, PAYE, and SAVE, with the exception of Parent PLUS loans that are only allowed into ICR.

Analysis of Borrower Obligations and Loan Payments in IDR Plans

The Department is fully supportive of recommendations by Congressional staff, the Government Accountability Office (GAO), the Office of Inspector General, and other policymakers to publish

[1] Generally, plans such as Income-Based and PAYE are available to qualified borrowers who demonstrate a partial financial hardship. A partial financial hardship occurs when the monthly payment amount a borrower would otherwise have to make for 10 years under the standard repayment plan is more than the monthly payment under this plan.
[2] In ICR, discretionary income is defined as the difference between the borrower's annual income and 100 percent of the poverty guideline for their family size and state of residence. In all other IDR plans, discretionary income is the difference between the borrower's annual income and 150 percent of the poverty guideline for their family size and state of residence.

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more detailed cost information on Income-Driven Repayment. As a result of earlier efforts by the Department to advertise the SAVE and PAYE programs and encourage borrowers to enroll in them, many more borrowers are electing to repay their loans on IDR plans. Given this trend, the Department conducted a series of sensitivity analyses on incomes for students in IDR, including students pursuing Public Service Loan Forgiveness (PSLF). Supplemental information on IDR costs were published in the fiscal year 2023 Agency Financial Report.[1]

The Department's analysis illustrates how uncertainty around key assumptions can lead to significant variance in cohort subsidy cost estimates. For example, a 5 percent increase in estimated borrower income would decrease costs by almost $1.12 billion for loans originated in fiscal year 2022 (i.e., the fiscal year 2022 loan cohort), while a 5 percent decrease in estimated borrower income would increase costs by $1.14 billion. A 5 percent increase in estimated PSLF plan participation would increase costs by $199 million for the same cohort of loans, while a 5 percent decrease would decrease costs by $207 million.

The following analysis provides insight into how borrower payments, a foundational driver of student loan program costs, vary significantly depending on levels of borrower income and debt. This analysis provides another helpful approach for examining IDR by showing how different borrowers are affected by the formulas that determine the monthly payment.

Estimated Ratio of Loan Payment Totals to Initial Principal Balance for Income-Driven Repayment
Borrowers Entering Repayment in Fiscal Year 2025

Debt Range	Income <= $85,000	Income $85,000-$135,000	Income > $135,000
<= $30,000	0.29		
> $30,000	0.26		
<= $52,000		0.62	
> $52,000		0.59	
<= $94,000			1.01
> $94,000			1.08

For comparison purposes, the table analyzes the projected payments, assuming completion of the expected repayment period, under IDR plans for all borrowers projected to enter repayment and enroll in IDR in fiscal year 2025. Student borrowers will choose repayment plans given their circumstances, and overall participation in IDR plans will depend on the terms of the IDR plans available at a given time.

The projection of borrower payments is based on the repayment plan assigned in the model (ICR, Pre-2014 IBR, PAYE, SAVE, with PAYE and the Post-2014 IBR combined since they are very similar). When the model assigns plans, it assumes that borrowers will choose a plan with the best net present value over the repayment period. For fiscal year 2025, approximately 93.5 percent of borrowers entering repayment in an IDR plan are expected to choose SAVE and 5.5 percent are expected to choose PAYE. The remaining borrowers are expected to choose other plans. Future incomes are inflated for the life of the loan, with income categories defined according to a borrower's average projected income throughout the full repayment period.

[1] Supplemental information on IDR costs are available on the Department's website: https://www2.ed.gov/about/overview/budget/tables.html.

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From the borrowers' perspective, lower ratios as shown in the table above usually indicate more advantageous plans. However, the wide variation of ratios by income category illustrates the complicated trade-offs borrowers face when considering the payments required and the length of time that payments must be made.

To better understand the ratios in the table, the following example may be helpful. For every $10,000 of loans borrowed, borrowers represented by the first category (where annual income is less than or equal to $85,000 and where student loan debt is less than or equal to $30,000) would pay $2,900 over their entire repayment period under IDR. The ratio of total borrower payments to initial principal balance is not the same as the budgetary costs to the Government, which are determined by the net present value of repayment cash flows.

Loan Forgiveness[1]

Estimates of forgiveness under the current IDR plans for borrowers entering repayment in 2025—combined across all IDR plans, since borrowers can switch between IDR plans—assume about 6.5 percent of borrowers would pay their loans off in full; 14 percent would end up not completing their repayment term due to prepayment in full; 15 percent would end up not completing their repayment term due to default; 13 percent would end up not completing their repayment term due to loan discharge (e.g., total and permanent disability); 33.5 percent would complete their repayment term and receive IDR forgiveness; and 18 percent would qualify for PSLF.

Of those student borrowers whose balances are projected to receive IDR forgiveness, about 77 percent would have an amount forgiven less than or equal to their original balance. The median original amount borrowed for those who would qualify for non-PSLF IDR forgiveness is $53,000, and the median amount forgiven is $40,000. The original median balance for borrowers who would qualify for PSLF is $71,000, and the median amount forgiven under PSLF is $65,000.

Under both the FFEL and Direct Loan programs, new borrowers after October 1, 1998, who are employed as teachers in schools serving low-income populations for 5 consecutive, complete school years qualify for up to $5,000 in teacher loan forgiveness. This benefit is increased to $17,500 for mathematics, science, and special education teachers considered highly qualified under criteria defined in section 9101 of the Elementary and Secondary Education Act of 1965, as amended.

The American Rescue Plan Act of 2021 (P.L. 117-02) included a provision that exempts from taxation Federal student loan debt that is forgiven between December 31, 2020, and January 1, 2026.

On April 19, 2022, the Department announced several actions that will bring borrowers closer to forgiveness under IDR and/or PSLF. These include a one-time adjustment to the number of qualifying payments for borrowers and permanently fixing payment counting by reforming payment tracking procedures going forward.

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[1] Analysis in this section reflects assumptions used to calculate the fiscal year 2024 baseline for program cost estimates under current law.

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As of December 31, 2023, the total number of borrowers who received forgiveness from the account adjustment was 900,800. The value of this forgiveness totaled nearly $44.0 billion. The Department continues to identify borrowers eligible for forgiveness and expects to complete the full adjustment by July 1, 2024

Public Service Loan Forgiveness

In 2007, CCRAA authorized the PSLF program for nonprofit and public-sector employees. The criteria for defining a “public service organization” is broad and covers any Federal, State, or local government organization or agency and most charitable non-profit organizations. In addition, non-profit employers include most private schools, colleges, and universities and other employers with a 501(c)(3) Internal Revenue Service designation. To qualify for PSLF, borrowers must work for an organization that meets the PSLF employer eligibility requirements.

Borrowers must make 120 qualifying monthly payments while working full-time for an eligible public service organization, but payments do not have to be consecutive. Borrowers who make 120 qualifying payments under the 10-year standard repayment plan or under any Direct Loan Income-Driven Repayment plan, or any combination of the 10-year standard plan and any Direct Loan income-driven plan, will have any remaining loan balance forgiven. Amounts forgiven under PSLF are exempt from taxation. The PSLF benefit is only available in the Direct Loan program, though FFEL borrowers may access the PSLF program by consolidating their FFEL program loan into a Direct Consolidation Loan and subsequently making 120 qualifying payments.

The Consolidated Appropriations Act, 2018 (P.L. 115-141) and the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 (P.L. 115-245) each provided $350 million in funding to provide loan forgiveness in situations where borrowers were denied PSLF only because some or all of their repayments were not made via a qualifying repayment plan. The Further Consolidated Appropriations Act, 2020 (P.L. 116-94) and Consolidated Appropriations Act, 2021, (P.L. 116-260) each provided an additional $50 million. This limited opportunity is referred to as the Temporary Expanded Public Service Loan Forgiveness (TEPSLF) program. The program operates on a first come, first served basis. Funds are available until expended. As in PSLF, borrowers must make 120 qualifying monthly payments while working full time for an eligible public service organization.

TEPSLF is only available to Direct Loan borrowers who otherwise meet all the other qualifying criteria for PSLF except the eligible repayment plans. The expanded list of repayment plans under TEPSLF includes Graduated and Extended Repayment plans, Consolidation Standard, and Consolidation Graduated plans.

On October 6, 2021, the Department announced a pandemic-related waiver to the Public Service Loan Forgiveness program requirements. The time-limited waiver impacted student loan borrowers with Direct Loans, those who have already consolidated into the Direct Loan Program, and those who consolidate into the Direct Loan Program by October 31, 2022. Under the new temporary rules, any prior period of repayment counts as a qualifying payment, regardless of loan program, repayment plan, or whether the payment was made in full or on time.

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The first cohort of borrowers became eligible for PSLF discharge in October 2017. As of January 31, 2024, the total number of borrowers who received forgiveness from the PSLF waiver was 730,000. The value of this forgiveness totaled $50.5 billion. When including the TEPSLF and PSLF categories of discharges, the value of forgiveness exceeded $58.2 billion and included 812,000 borrowers.

On October 31, 2022, the Department announced final regulations that streamline and improve the rules for major targeted debt relief programs, including PSLF. The new PSLF regulations and one-time account adjustment have delivered many significant benefits to PSLF applicants and borrowers enrolled in IDR plans by addressing past servicing problems and improving the PSLF rules that previously excluded certain borrowers from forgiveness.

Interest Rates and Loan Limits—By Type of Loan

Since 1965, interest rates on Federal student loans have been set in statute. For many years, the statute set the terms at fixed or variable rates reset annually. Starting July 1, 2006, as specified by amendments to the Higher Education Act passed on February 8, 2002, under P.L. 107-139, the rate on all Subsidized and Unsubsidized Stafford loans was fixed at 6.8 percent, while the borrower interest rate on Direct PLUS loans was fixed at 7.9 percent.

The College Cost Reduction and Access Act of 2007 included an annual phased interest rate reduction for all new undergraduate Subsidized Stafford loans, with fixed interest rates dropping from 6.8 percent to 6 percent on July 1, 2008, until reaching 3.4 percent on July 1, 2011. The Moving Ahead for Progress in the 21st Century Act (P.L. 112-141), signed July 6, 2012, extended the Subsidized Stafford interest rate of 3.4 percent for 1 year.

The Bipartisan Student Loan Certainty Act of 2013, signed on August 9, 2013, established a market-based system tying student loan interest rates to the high-yield 10-year Treasury bill plus a statutorily-set basis point add-on up to a statutory cap. Interest rates for each loan type are set annually before the award year begins on July 1 but are fixed for the life of the loan, similar to fixed-rate home mortgages. The 10-year Treasury rate is determined each year at the Treasury bill auction held prior to June 1. The interest rates for academic year 2023-2024 were set in June 2023.

On October 31, 2022, the Department announced final regulations that will help borrowers avoid spiraling student loan balances by eliminating all instances of interest capitalization not required by statute. Interest capitalization events cause unpaid interest to be added to a borrower’s principal balance, increasing monthly interest accrual going forward and, in many cases, the total amount that borrowers have to pay.

Summaries of each loan type follow:

- **Subsidized Stafford (Stafford) Loans** are low-interest, fixed-rate loans with annual and aggregate loan limits for eligible undergraduates who meet financial need criteria. The Budget Control Act of 2011 eliminated graduate and professional student eligibility for these loans effective July 1, 2012. The interest rate is set annually, remains fixed for the life of the loan, and is capped at 8.25 percent. Loans disbursed on or after July 1, 2023, and before

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July 1, 2024, (academic year 2023-2024) will have an interest rate of 5.50 percent, based on the 10-year Treasury rate of 3.45 percent plus a statutory add-on of 2.05 percent. The Government pays the interest while the student is in school or deferment.

- **Unsubsidized Stafford Loans** are low-interest, fixed-rate loans available to student borrowers, regardless of financial need, with annual and aggregate loan limits. Interest accrues while the borrower is in school. Borrowers may defer payment of interest while in school and have the interest capitalized—added to the loan principal—upon entering repayment. New Unsubsidized Stafford Loans to undergraduates have the same rate and cap as Subsidized Stafford Loans (5.50 percent). However, the interest rate for graduate students has an add-on of 3.60 percent and a 9.5 percent cap. For academic year 2023-2024, the rate for graduate students is 7.05 percent, based on the 3.60 add-on and 10-year Treasury note of 3.45 percent.

- **PLUS Loans** are available to parents of dependent undergraduate students and to graduate and professional degree students. There is no annual or aggregate limit on the amount that can be borrowed other than the cost of attendance minus other student financial aid. Generally, applicants must not have an adverse credit history. The Government does not pay interest accruing on PLUS Loans. The interest rate for new loans first disbursed on or after July 1, 2023, and before July 1, 2024, is 8.05 percent, based on the 10-year Treasury note of 3.45 percent and an add-on of 4.60 percent. The PLUS rate cap is 10.5 percent.

- **Consolidation Loans** allow borrowers with existing Federal student loans to combine their loans and possibly extend their repayment schedules based on their total student loan debt outstanding. In general, to consolidate loans in the Direct Loan program, a borrower must have an outstanding principal balance on at least one eligible loan made under either the FFEL or Direct Loan program. Loans such as Subsidized Stafford, Unsubsidized Stafford, PLUS, and sometimes other Consolidation Loans are eligible. In addition, other Federal student loans from different programs are also eligible such as Federal Perkins Loans, Federal Insured Student Loans, National Defense Student Loans, Health Education Assistance Loans, and Nursing Loans. The interest rate for Consolidation Loans is equal to the weighted average of the interest rates on the loans consolidated rounded to the nearest higher one-eighth of 1 percent, which is then fixed for the life of the loan. The Bipartisan Student Loan Certainty Act of 2013 eliminated the cap of 8.25 percent.

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Borrower Interest Rates by Academic Year and Program Component

Type of Loan	Loans made on or after Oct. 1, 1998[1]	Loans made on or after July 1, 2006[2]	Loans made on or after July 1, 2013[3]
Stafford and Unsubsidized Stafford	91-day Treasury bill rate +1.7%, during in-school, grace, or deferment periods, but T-bill +2.3% during repayment; not to exceed 8.25%.	Both types: 6.8%; only subsidized Stafford loans reduced: 6.0%--2008-2009 5.6%--2009-2010 4.5%--2010-2011 3.4%--2011-2012 3.4%--2012-2013	**Undergrads**: [Sub and Unsub] 10-yr. Treasury note + 2.05%, w/cap of 8.25%; **Grads**: [Unsub] 10-yr Treasury note + 3.6%; w/cap of 9.5%
PLUS	91-day Treasury bill rate +3.1%, not to exceed 9%.	Fixed rate of 7.9% for Direct PLUS; increased to 8.5% under HERA for FFEL PLUS.	Grad and parent: 10-yr Treasury note + 4.6%, w/cap of 10.5%.
FFEL Consolidation Loans[4]	Weighted average of the interest rates on the loans consolidated, rounded up to the nearest one-eighth of 1 percent, not to exceed 8.25%.	Weighted average of the interest rates on the loans consolidated, rounded up to the nearest one-eighth of 1 percent, not to exceed 8.25%.	N/A
Direct Consolidation Loans -- Stafford and Unsubsidized Stafford	91-day T-bill rate +2.3%, not to exceed 8.25% for applications received 10-1-98 through 1-31-99; weighted average basis, as above, thereafter.	Weighted average basis, as above.	Weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of 1 percent.
Direct PLUS Consolidation	Same as Direct Consolidation Loans for Stafford and Unsubsidized Stafford.	Same as Direct Consolidation Loans for Stafford and Unsubsidized Stafford.	Same as Direct Consolidation Loans for Stafford and Unsubsidized Stafford.

[1] The Transportation Equity Act for the 21st Century lowered interest rates for new Stafford, Unsubsidized Stafford, and PLUS loans made on or after July 1, 1998, and before October 1, 1998. These rates were extended under the HEA of 1998 to July 1, 2003, and further extended to July 1, 2006, via P.L 107-139.
[2] Interest rates from CCRAA of 2007 (P.L. 110-84).
[3] Interest rates from the Bipartisan Student Loan Certainty Act of 2013 (P.L. 113-28).
[4] The Emergency Student Loan Consolidation Act of 1997, which was included in the Department’s fiscal year 1998 appropriation, temporarily changed a number of laws affecting Consolidation Loans. Under this Act, which expired September 30, 1998, the interest rate for FFEL Consolidation Loans made on or after November 13, 1997, was based on the 91 Day Treasury-bill + 3.1 percent, not the weighted average of the interest rates on the loans consolidated. SAFRA eliminated new FFEL Loans as of July 1, 2010.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Student Loan Program Maximums

(Whole dollars)

	STAFFORD (Subsidized)	TOTAL (Stafford & Unsubsidized Stafford)[1,2]
DEPENDENT UNDERGRADUATES	**Annual Limits**	**Annual Limits**
First-Year Student	$3,500	$5,500[3]
Second-Year Student	4,500	6,500[3]
Third-Year+ Student	5,500	7,500[3]
INDEPENDENT UNDERGRADUATES[4]		
First-Year Student	$3,500	$9,500[3]
Second-Year Student	4,500	10,500[3]
Third-Year+ Student	5,500	12,500[3]
GRADUATE STUDENTS[5]	0	$20,500
	Aggregate Limits	**Aggregate Limits**
DEPENDENT UNDERGRADUATES	$23,000	$31,000[3]
INDEPENDENT UNDERGRADUATES[4]	23,000	57,500[3]
GRADUATE STUDENTS[5]	23,000	138,500

[1] Students who qualify for only a portion of the maximum Stafford Loan limit may borrow up to the remaining loan amount under the Unsubsidized Stafford Loan program, with the total amount borrowed limited to cost of attendance minus other aid. For example, a dependent first-year student who qualifies for a $2,000 Stafford Loan would be eligible for an additional $3,500 in Unsubsidized Stafford up to the total of $5,500. For students borrowing under both programs, the loan limits displayed above in the Total (Stafford and Unsubsidized Stafford) column apply.

[2] For independent undergraduate students (or dependent undergraduate students whose parents cannot borrow under the PLUS program) and for graduate students, the maximum limit during any academic year is: the combined Stafford and Unsubsidized Stafford Loan limit shown under the column entitled, "Total (Stafford and Unsubsidized Stafford)." For example, a second-year independent student could borrow up to $4,500 in Stafford Loans and up to an additional $6,000 in Unsub. Loans for a total of $10,500.

[3] ECASLA of 2008 increased Unsubsidized Stafford amounts by $2,000 annually for loans first disbursed on or after July 1, 2008. Aggregate amounts for dependent undergraduates increased by $8,000 and for independent undergraduates by $11,500. Graduate student levels did not change.

[4] Also includes dependent undergraduates whose parents are unable to borrow under the PLUS program.

[5] As of July 1, 2012, graduate and professional students are not eligible for Stafford Loans. Total Stafford Aggregate Limit of $23,000 reflects the maximum undergraduate amount, which is included in the graduate level cumulative limit. The aggregate loan limit for graduate students is regulated by the Department. As a result of HERA, qualified graduate and professional students are also eligible to borrow PLUS loans, where the only limit is the cost of attendance minus other student aid as described above.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Credit Reform Estimates

Student loan program costs are estimated consistent with the terms of the Federal Credit Reform Act (FCRA) of 1990. Under the Act, future cash flows, meaning costs and revenues associated with a loan, are estimated for the life of the loan and discounted back to the date of disbursement using Treasury interest rates. This set of interest rates, provided by OMB, (i.e., the discount rate) is used to calculate the present value of the cash flows, which also determines Federal borrowing costs.

Federal loan programs are often compared using subsidy rates, which represent the Federal cost as a percentage of loan originations. Generally, subsidy costs may reflect a combination of positive and negative subsidy by loan type, with the relative weightings by loan type and other accounting rules determining the overall net positive or negative subsidy. A negative subsidy occurs when the present value of cash inflows to the Government is estimated to exceed the present value of cash outflows. Under Federal Credit Reform Act rules, costs such as defaults and in-school interest benefits are embedded within the program subsidy, while Federal administration costs are treated on a cash basis and are not included in the subsidy rate.

Both the FFEL and Direct Loan programs are funded by mandatory and indefinite budget authority and, therefore, do not receive annual discretionary appropriations. Both programs also incur various administrative expenses, the greatest historically being loan servicing, that are funded by the discretionary Student Aid Administration (SAA) account. In fiscal year 2025, the Administration requests $2.659 billion in SAA funding to administer all Title IV Federal student aid programs. This includes $1.484 billion for student aid salaries and expenses and $1.175 million for loan servicing activities. The fiscal year 2025 SAA budget request is discussed in the **Student Aid Administration** account.

A *subsidy rate* is the Federal portion of non-administrative costs—principally interest subsidies and defaults—associated with each dollar originated. The subsidy rate reflects the estimated unit cost per loan, over the life of the loan, to the Federal Government. For example, a $1,000 loan with Federal subsidy costs of $100 would have a subsidy rate of 10 percent. If loan subsidy costs were negative, such as -$100, then the loan has a negative subsidy rate of -10 percent, indicating that the Federal Government was receiving, rather than spending, 10 percent on each dollar of loans made. Program changes, economic conditions, and borrower repayment patterns can affect subsidy estimates and reestimates.

Annual variations in the subsidy rate are largely due to the relationship between the OMB-provided discount rate, which approximates the Government's borrowing rate; the interest rate at which borrowers repay their loans; and technical assumptions for defaults, repayment patterns, repayment plan selection, and other borrower characteristics. The loan subsidy estimates are particularly sensitive to fluctuations in the discount rate. Even small shifts in economic projections may produce substantial changes in the subsidy rate.

In the current fiscal year 2024, the Direct Loan program had an estimated net positive subsidy – driven in part by rising enrollment in IDR plans. In fiscal year 2024, the Direct Loan program weighted average subsidy rate for new and Consolidation Loans was estimated at 22.87 percent.

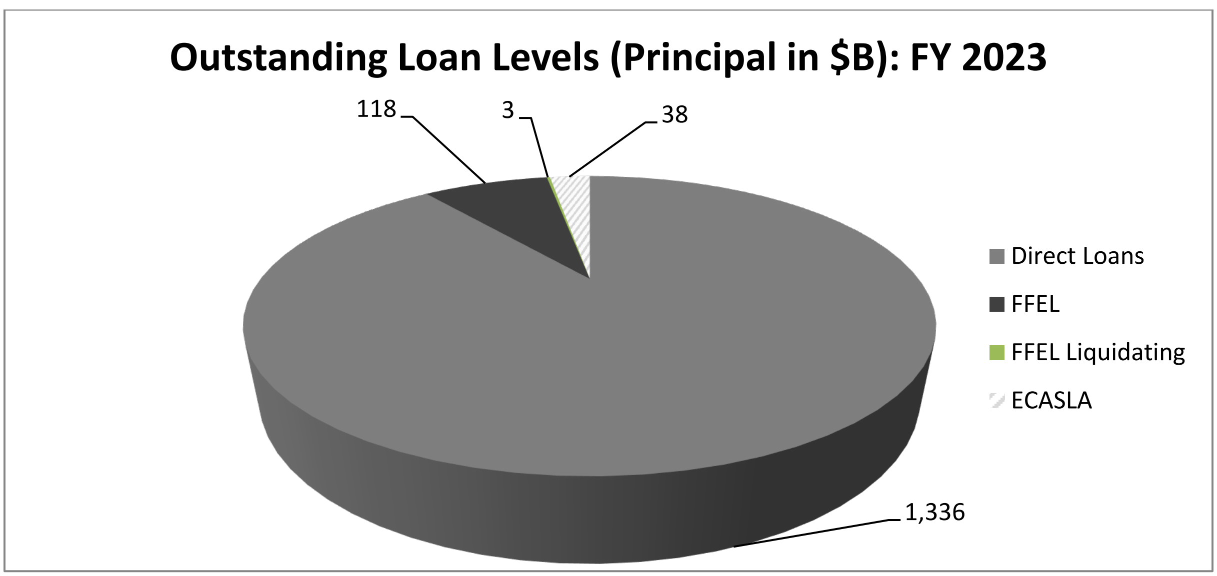
FFEL and Direct Loans

However, subsidy rates can vary significantly by loan types. For example, in fiscal year 2024, Subsidized Stafford Loans, at 26.22 percent, and Consolidation Loans, at 42.19 percent, had estimated positive subsidy rates, indicating a cost to the Government. Unsubsidized Stafford loans for undergraduates, at 17.46 percent, Unsubsidized Stafford loans for graduates, at 21.69 percent, and PLUS loans for graduate students, at 19.34 percent, also reflected positive subsidy rates. PLUS loans for parents (which are not eligible for enrollment in most IDR plans) had estimated negative subsidy rates, reflecting a savings to the Government, at -26.20 percent.

Subsidy rates can also vary by repayment option, with the greatest differences appearing between costlier IDR plans and other plans such as Standard, Extended, and Graduated. For example, in fiscal year 2024, the cohort of Subsidized Stafford loans showed an estimated subsidy rate of 13.17 percent under Standard (ten-year repayment), compared to a subsidy rate of 60.68 percent under all IDR plans. Unsubsidized Stafford loans (both undergraduate and graduate) showed a subsidy rate of -3.51 percent under Standard repayment compared to 53.11 percent under IDR.

Outstanding Loan Levels

Based on the budget tables published in the 2025 Budget Appendix, at the end of fiscal year 2023 the outstanding FFEL and Direct Loan principal is estimated at approximately $1.495 trillion:



According to the Federal Student Aid Data Center quarterly reports, at the end of fiscal year 2023 the outstanding FFEL and Direct Loan principal and interest balance is $1.599 trillion.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Reestimates of Subsidy Costs

Under the Federal Credit Reform Act (FCRA), the Department is required to annually reestimate the cost of outstanding loans by cohort since fiscal year 1992 to reflect updated modeling assumptions, the President’s Budget economic assumptions, and historical loan performance.

For the $1.336 trillion in Direct Loan principal outstanding at the end of fiscal year 2023, the Administration’s fiscal year 2025 budget calculates that net future Federal costs of outstanding loans are higher than projected in the fiscal year 2024 request; this difference is reflected in the 2024 reestimate. The 2024 net upward reestimate of $64.2 billion reflects an upward component of about +$65.8 billion and a downward component of about -$1.6 billion. The net upward reestimate is due primarily to loan discharge assumption updates. During fiscal year 2023, the Department completed included a standard data update with data from the National Student Loan Data System (NSLDS), including an update to closed school discharges and PSLF waiver discharges to reflect the significant recent increases in discharges. Further revisions or simplifications to model adjustments for recent regulations are expected in upcoming cycles as more discharges are processed and are reflected in the data. Additional significant drivers of the net upward reestimate include updates to the collections on defaulted loan and discount rate assumptions. This net reestimate represents about 4.8 percent of the total Direct Loan outstanding portfolio.

Similarly, the total change in costs for all outstanding FFEL program loans at the end of fiscal year 2023—starting with guaranteed loans made as of October 1, 1992—is the 2024 reestimate. The 2024 FFEL guaranteed loan reestimate reflects an upward component of +$7.0 billion, with a downward component of about -$2.3 billion, for a total net upward reestimate of +$4.7 billion. Thus, the estimated Federal cost of prior FFEL program loans is higher by about $4.7 billion than previously projected. The FFEL 2024 upward reestimate was due primarily to updated default and collections on defaulted loan rates. The ECASLA programs show a net upward reestimate of +$4.9 billion, which when combined with the FFEL portion of $4.7 billion produces an overall net upward FFEL reestimate of +$9.6 billion in fiscal year 2024, representing about 6.2 percent of the overall FFEL portfolio. The net upward reestimates in these programs were due primarily to loan discharge assumption updates. The reestimates in those programs include financing account interest adjustments to address differences between net financing account interest executed for cohorts each year and amounts earned based on final Treasury interest rates for those cohorts.

The Chief Financial Officers Act of 1990 requires the Inspector General to audit the Department’s financial statements each year, which is intended to help improve an agency’s financial management and controls over financial reporting. In fiscal year 2023, the independent auditor issued a disclaimer of opinion as it was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because of unresolved errors identified in the underlying data used to calculate the subsidy reestimates for the Department’s direct loan and loan guaranty programs. The underlying data was not updated for the 2024 reestimates. A new data file will be used for the fiscal year 2024 financial statements.

FFEL and Direct Loans

Total net FFEL and Direct Loan subsidy budget authority costs[1] for the past 5 fiscal years are shown below (dollars in thousands):

Fiscal Year	FFEL	Direct Loans
2020	$9,734,183	$109,669,910
2021	9,304,404	124,111,109
2022	34,350,479	447,084,131
2023	-2,539,373	-185,185,686
2024	9,637,242	97,146,640

FY 2025 BUDGET PROPOSAL

The Administration looks forward to working with Congress to develop and enact reforms that make the administration of student loans more effective and efficient. The fiscal year 2025 President's budget proposes to eliminate origination fees. Origination fees were originally created to offset the costs cost of banks and private institutions providing federally guaranteed and subsidized of federal student loans in the FFEL program. The FFEL program ended in 2010, eliminating the need for an origination fee to offset those costs. The origination fee is set at a percentage of the loan that is deducted from the amount received by the borrower. Borrowers are expected to pay back the full borrowed amount inclusive of the origination fee, rather than the amount they actually received, with interest. Eliminating these fees would be a step in the direction of lowering the cost of higher education.

Additionally, the Administration intends to work with Congress to ensure access to student financial aid for students who are Dreamers.

FY 2025 ESTIMATED NEW DIRECT LOAN VOLUME

New Direct Loan dollar volume increased significantly from 2007 to 2011 as the financial crisis drove many non-traditional students to seek higher education. However, from 2011 to 2018, as the economy recovered, loan volume declined. Disruption in the traditional brick and mortar delivery of higher education during the COVID-19 pandemic depressed loan volume and affected the mix of volume among loan types. Consistent with long-term student loan trends, the fiscal year 2025 budget estimates a modest increase in total loan volume. Subsidized and Unsubsidized Stafford Loans are projected to account for about 69 percent of new Direct Loan volume in fiscal year 2025, with PLUS loans at 31 percent. Graduate school loan volume is estimated to increase 11 percent between 2020 and 2025, accounting for 45 percent of new volume in fiscal year 2020 and 46 percent in fiscal year 2025. It is still uncertain whether effects on enrollment due to the pandemic are temporary or more of a permanent trend. The table below includes loan volume disbursed through fiscal year 2025.

[1] Subsidy costs include net reestimates (combined upward and downward) of prior cohorts and net modifications, which may produce significant annual fluctuations. The Direct Loan total in fiscal year 2024 is primarily due to a net upward reestimate of $64.2 billion.

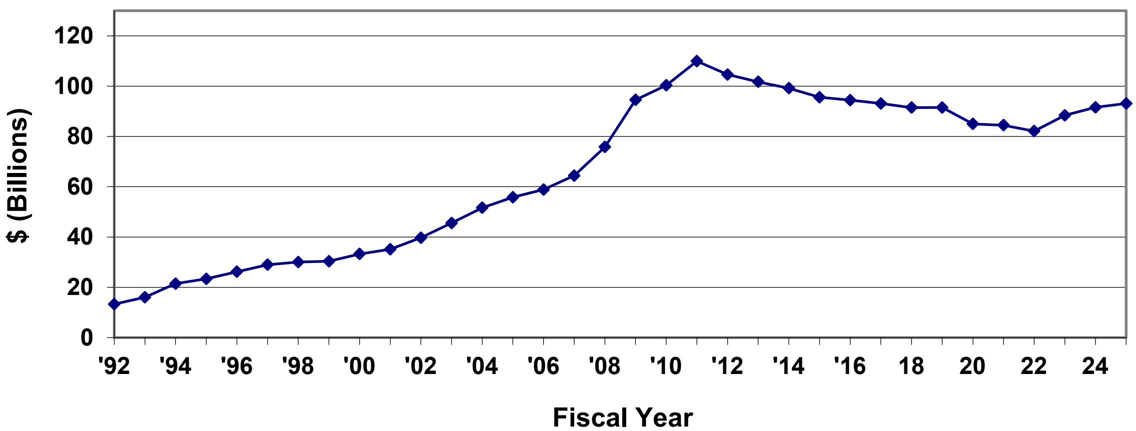
STUDENT LOANS OVERVIEW

FFEL and Direct Loans

New Student Loan Volume (Non-Consolidation)[1]
(dollars in Millions)

Program Volume	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Subsidized Stafford	$17,050	$16,192	$15,205	$16,329	$16,867	$16,995
Unsubsidized Stafford	46,366	45,596	44,160	45,555	47,229	47,672
PLUS	21,576	22,673	23,754	26,498	27,484	28,433
Total New Loan Volume	84,992	84,461	83,119	88,382	91,580	93,100
Graduate School Portion	38,643	39,554	38,834	41,268	42,442	43,051

New Student Loan Volume (Non-Consolidation)



Many factors—including rising college costs, legislative changes, eligibility changes, availability of State aid, availability of Federal aid, economic conditions, and enrollment demographics—affect new loan demand. Historical loan volume data and current projections are shown above.

FY 2025 ESTIMATED CONSOLIDATION LOAN VOLUME

Direct Loan Consolidation volume surged from about $35 billion in fiscal year 2014 to $49 billion in fiscal year 2017 but has since declined. The increase from 2014 through 2017 may have resulted from greater marketing and outreach on the part of additional Consolidation Loan servicers brought under contract in July 2014, although increased borrowing in fiscal years 2009-2011 and higher borrower loan balances could also be contributing factors. In 2021, Consolidation volume showed a marked decline, as most borrowers took advantage of provisions of the extensions to the CARES Act and opted against making voluntary principal payments. In 2022 and 2023, Consolidation volume surged again as loan consolidation was a necessary step for many borrowers to apply for the time-limited PSLF waiver.

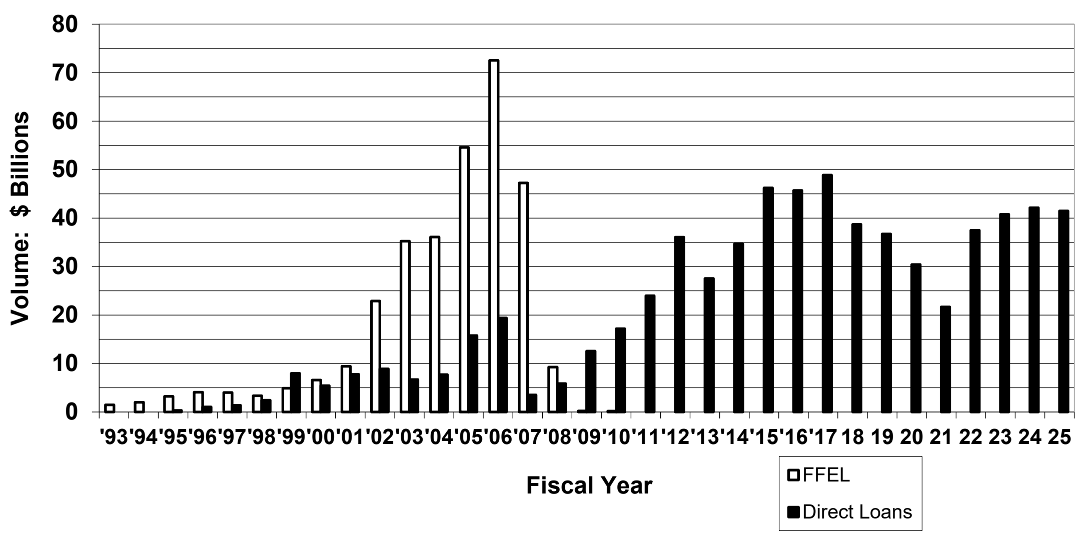
[1] Loan volume reflects net commitments. Figures for fiscal years 2024 and 2025 are baseline estimates.

FFEL and Direct Loans

The 2012 surge was due to a special six-month incentive repayment program, where borrowers who had both a FFEL and a Direct Loan were offered an additional 0.25 percent interest rate reduction to consolidate their loans under this special program. Repayment incentives also included the regular 0.25 percent interest rate reduction for electronic payment.

Until the passage of HERA in 2005, married couples were allowed to borrow a Consolidation Loan as joint borrowers. In HERA, Congress eliminated the authority to jointly borrow a consolidation loan but did not provide existing borrowers any way to separate their loans. The Joint Consolidation Loan Separation Act (P.L. 117-200) allowed joint consolidation loan borrowers to separate their joint loan obligation into separate individual Direct Consolidation Loans for the first time. The joint consolidation loan remainder – the unpaid loan and accrued unpaid interest – will be split proportionally based on the percentages that each borrower originally brought into the loan. The two new Direct Consolidation Loans will have the same interest rates as the joint consolidation loan. This process will enable joint FFEL Consolidation Loan borrowers to access student loan relief programs, such as the PSLF, for which they were previously ineligible.

Consolidation Loan Volume



THE ROLE OF STUDENT LOANS

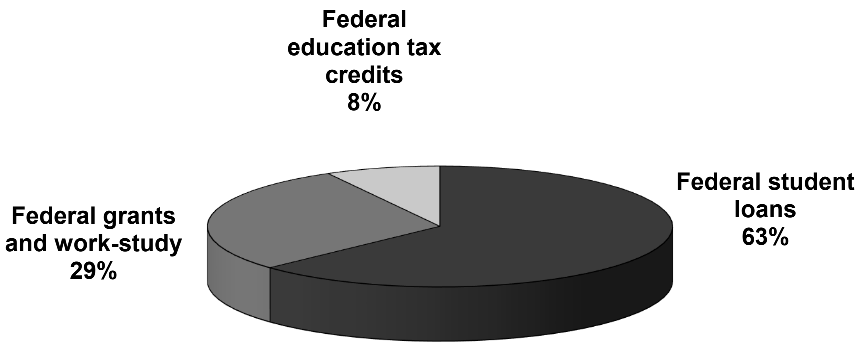
Federal student loans play a key role, along with Federal grants and Federal education tax credits, in helping families access and afford postsecondary education. The following charts show that Federal student loans are the largest component of the Federal postsecondary aid system. Federal student loans (excluding Consolidation loans) accounted for about 63 percent of academic year 2022-2023 Federal student aid, while Federal grants, including the Post-9/11 Veterans Educational Assistance Program and Federal Work Study, accounted for approximately 29 percent. Federal tax benefits accounted for 8 percent. This breakout is based on data from Table 1 in the "College Board Trends in College Pricing and Student Aid 2023" online report.[1]

[1] See Table 1, https://research.collegeboard.org/trends/college-pricing.

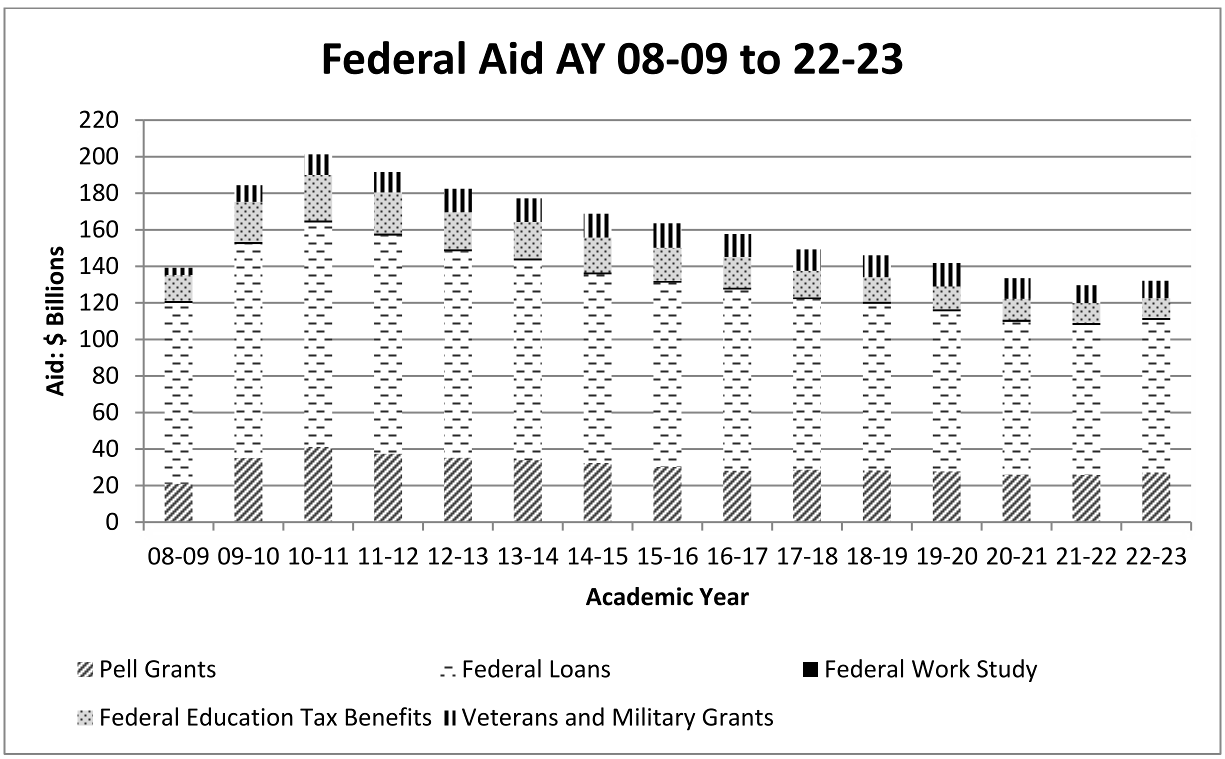
STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Federal Postsecondary Assistance: Academic Year 2022-2023

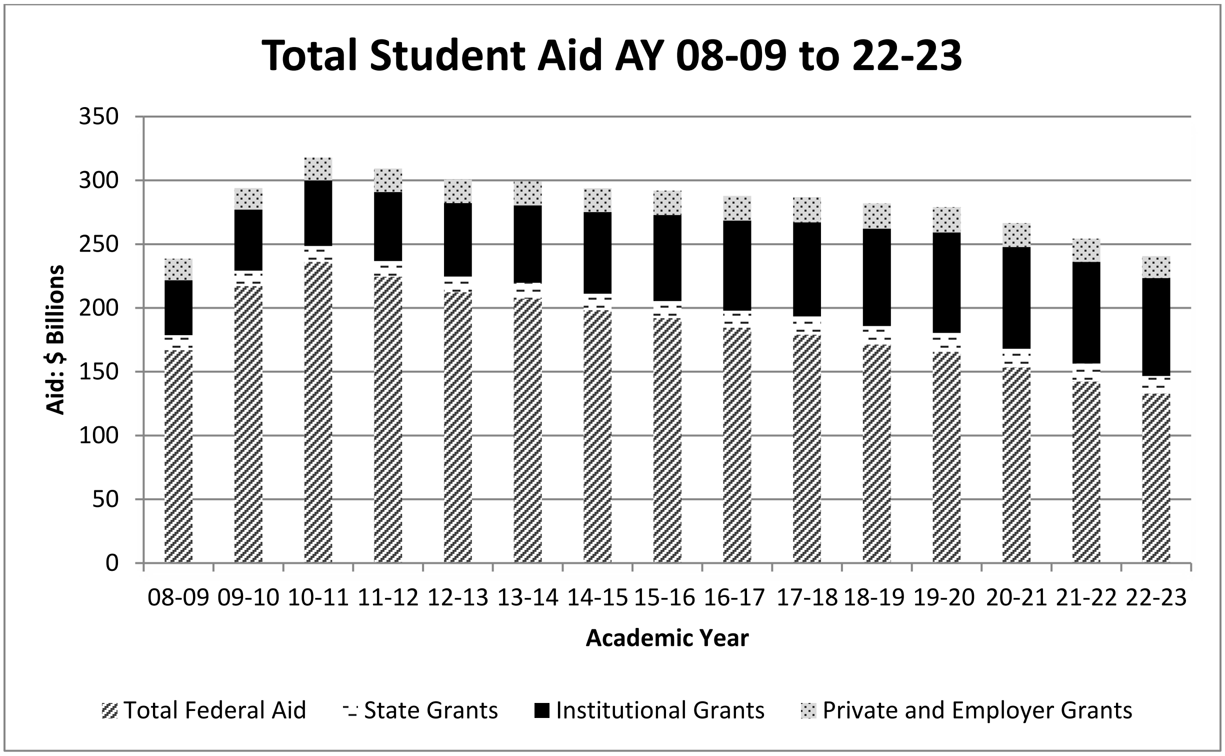


According to this report, approximately $241 billion in total funds from Federal, State, institutional, and private sources were used to help finance postsecondary expenses for academic year 2022-2023. The Federal Government provided about $133 billion, or 55 percent, of all these funds, while State, institutional, and private sources (i.e., non-Federal) provided about 45 percent. The chart below shows the historical trend for major Federal aid programs over the past fifteen years based on data in the 2023 College Board online report.



FFEL and Direct Loans

The chart below shows the same historical trend for both total federal aid and other major sources of student aid based on College Board data.



POSTSECONDARY STUDENT COST, BORROWING, AND ENROLLMENT BY INSTITUTIONAL SECTOR

The 2023 "College Board Trends in College Pricing" online report shows that the average annual total cost of attendance, including tuition and fees and room and board (in current dollars), at a public 4-year college, increased by 31 percent from $18,380 in 2013-2014, to $24,030 in 2023-2024.[1] Over the same 10-year period, the average yearly total cost at a private 4-year college increased by 37 percent, from $40,960 to $56,190. Using just tuition and fees shows that public 4-year schools increased from $8,890 in 2013-2014 to $11,260 in 2023-2024, a 27 percent increase, while private 4-year schools increased from $30,130 to $41,540, a 38 percent increase. Tuition and fees—there is no room and board—at public 2-year community colleges increased from $3,240 in 2013-2014 to $3,990 in 2023-2024, a 23 percent increase, but a much lower overall cost.

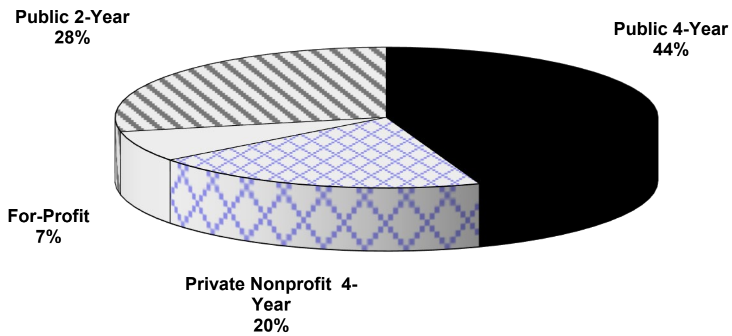
Students rely on the Federal loan programs to help close the gap between what they or their families are expected to pay ("expected family contribution") and the cost of attendance (including tuition, fees, and room and board). Using undergraduate enrollment data from the Department's Integrated Postsecondary Education Data System (IPEDS), the College Board's 2023 "Trends in Student Aid" report estimates student full-time equivalency (FTE) patterns,

[1] See Table 2, https://trends.collegeboard.org/college-pricing.

FFEL and Direct Loans

providing context on where undergraduates choose to attend. The latest enrollment data, from fall 2021, shows that about 44 percent of all undergraduate students were enrolled at 4-year public institutions, 20 percent at 4-year private nonprofit institutions, 28 percent at 2-year public colleges, and 7 percent at private for-profit schools.

2021 Fall Undergraduate Enrollment (Percent of FTE)



The table below shows a summary breakout percentage distribution of specific financial aid sources by school sector. For example, the portion of Pell Grant funds going to students in public 4-year schools is about the same as that going to students in public 2-year schools, but more than double the portion in private 4-year and for-profit school sectors. Subsidized Stafford Loan funds are concentrated in the public 4-year sector, and Grad PLUS funds are concentrated in the private 4-year sector. The public 2-year sector has the lowest borrowing percentages of any sector.

Percentage Distribution of Selected Federal Aid Funds by Sector, 2021-22[1]

Type of Aid	Public 4-yr	Private 4-yr	Public 2-yr	For-profit
Pell Grant	39%	17%	29%	15%
Subsidized Stafford	43	28	10	19
Unsubsidized Stafford	41	40	4	15
Parent PLUS	50	42	1	6
Grad PLUS	27	68	0	6

FFEL LIQUIDATING ACCOUNT

Per the Federal Credit Reform Act of 1990, the cost of FFEL student loan commitments made prior to fiscal year 1992 is appropriated annually under indefinite authority and shown in a Liquidating Account on a cash basis. This account does not issue any new loans and loan-lifetime costs are not estimated. The Liquidating Account pays for pre-1992 student loan activities, such as loan default payments, special allowance payments, and interest benefits.

[1] Row percentages may not sum to 100 due to rounding; columns are not intended to sum to 100.

FFEL and Direct Loans

Consequently, as default and in-school interest costs on these older loans decline over time and recoveries on defaulted loans continue to be collected, annual revenues—offsetting collections—will more than offset annual costs, resulting in negative program costs for which no new budget authority is needed. Based on the 2025 President's Budget, total net outlays in the Liquidating Account are estimated at -$212 million in fiscal year 2024, and -$170 million in fiscal year 2025, meaning collections are expected to exceed payments. A portion of these net collections is returned to the U.S. Treasury as a capital transfer each year.

FEDERAL STUDENT LOAN RESERVE FUND

The Amendments to the HEA of 1998 clarified that reserve money held by public and non-profit guaranty agencies participating in the FFEL program are Federal property when held in the Federal fund, (i.e., Reserve Fund), as opposed to funds held in the Operating Fund over which guaranty agencies retain control. The Federal fund is used to pay default claims from FFEL lenders, and other claims related to death, disability, bankruptcy, and closed schools. This fund also pays fees to support successful guaranty agency efforts to avert defaults. Federal reimbursements for default claim payments are also paid into this fund. The Consolidated Appropriations Act, 2016, increased the reimbursement percentage paid to guaranty agencies by the Department of Education from 95 percent to 100 percent.

The Reserve Fund's major revenues are reinsurance payments from the Federal Government, and its major expenses are insurance payments to lenders. The Fund began fiscal year 2023 with an adjusted unobligated balance of about $725 million and ended the year with a balance of about $560 million, which became the starting balance for fiscal year 2024. Fiscal year 2024 is estimated to have an ending balance of $684 million. The drawdown in Reserve fund balances was the result of guidance from the Secretary allowing guaranty agencies to access Federal funds to support refunds of collections to borrowers during the payment pause and reimburse losses due to the pause in collection activity.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

PROGRAM OUTPUT MEASURES[1]

Output Measures: Direct Loans	2023	2024	2025
Direct Stafford Loans:			
Loan volume ($ in millions)[2]	$16,329	$16,867	$16,995
Number of loans (in thousands)	4,673	4,834	4,856
Average loan (whole $)	$3,494	$3,489	$3,500
Subsidy rate[2]	17.42%	26.22%	26.34%
Direct Unsubsidized Stafford Loans (Undergraduate):			
Loan volume ($ in millions)[2]	$45,555	$47,229	$47,672
Number of loans (in thousands)	6,557	6,813	6,847
Average loan (whole $)	$6,948	$6,932	$6,962
Subsidy rate[2]	8.01%	17.46%	29.49%
Direct Unsubsidized Stafford Loans (Graduate):			
Loan volume ($ in millions)[2]	$26,987	$27,794	$28,060
Number of loans (in thousands)	1,693	1,748	1,750
Average loan (whole $)	$15,937	$15,897	$16,035
Subsidy rate[2]	12.26%	21.69%	24.14%
Direct PLUS Loans (Parents of Undergrads):			
Loan volume ($ in millions)[2]	$12,218	$12,836	$13,443
Number of loans (in thousands)	713	733	753
Average loan (whole $)	$17,138	$17,513	$17,845
Subsidy rate[3]	-41.14%	-26.20%	-22.23%
Direct PLUS Loans (Graduate):			
Loan volume ($ in millions)[2]	$14,280	$14,648	$14,990
Number of loans (in thousands)	647	663	660
Average loan (whole $)	$22,086	$22,094	$22,713
Subsidy rate[3]	8.68%	19.34%	24.17%
Direct Consolidation Loans:			
Loan volume ($ in millions)[2]	$40,785	$42,137	$41,464
Number of loans (in thousands)	860	888	875
Average loan (whole $)	$47,397	$47,462	$47,397
Subsidy rate[3]	49.64%	42.19%	47.74%
Total Direct Loans:[4]			
Loan volume ($ in millions)[5]	$129,167	$133,717	$134,564
Number of loans (in thousands)	13,449	13,931	13,991

[1] Numbers in Program Output Measures tables may not add due to rounding.
[2] Net commitments (disbursements) that are less than amounts committed (e.g., due to loan cancellations).
[3] This rate generally reflects the Federal cost per new loan dollar. When negative, this rate indicates a net savings to the Federal Government. Subsidies are weighted on gross volumes and are consistent with the rates shown in the text table on Student Loan Program Costs that appears in the Budget Appendix.
[4] Totals reflect DL program amounts only—no Perkins Loans.
[5] Net commitments (disbursements) that are less than amounts committed (e.g., due to loan cancellations).

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Output Measures: Direct Loans	2023	2024	2025
Average loan (whole $)	$9,604	$9,599	$9,618
Subsidy Cost:[1]			
New loan subsidy cost ($ in millions)	$19,290	$32,986	$42,267
Subsidy Net Reestimate ($ in millions)	-$1,917	$64,160	0
Net Modification ($ in millions)	-$202,558	0	0
DL Total Net Subsidy ($ in millions)	-$185,186	$97,147	$42,267
Weighted Average Subsidy rate[2]	17.90%	22.87%	27.60%
Outstanding Loan Volume ($ in billions):			
Total Direct Loans Outstanding[3]	$ 1,336	$1,364	$1,397

There are no new FFEL program loans. Information on the FFEL annual reestimates and subsidy modifications, as well as outstanding loan volume, are presented below.

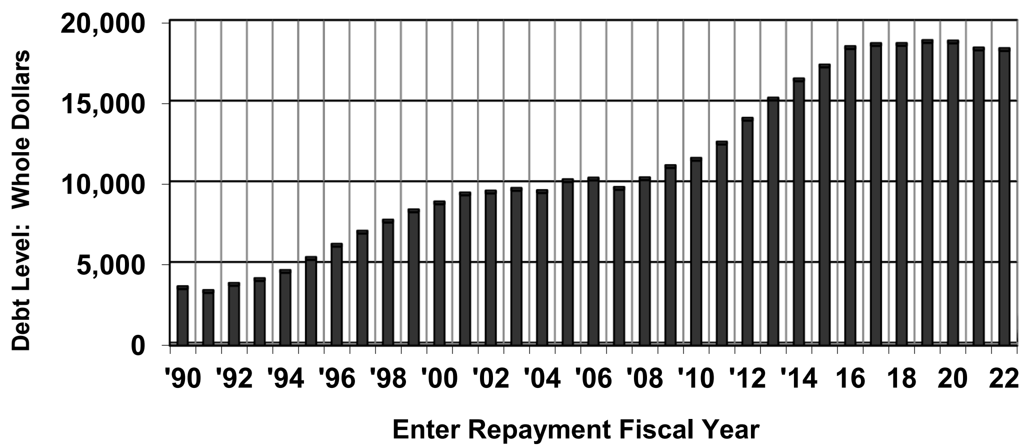
Output Measures: FFEL Loans	2023	2024	2025
Subsidy Cost			
Net Reestimate ($ in millions)[4]	$2,026	9,637	0
Net Modification ($ in millions)	-4,565	0	0
Total FFEL Net Subsidy ($ in millions)	-2,539	9,637	0
Outstanding Loan Volume ($ in billions):			
FFEL Loans	$118	$111	$103
ECASLA Loans	38	33	30
Liquidating Account Loans	3	3	3
Total Combined Outstanding Loan Volume[5]	159	147	136

[1] Subsidy amounts of existing loans are estimated on a net present value basis. Negative subsidy results in a net savings to the Federal Government. Net reestimates and modifications may reflect both upward and downward amounts—consistent with data on page 1.
[2] This rate generally reflects the Federal cost per new loan dollar. When negative, this rate indicates a net savings to the Federal Government. Subsidies are weighted on gross volumes and are consistent with the rates shown in the text table on Student Loan Program Costs that appears in the Budget Appendix.
[3] Reflects total Direct Loan principal (including Consolidations) as the end-of-year estimate.
[4] Subsidy amounts are estimated on a net present value basis, and since no new FFEL loans are made, only net reestimates and net modifications are reported. Reestimates may reflect both upward and downward amounts—consistent with data on page 1.
[5] Reflects total FFEL and Liquidating account loan principal (including Consolidations) as end-of-year estimate.

MEDIAN FEDERAL STUDENT LOAN DEBT

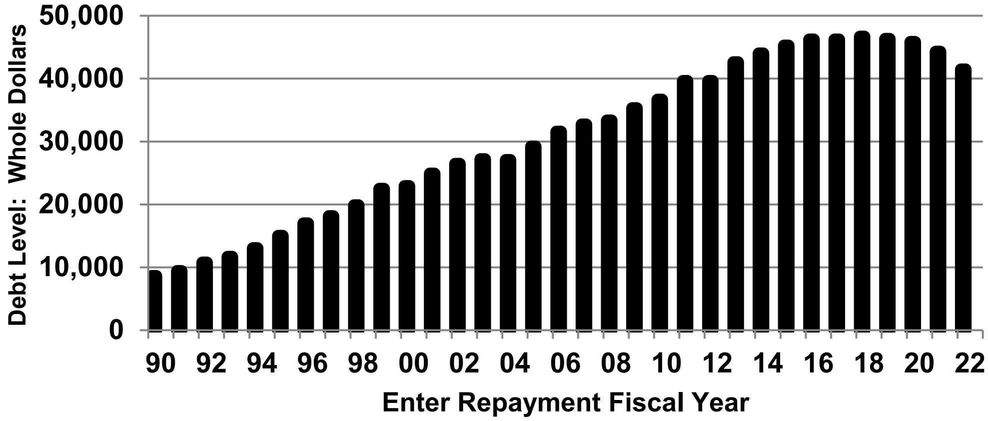
The median level of outstanding Federal student loan balances owed (i.e., Subsidized Stafford and Unsubsidized Stafford Loans) per student for all undergraduate borrowers upon entering repayment has increased substantially over time, from $3,498 in 1990, to $8,750 in 2000, and to $18,254 for those who entered repayment in 2022. Over this thirty-year period, median balances on undergraduate loans have grown by more than five times. Graduate borrower median federal loan debt has also increased substantially from $8,626 in 1990, to $22,906 in 2000, and $41,460 in 2022. Amounts are shown in current dollars, unadjusted for inflation, and are based on data from the NSLDS. Graduate debt reflects borrowing at the graduate level only. Median debt entering repayment is beginning to decrease, most significantly for graduate borrowers.

Median Undergraduate Federal Student Loan Debt When Entering Repayment



FFEL and Direct Loans

Median Graduate Federal Student Loan Debt When Entering Repayment



UNDERGRADUATE AND GRADUATE BORROWER DISTRIBUTION BY FAMILY INCOME

This chart reflects the percentage of dependent and independent undergraduate borrowers of Subsidized and Unsubsidized Stafford Loans at various family income levels, according to NSLDS data for academic year 2021-2022. Graduate student data is also presented.

Approximately 51 percent of Subsidized Stafford Loan dependent borrowers come from families with under $60,000 in family income, compared to about 35 percent of the Unsubsidized Stafford Loan dependent borrowers. Notably, nearly 60 percent of all Unsubsidized Stafford Loan dollars go to dependent students from families with incomes greater than $100,000. Independent undergraduate student borrowers are fairly similar in their borrowing pattern for both Subsidized and Unsubsidized Stafford loans. Almost half of all independent undergraduate student recipients of Subsidized or Unsubsidized loans are from households in the under-$20,000 income category. Similarly, graduate student borrowers are concentrated in the under-$20,000 income category.

Percentage of Borrowers and Dollars of Aid by Income Category: AY 2022-23 (NSLDS)[1]

Dependent Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Subsidized Stafford	Borrowers	16.5%	18.4%	16.0%	13.7%	11.6%	23.9%
Subsidized Stafford	Dollars	16.1%	18.5%	16.3%	14.0%	11.6%	23.4%
Unsub. Stafford	Borrowers	11.3%	12.7%	11.4%	10.4%	10.3%	43.8%
Unsub. Stafford	Dollars	7.8%	8.5%	7.7%	7.5%	8.7%	59.8%

[1] In these three tables, Loan Type measures for Borrowers and Dollars add across columns to 100 percent. Income category columns $20-40 through $100+ reflect income amounts of $20,001- $40,000 and so forth.

FFEL and Direct Loans

Independent Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Subsidized Stafford	Borrowers	45.2%	28.2%	11.3%	5.5%	3.1%	6.8%
Subsidized Stafford	Dollars	44.3%	28.7%	11.4%	5.6%	3.2%	6.9%
Unsub. Stafford	Borrowers	42.5%	26.9%	11.4%	6.0%	3.8%	9.4%
Unsub. Stafford	Dollars	40.1%	26.5%	11.6%	6.4%	4.2%	11.1%

Graduate Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80100	$100+
Unsub. Stafford	Borrowers	41.6%	18.5%	12.7%	7.8%	5.5%	14.0%
Unsub. Stafford	Dollars	48.4%	17.7%	11.1%	6.6%	4.5%	11.7%
PLUS	Borrowers	54.2%	16.8%	9.6%	5.5%	3.5%	10.4%
PLUS	Dollars	56.6%	16.5%	8.8%	5.1%	3.2%	9.9%

UNDERGRADUATE STUDENTS BY INCOME CATEGORY

This table, using the most recent National Postsecondary Student Aid Study (NPSAS 2020) data from academic year 2019-2020, shows the percentage of all undergraduates according to income categories; and within income categories, the percentage of each income group that received Subsidized Stafford Loans, Unsubsidized Stafford Loans, or any form of Federal aid, such as Pell Grants, Work Study, or student loans. For example, 16.1 percent of all dependent undergraduates are from families with total income under $20,000 and, of that group, 30.9 percent received Subsidized Stafford Loans, 23.6 percent received Unsubsidized Stafford Loans, and 75.8 percent reported receiving some type of Federal aid.

This table shows that Federal aid in general goes to lower- and middle-income groups, as intended. For instance, in the dependent students table, the two lowest family income categories—0-$19,999 (0-$20) and $20,000-$39,999 ($20-40)—have the highest percentages of students receiving some form of Federal aid, corresponding to 75.8 percent and 76.4 percent, respectively, while the highest income category—$100,000+—reflects the lowest percentage of dependent undergraduates receiving aid, at 34.5 percent.

STUDENT LOANS OVERVIEW

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Percentage of Undergraduate Students by: 1) Income Level and 2) Within Income Level, By Type of Federal Aid: Academic Year 2019-20 (NPSAS)[1]

Dependent Students (Income Categories = dollars in thousands)

Group Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Undergraduates	Students	16.1%	17.0%	12.3%	10.0%	8.9%	35.7%
Subsidized Stafford	% Receiving	30.9%	34.9%	40.3%	39.9%	35.3%	16.4%
Unsub. Stafford	% Receiving	23.6%	28.1%	33.2%	33.6%	37.3%	31.7%
Federal Aid	% Receiving	75.8%	76.4%	72.4%	54.8%	45.9%	34.5%

Independent Students (Income Categories = dollars in thousands)

Group Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Undergraduates	Students	44.7%	25.5%	13.0%	7.2%	3.6%	5.9%
Subsidized Stafford	% Receiving	33.6%	31.8%	24.6%	18.6%	19.1%	9.3%
Unsub. Stafford	% Receiving	30.0%	27.8%	22.2%	18.2%	19.7%	18.7%
Federal Aid	% Receiving	65.8%	54.4%	42.4%	32.5%	28.1%	20.3%

[1] In both tables above, the “Undergraduates” percentages will add across columns to 100 percent. However, the “% Receiving” aid measures are not all mutually exclusive. Therefore, they are not intended to and will not sum to 100 percent, across columns or by income level.

“Federal Aid” reflects percentages of students receiving any form of Federal aid including student loans, grants, or work-study.

FFEL and Direct Loans

LOAN VOLUME BY INSTITUTIONAL SECTOR

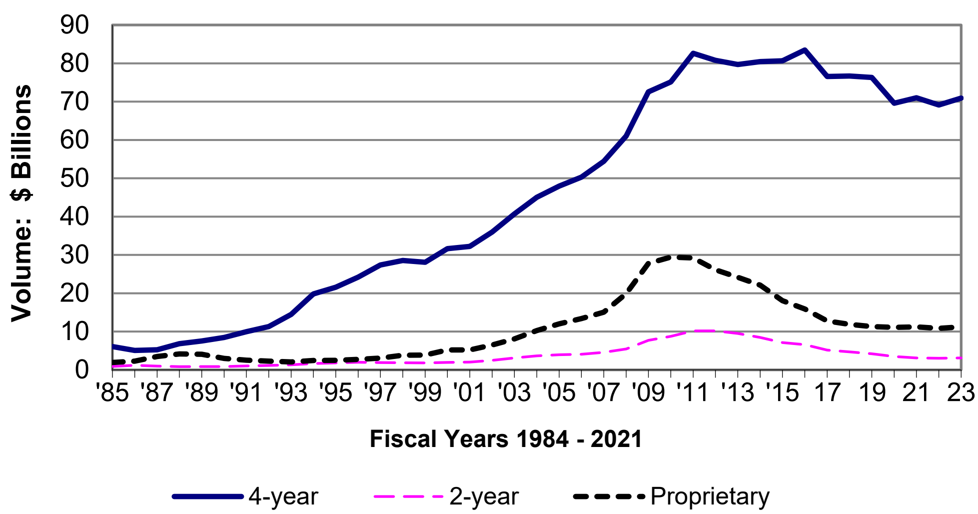
The following charts are based on NSLDS and related data.

Distribution of New Loan Volume Dollars by Institution

FY 2023	4-Yr. Public	4-Yr. Private	2-Yr. Public	2-Yr. Private	Proprietary
Direct Loans	40.9%	40.8%	3.1%	0.4%	13.0%

The following graph depicts annual gross commitment loan volume trends by 4-year (public and private), 2-year (public and private), and proprietary school sectors. (Direct Loans are from program inception in fiscal year 1994.)

Annual Loan Volume by 4-Year, 2-Year, and Proprietary School Sectors



- Loan volume at 4-year institutions increased steadily from more than $5 billion in fiscal year 1984 to almost $83 billion in fiscal year 2011. It remained relatively level until an uptick in 2016 and a noticeable decrease in 2020 to just under $70 billion. In 2023, there was a slight increase to $71 billion. Loan volume at 4-year institutions accounted for almost 82 percent of all volume in fiscal year 2023.

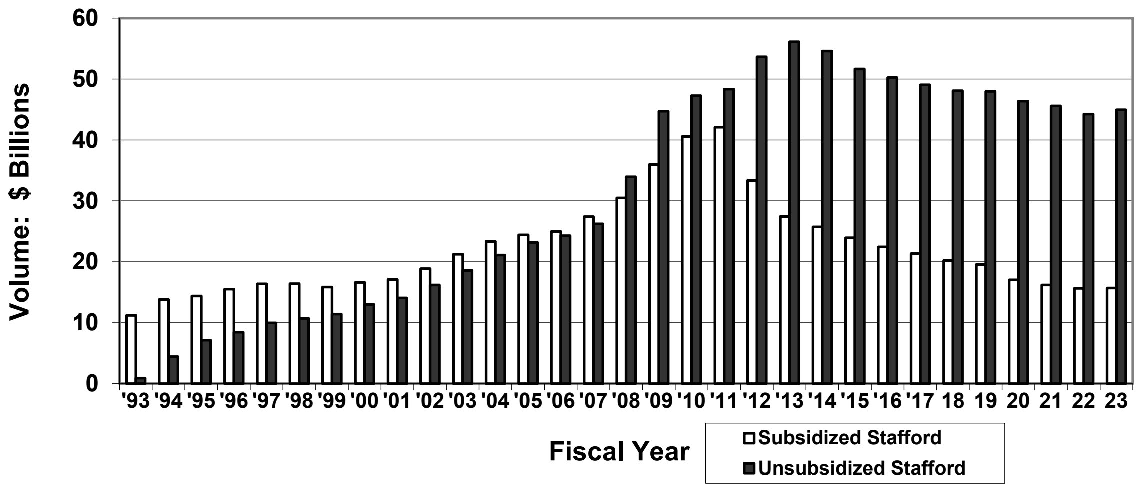
- Loan volume at proprietary institutions increased substantially between fiscal years 1999 and 2010. However, proprietary school loan volume has continued to decline between fiscal years 2010 and 2021, from $29.4 billion to $11.2 billion. Proprietary school loan volume accounted for 26 percent of total volume in fiscal year 2010 but only 13 percent in 2023.

- Loan volume at 2-year institutions is comparatively small as school costs are also much lower. Volume remained steady at about $2 to $4 billion for many years before increasing to $8 to $10 billion after the economic downturn in 2008. Levels have since decreased annually for the past 7 years, to $3.1 billion in fiscal year 2023.

LOAN VOLUME BY SUBSIDIZED AND UNSUBSIDIZED STAFFORD LOANS

As of July 1, 2012, graduate and professional students are no longer eligible for Subsidized Stafford Loans, explaining the sharp decrease in the Subsidized Stafford Loan volume in that year. Since then, graduate and professional borrowing has seen a steady increase, while undergraduate borrowing has declined. Those trends explain the widening gap between Subsidized and Unsubsidized Stafford Loan volume in recent years.

Subsidized Stafford Loan and Unsubsidized Stafford Loan Volume[1]



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PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including, for example, program goals, objectives, measures, and performance targets and data. Achievement of program results is based on the cumulative effect of the resources provided in previous years, and those requested in fiscal year 2025 and future years, as well as the resources and efforts invested by those served by this program.

Certain loan-specific performance measures are included in this section, including teacher loan forgiveness, default rates, and loan recovery rates. However, because the student loan programs and other Federal financial aid programs are often viewed in combination, they typically rely on the same performance measures, strategies, and program improvement activities. Such measures are discussed in the **Student Financial Assistance** Congressional Justification and are not repeated here.

[1] Loan volume is estimated for fiscal years 2021-2024.

STUDENT LOANS OVERVIEW

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Teacher Loan Forgiveness: In response to a GAO recommendation regarding the development of program performance measures for Teacher Loan Forgiveness (TLF), the Department initiated a metric to track the number of borrowers who receive TLF.

Since trends in loan forgiveness tend to follow trends in the Stafford loan program, this metric will track the number of Stafford borrowers (Subsidized and Unsubsidized) who receive forgiveness per year, including loans from both Direct Loan and FFEL programs. Borrowers receiving Teacher Loan Forgiveness are estimated to increase as the Department finds ways to better publicize and promote this program. Specifically, the Department is working on ways to raise awareness among current and incoming students and among potentially eligible borrowers who have already entered the workforce. In fiscal year 2022, approximately 23,000 teachers received loan forgiveness amounting to $223.2 million in dollars discharged, with an average balance discharged of about $9,704.

The following table reflects current baseline actuals (2010 – 2022) and target levels—starting with 2017, the first year of establishing this measure.

Teacher Loan Forgiveness Performance Measure

Fiscal Year	Target Number of Borrowers Receiving Forgiveness	Actual Number of Borrowers Receiving Forgiveness
2010		20,900
2011		28,800
2012		28,400
2013		35,000
2014		39,500
2015		38,400
2016		38,400
2017	37,000	42,400
2018	38,000	45,000
2019	42,500	39,600
2020	43,500	35,200
2021	45,000	28,100
2022	46,000	23,000
2023	47,000	
2024	48,500	
2025	49,000	

General Borrowing Trends: Based on the 2008 National Postsecondary Student Aid Study (NPSAS), 46.9 percent of all undergraduates reported receiving some type of Federal Title IV financial aid in 2007-2008, and 34.5 percent reported borrowing a Federal Stafford (Subsidized or Unsubsidized) Loan. In the 2012 NPSAS, 57.2 percent of undergraduates reported receiving some type of Federal Title IV aid, and 40.1 percent reported having borrowed a Federal Stafford Loan in 2011-2012. Data from the 2016 NPSAS reveals 54.4 percent of undergraduates reported receiving some type of Federal Title IV aid, and 36.2 percent reported having borrowed a Federal Stafford Loan in 2015-2016.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Data from the 2020 NPSAS shows that 54.9 percent of undergraduates reported receiving some type of Federal Title IV aid, and 34.3 percent reported having borrowed a Federal Stafford Loan in 2019-2020, reflecting a decrease in the portion of students who reported borrowing a Stafford Loan in recent years. Of undergraduates who borrowed a Federal Stafford Loan, the average amount borrowed was $5,000 in 2007-2008, $6,400 in 2011-2012, $6,600 in 2015-2016, and $6,500 in 2019-2020.

In addition, graduate and professional student borrowing reflects a similar pattern. According to the 2008 NPSAS, 38.9 percent of graduate and first-professional students reported borrowing a Subsidized or Unsubsidized Stafford Loan in 2007-08, while this figure was 43 percent in 2011-2012 and 39.9 percent in 2015-2016. Data from the 2020 NPSAS shows 34.8 percent. The average Stafford Loan amount borrowed by graduate and first-professional students was $15,600 in 2007-2008, $17,000 in 2011-2012, $18,200 in 2015-2016, and $18,700 in 2019-2020. Graduate students were not eligible for Subsidized Stafford Loans as of July 1, 2012.

The percentage of graduate students who reported borrowing PLUS loans jumped from 4.9 percent in 2007-2008 to 9.9 percent in 2011-2012, with the average amount growing from $15,500 to $18,600. Some of this trend was due to the change in graduate student eligibility for Subsidized Stafford and to the increasing use of PLUS, rather than private loans. Data from the 2016 NPSAS shows that 10 percent of graduate students reported borrowing PLUS Loans with an average amount of $22,300. Data from the 2020 NPSAS shows that 11.1 percent of graduate students reported borrowing PLUS Loans with an average amount of $25,100.

In fiscal year 2023, the Direct Loan program, excluding Consolidations, provided more than $88 billion in new loan assistance to an estimated 6.4 million qualified borrowers. In doing so, the Federal student loan programs helped ensure access to postsecondary education by providing loans to students and their families at lower interest rates and with more favorable repayment terms than student borrowers would likely be able to obtain elsewhere. While private loans are another source of aid, many private lenders have underwriting standards that would restrict access to students with little or no work experience or credit history. In addition, private loans do not always offer the same benefits as Federal loans and may have higher interest rates.

NATIONAL STUDENT LOAN COHORT DEFAULT RATE

Given the substantial volume of Federal student loans, with more than a trillion dollars outstanding, ensuring that those taxpayer-funded loans are repaid is critical to the long-term success of the student loan program. Since the consequences of default on a Federal student loan are severe, the Department is committed to ensuring that borrowers can easily select a repayment plan and manage their repayments.

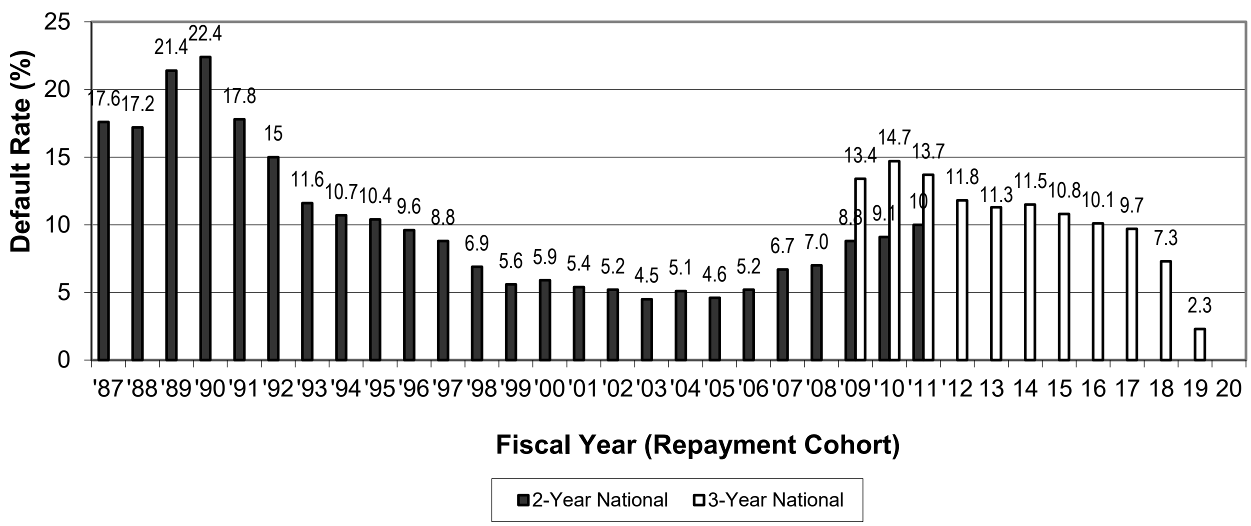
The national student loan “cohort default rate” measures student loan borrower default behavior in the first 3 years of repayment but excludes PLUS loan defaults. This cohort default rate measure was established by the Omnibus Budget Reconciliation Act of 1990 to exclude “high-default” institutions from participation in the loan programs. The measure looked at the performance of an institution’s loans in the first 2 years of repayment. Under this law, schools were excluded from FFEL, Direct Loan, and Pell Grant program eligibility for at least 3 years if they hit or exceeded a 25 percent default rate threshold for 3 consecutive years.

FFEL and Direct Loans

The Higher Education Opportunity Act of 2008 (HEOA) raised the 25 percent threshold to 30 percent for fiscal years 2012 and beyond. HEOA also changed the window from 2 years to 3 years, starting with the borrowers who would enter repayment in fiscal year 2009. Only the 3-year cohort default rate is now published, starting with the 2012 cohort. The first official 3-year cohort default rate was 13.4 percent for the 2009 cohort and was published on September 28, 2012. The most recent 3-year cohort default rate for the 2020 cohort was 0.0 percent. As expected, fiscal year 2020 cohort default rates were significantly impacted by the pause on federal student loan payments that began on March 13, 2020. During the pause, Direct Loan borrowers were not required to make any payments, and no borrowers with Direct Loans entered default. Fewer than 200 borrowers with FFEL loans, which were not eligible for the payment pause, entered default during the fiscal year 2020 cohort default rate measurement period. But this default activity, relative to the total number of borrowers entering repayment, was not significant enough to raise the fiscal year 2020 cohort default rate above 0.0 percent.

As the CARES Act borrower relief provisions continue to overlap with future cohort default rates, these rates are temporarily less instructive about borrower default behavior, however the Department will continue to publish cohort default rates annually.

2-Year and 3-Year National Cohort Default Rates



The national cohort default rate (as shown above) measures prior *borrower* default behavior in just the first 2 years or 3 years of repayment—any defaults outside this period are not incorporated into the default rate. As a result, this rate does not reflect the forward-looking "lifetime *dollar* default rates" used in budget formulation to project future default costs. Lifetime default rates account for defaults over the entire loan-life and are significantly higher than the 3-year cohort default rate.

FY 2025 COHORT LIFETIME DOLLAR DEFAULT AND RECOVERY RATES

The following table shows the estimated dollar default and recovery rates for the 2024 cohort of new loans in the Direct Loan program. The default rates reflect the percentage of dollars estimated to go into default over the life of the cohort. The recovery rates reflect the percentage of dollars the Federal Government estimates it will recover on those defaults. Since interest continues to accrue during default, it drives the estimate of total collections. However, the Federal Government might only recover some or none of the dollars for a default, particularly if a borrower enters an IDR plan after entering repayment. Due to the Fresh Start program, collection activities on defaulted loans in the Direct Loan program are currently suspended.

FY 2025 Baseline Cohort Lifetime Dollar Default and Recovery Rates

Direct Loans	Lifetime Default Rate	Cash Recovery Rate	Cash Recovery Rate (net of CCC)	NPV Recovery Rate (net of CCC)
Subsidized Stafford	23.58%	96.73%	92.22%	73.88%
Unsub Stafford (Undergrad)	28.53%	91.46%	87.29%	70.09%
Unsub Stafford (Graduate)	15.41%	85.09%	80.88%	68.86%
Unsub Stafford (Combined)	20.81%	88.68%	84.50%	74.66%
PLUS (Undergrad)	15.52%	87.12%	83.45%	65.17%
PLUS (Graduate)	13.71%	81.25%	77.16%	65.98%
PLUS (Combined)	14.57%	84.21%	80.33%	65.55%

Lifetime Default Rate: Default rates for the 2025 cohort of Direct Loans range from a high of 28.53 percent for Unsubsidized Stafford Loans to undergraduates down to 13.71 percent for PLUS Loans to graduate students. Lifetime dollar defaults as a percentage of disbursements reflect outstanding principal and interest at time of default divided by original loan dollar amounts disbursed, all on a cash basis, without adjusting for net present value.

Cash Recovery Rate: This cash recovery rate follows the methodology used in prior years where contract collection costs (CCC) are included in the gross recovery rate. This column reflects cumulative principal, interest, and fee recoveries on defaulted loans divided by the outstanding principal and interest at time of default, all on a cash basis. It includes collection costs that are assessed on the loans of defaulted borrowers. As of November 2021, all contact center and customer support activities associated with defaulted accounts are performed by the Default Resolution Group with FSA's Debt Management Collections System (DMCS) contract with Maximus Federal Services (MFS). FSA ultimately intends for the Business Process Operations (BPO) vendors to begin handling default collections. However, these collection costs on loans owned by the Department may not be assessed on those borrowers who meet certain conditions and enter back into a good standing on their loans. Rehabilitated loan payments and loans that consolidate from a defaulted status are included in the collection rate for the cohort the loan was originated.

For instance, borrowers may choose to rehabilitate a defaulted loan which would get the loan out of default status. Generally, this involves borrowers making nine voluntary reasonable and affordable monthly payments (as determined by the loan holder) within 20 days of the due date and within a period of 10 consecutive months. Reasonable and affordable is considered equal to 15 percent of annual discretionary income divided by 12. In some cases, alternative monthly payments can be arranged that are lower. Collection costs are not assessed on loans in a rehabilitation status.

Cash Recovery Rate (net of CCC): This column shows cash recovery rates net of contract collection costs—where contract collection costs are not included—since the dollars do not return to the Federal Government but were used to pay private contractors supporting elements of FSA's debt collection effort.

This column reflects cumulative principal, interest, and fee recoveries on defaulted loans divided by the outstanding principal and interest at time of default, all on a cash basis. It does not include collection costs. However, these collection costs may not be assessed on those borrowers who meet certain conditions and enter back into a good standing on their loans. These estimates also assume that borrowers who return to good standing repay their loans under the original loan terms.

NPV Recovery Rate (net of CCC): This rate shows recovery rates net of contract collection costs using a net present value (NPV) basis, which considers the factor of time on the dollar value of missed payments due to default and subsequent default collections. Under the NPV basis, the recovery rates reflect the discounting of missed payments due to default and subsequent loan collections over a 40-year loan lifetime window. The NPV recovery rate helps provide a broader context over time for determining the success of collection efforts in recovering defaulted Direct Loans.

This column reflects cumulative principal, interest, and fee recoveries on defaulted loans divided by the outstanding principal and interest at time of default on an NPV basis, using 2025 budget discount rates. It does not include collection costs. However, these collection costs may not be assessed on those borrowers who meet certain conditions and who return to repayment and good standing on their loans. These estimates also assume that borrowers who return to good standing repay their loans under the original loan terms.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Account Summary Table

Select here for the online version.

DEPARTMENT OF EDUCATION FISCAL YEAR 2025 PRESIDENT'S BUDGET
(in thousands of dollars)

	Cat Code	2023 Appropriation	2024 Annualized CR	2025 President's Budget	FY 2025 Request Compared to FY 2024 Annualized CR Amount	FY 2025 Request Compared to FY 2024 Annualized CR Percent
Federal Direct Student Loans Program Account (HEA IV-D)						
1. New loan subsidies	M	20,973,978	33,538,043	42,266,917	8,728,874	26.03%
2. New net loan subsidy (non-add)	M	19,290,143	32,986,256	42,266,917	9,280,661	28.13%
3. Upward reestimate of existing loans	M	8,131,676	65,842,936	0	(65,842,936)	-100.00%
4. Downward reestimate of existing loans (non-add)	M	(10,049,156)	(1,682,552)	0	1,682,552	100.00%
5. Net reestimate of existing loans (non-add)	M	(1,917,480)	64,160,384	0	(64,160,384)	-100.00%
6. Upward modification of existing loans	M	116,808,248	0	0	0	---
7. Net modification of existing loans (non-add)	M	(202,558,349)	0	0	0	---
8. Temporary Expanded Public Service Loan Forgiveness	D	0	0	0	0	---
Subtotal, loan subsidies		145,913,902	99,380,979	42,266,917	(57,114,062)	-57.47%
Subtotal, new loan subsidies and net reestimate/modification (non-add)		(185,185,686)	97,146,640	42,266,917	(54,879,723)	-56.49%
Total		**145,913,902**	**99,380,979**	**42,266,917**	**(57,114,062)**	**-57.47%**
Discretionary	D	0	0	0	0	---
Mandatory	M	145,913,902	99,380,979	42,266,917	(57,114,062)	-57.47%
Federal Family Education Loans Program Account (HEA IV-B)						
1. Upward reestimate of existing loans	M	2,924,909	11,976,626	0	(11,976,626)	-100.00%
2. Downward reestimate of existing loans (non-add)	M	(899,176)	(2,339,384)	0	2,339,384	100.00%
3. Net reestimate of existing loans (non-add)	M	2,025,733	9,637,242	0	(9,637,242)	-100.00%
4. Upward modification of existing loans	M	9,082,129	0	0	0	---
5. Downward modification of existing loans (non-add)	M	(13,647,235)	0	0	0	---
6. Net modification of existing loans (non-add)	M	(4,565,106)	0	0	0	---
Total, FFEL Program Account	M	**12,007,038**	**11,976,626**	**0**	**(11,976,626)**	**-100.00%**
Total, new loan subsidies and net reestimate (non-add)		2,025,733	9,637,242	0	(9,637,242)	-100.00%
Federal Family Education Loans Liquidating Account (HEA IV-B)						
1. Pre-1992 student loans	M	0	(212,174)	(170,300)	41,874	19.74%

NOTES:
1) D = discretionary program; M = mandatory programs
2) Pursuant to the Budget Control Act of 2011 (P.L. 112-25), for most mandatory programs, with the exception of Pell Grants, Credit Liquidating, and Credit Reestimates, the levels shown in the 2023 and 2024 Appropriation columns reflect the 5.7 percent reduction that went into effect on October 1, 2022 and October 1, 2023, respectively.
3) Detail may not add to totals due to rounding.