The Department of Education

STUDENT LOANS OVERVIEW

Fiscal Year 2018 Budget Proposal

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[1] State tables reflecting final 2016 allocations and 2017 and 2018 estimates are posted on the Department's webpage at: https://www2.ed.gov/about/overview/budget/statetables/index.html

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DEPARTMENT OF EDUCATION FISCAL YEAR 2018 PRESIDENT'S BUDGET
(dollars in thousands)

Account, Program, and Activity	Category	2016 Appropriation	2017 Annualized CR	2017 Appropriation	2018 President's Budget	2018 President's Budget Compared to 2017 Annualized CR Amount	Budget Compared to 2017 Annualized CR Percent	2018 President's Budget Compared to 2017 Appropriation Amount	2018 President's Budget Compared to 2017 Appropriation Percent
Federal Direct Student Loans Program Account (HEA IV-D)									
1. New loan subsidies (HEA IV-D)	M	0	1,609,002	1,609,002	0	(1,609,002)	-100.00%	(1,609,002)	-100.00%
2. New net loan subsidy (non-add) [1]	M	(9,165,366)	(1,961,127)	(1,961,127)	(10,662,798)	(8,701,671)	443.71%	(8,701,671)	443.71%
3. Upward reestimate of existing loans	M	9,878,116	35,419,293	35,419,293	0	(35,419,293)	-100.00%	(35,419,293)	-100.00%
4. Downward reestimate of existing loans (non-add)	M	(2,184,826)	(6,989,061)	(6,989,061)	0	6,898,061	-100.00%	6,989,061	-100.00%
5. Net reestimate of existing loans (non-add)	M	7,693,290	28,430,232	28,430,232	0	(28,430,232)	-100.00%	(28,430,232)	-100.00%
6. Upward modification of existing loans	M	0	364,394	364,394	0	(364,394)	-100.00%	(364,394)	-
8. Net modification of existing loans (non-add)	M	0	364,394	364,394	0	(364,394)	-100.00%	(364,394)	-
Subtotal, Federal Direct Student Loans Program Account		9,878,116	37,392,689	37,392,689	0	(37,392,689)	-100.00%	(37,392,689)	-100.00%
Subtotal, new net loan subsidies and net reestimate/modification (non-add)		(1,472,076)	26,833,499	26,833,499	0	(26,833,499)	-139.74%	(37,496,297)	-139.74%
Total	M	9,878,116	37,392,689	37,392,689	0	(37,392,689)	-100.00%	(37,392,689)	-100.00%
Federal Family Education Loans Program Account (HEA IV-B)									
1. Upward reestimate of existing loans	M	1,295,196	11,155,845	11,155,845	0	(11,155,845)	-100.00%	(11,155,845)	-100.00%
2. Downward reestimate of existing loans (non-add)	M	(2,521,474)	(370,011)	(370,011)	0	370,011	-100.00%	370,011	-100.00%
3. Net reestimate of existing loans (non-add)	M	(1,226,278)	10,785,834	10,785,834	0	(10,785,834)	-100.00%	(10,785,834)	-100.00%
4. Upward modification of existing loans [2]	M	151,588	0	0	0	0	-	0	0.00%
5. Downward modification of existing loans (non-add) [3]	M	0	0	0	(443,409)	(443,409)	-	(443,409)	-
6. Net modification of existing loans (non-add)	M	151,588	0	0	(443,409)	(443,409)	-	(443,409)	0.00%
Total, FFEL Program Account	M	1,446,784	11,155,845	11,155,845	0	(11,155,845)	-100.00%	(11,155,845)	-100.00%
Total, new net loan subsidies and net reestimate/modification (non-add)	M	(1,074,690)	10,785,834	10,785,834	(443,409)	(11,229,243)	-104.11%	(11,229,243)	104.11%
Federal Family Education Loans Liquidating Account (HEA IV-B): Pre-1992 student lc	M	(174,503)	(243,075)	(243,075)	(215,075)	28,000	-11.52%	28,000	-11.52%

NOTES: D = discretionary program, M = mandatory program; FY = fiscal year

For mandatory programs, the levels shown in the 2015 Appropriation column reflect the 6.8 percent sequester that went into effect October 1, 2015, and the levels shown in the 2017 Appropriation columns reflect the 6.9 percent reduction that went into effect on October 1, 2016, pursuant to the Budget Control Act of 2011 (P.L. 112-25).

Detail may not add to totals due to rounding.

[1] *The Budget Control Act of 2011 (P.L. 112-25) requires OMB to calculate a percentage increase in the origination fee charged to students and parents for new Direct Student Loans*

[2] *The 2016 Appropriation column reflects an increase in guaranty agency reinsurance from 95 percent to 100 percent as included in the Consolidated Appropriations Act, 2016.*

[3] *FFEL downward modification reflects Administration proposed policy to eliminate Account Maintenance Fees paid to guaranty agencies.*

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

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 2018 Authorization: Indefinite

Mandatory Budget Authority:

	2017	2018	Change
Net Loan Subsidies[1]:			
DL New Loan Subsidy	-$1,961,127	-$10,662,798	-$8,701,671
DL Net Reestimate	28,430,232	0	-28,430,232
DL Net Modification	364,394	0	-364,394
DL Total Net Subsidy	26,833,499	-10,662,798	-37,496,297
FFEL Net Reestimate	$10,785,834	0	-$10,785,834
FFEL Net Modification	0	-443,409	-443,409
FFEL Total Net Subsidy	10,785,834	-443,409	-11,229,243

NOTE: Fiscal year 2017 and 2018 data reflect the 2018 President's Budget estimates and include the 6.9 percent 2017 mandatory sequester that is applied to origination fees.

[1] The Direct Loan Budget Authority (BA) amounts reflect estimated negative budget authority as shown on page Q-1 and consistent with the presentation in the 2018 Budget Appendix. The DL reestimate is primarily related to increased borrower participation in income-driven repayment plans and revised collection assumptions. The DL modification reflects costs associated with refunding borrowers under new closed school regulations.
The FFEL reestimate is related primarily to updated collection assumptions and includes ECASLA reestimates to be consistent with the Budget Appendix. The FFEL modification reflects a proposed policy to eliminate Account Maintenance Fees paid to guaranty agencies.

FEDERAL STUDENT LOANS

Authorization

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

The College Cost Reduction and Access Act (CCRAA) (P.L. 110-84) amended loan and other Higher Education Act (HEA) programs, starting October 1, 2007. 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 and increased Unsubsidized Stafford loan limits for undergraduates.
The SAFRA Act (formerly the Student Aid and Fiscal Responsibility Act), Title II, Part 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.

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

The Consolidated Appropriations Act, 2012, eliminated interest payments during the grace period for loans made in award years (AY) 2012-13 and 2013-14, and introduced a lender option to choose an alternative index—the 1-month London InterBank Offered Rate (LIBOR)—for determining special allowance.

The Moving Ahead for Progress in the 21st Century Act (MAP-21) (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.

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.

The Bipartisan Budget Act (BBA) of 2013 eliminated the amount that FFEL guaranty agencies—state and private nonprofit entities that provided default insurance payments to lenders, as well as collection and default counseling activities—could keep from defaulted loan recoveries. The BBA also reduced the maximum amount guaranty agencies can 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 are required to send any rehabilitated loans to the Department if they could not find a private lender buyer.

The Consolidated Appropriations Act, 2016, 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.

Program Description

The Federal student loan programs provide students and their families with the 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, but 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 provided by SAFRA, the FFEL program ceased making new loans as of July 2010, and, as of that date, the

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

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 then 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 institutions disburse loans, but loan servicing is handled by the Department through private sector contractors.

New loan volume typically reflects new borrower demand. In fiscal year 2018, new Direct Loan volume is estimated at $105 billion and Consolidation Loans (which include older loans) are estimated at $48 billion, for a total of $153 billion. In fiscal year 2018, the new Direct Loan volume alone represents approximately 80 percent of all new postsecondary aid available from the Department.

Four types of loans are available under the current Direct Loan program: Subsidized Stafford, Unsubsidized Stafford (Unsub.), PLUS, and Consolidation. Loans can be used only for qualified educational expenses. Subsidized Stafford Loans are available to undergraduate students from low- and moderate-income families and are awarded based on family income reported on the Free Application for Federal Student Aid (FAFSA). 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 an origination fee. Subsidized Stafford and Unsubsidized Stafford Loan borrowers pay an origination fee equal to 1 percent of principal. PLUS borrowers pay a 4 percent origination fee. Under sequestration, origination fees for Subsidized Stafford, Unsubsidized Stafford, and PLUS Loans are required to be increased based on a percentage that OMB calculates for non-exempt nondefense mandatory programs. The sequestration percentage uses methodology described in the Budget Control Act of 2011 (BCA). In fiscal year 2017, the sequester percentage is 6.9 percent, with Stafford and Unsubsidized Stafford loan origination fees equal to 1.069 percent and PLUS loan fees equal to 4.276 percent.

<u>Loan repayment plans:</u>

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—pre and post July 1, 2014), Pay As You Earn (PAYE), and Revised Pay As You Earn (REPAYE).

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, meet limited hardship criteria, declare bankruptcy or when their schools close and the claims meet tests of timeliness.

There are four main features of repayment plans: eligibility, monthly payment, repayment term, and forgiveness. Each repayment plan’s features are summarized below:

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Repayment Plans

Key Features	Standard plan	Graduated plan	Extended plan	ICR	Income-Based	New Income-Based	PAYE	REPAYE
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 Parent PLUS; but Consol Parent PLUS are eligible--only in ICR	Income-Eligible borrowers [loans issued before 7-1-2014][1]	Income-Eligible borrowers [loans issued 7-1-2014 or later][1]	Income-Eligible borrowers [loans issued 10-1-2011 or later] [1]	All Direct Loan borrowers[1]
Monthly payment	Remains fixed	Increases over time	Fixed or increases over time	20 percent of borrower's discretion-ary income; max pay is 12-yr fixed	15 percent of borrower's discretion-ary income; max pay is 10-yr fixed	10 percent of borrower's discretion-ary income	10 percent of borrower's discretion-ary income	10 percent of borrower's discretion-ary income
Repayment terms (in years)	10	10	up to 25	25	25	20	20	20 or 25

NOTES: Standard, Graduated, and Extended plans are fully repaid at the end of term. The five IDR plans shown above: ICR, Income-Based, New Income-Based, PAYE, and REPAYE provide forgiveness of any remaining balance at end of term. Only Direct Loans may be repaid under ICR, PAYE, and REPAYE plans. However, FFEL loans that are consolidated into a Direct Consolidation Loan are for the most part eligible to be repaid under ICR, PAYE, and REPAYE with the exception of Parent PLUS loans that are only allowed into ICR.

[1] Generally, plans such as Income-Based, PAYE, and REPAYE 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.

According to the Department's Federal Student Aid (FSA) Data Center Quarterly report released on December 20, 2016, enrollment in income-driven repayment (IDR) plans has increased substantially. As of September 2016, nearly 5.6 million DL borrowers, or about 26 percent of all DL borrowers, were enrolled in IDR plans representing a 33 percent increase from September 2015 and a 101 percent increase from September 2014. Nearly 1.2 million ED-held FFEL borrowers were enrolled in income-base repayment and income-sensitive repayment plans.

As part of its 2018 budget proposal, the Administration proposes to greatly simplify student loan repayment by consolidating five IDR options into a single IDR plan.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

History of repayment plans:

Most repayment plans have been available since the early 1990's, and the number of available repayment plans remained constant until the latter 2000's. CCRAA of 2007 established the Income-Based Repayment (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 loan forgiveness after 25 years of repayment.

The SAFRA Act of 2010 created a second IBR plan 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 years to 20 years.

In October 2011, under regulatory authority, the Department accelerated these 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.

In December 2015, under regulatory authority, the Department began offering the modified REPAYE plan, which resembles PAYE, with a few key exceptions (primarily the elimination of capping payment at the 10-year standard repayment plan amount), to all qualified student borrowers regardless of when they borrowed.

At the end of any income-driven repayment plan term, qualified borrowers may have their remaining balance forgiven. Under current law, these IDR forgiveness amounts are taxable.

Analysis of Borrower Obligations and Loan Payments across IDR Plans

The Department is fully supportive of recommendations by Congressional staff, the Government Accountability Office (GAO), the Office of Inspector General (OIG), and external policymakers to publish more detailed cost information on Income Driven Repayment. The Department is looking forward to providing more detailed information on the costs of these plans, including sensitivity analysis results, through the FY 2017 Agency Financial Report.

The following analysis provides insight into how borrower payments, a foundational driver of student loan program costs, vary significantly across different IDR plans. This analysis provides another helpful approach for examining IDR by showing how different borrowers are affected by the plans available under current law.

The table below compares the major income-driven repayment plan options. The plans are compared in terms of the ratio of estimated total amount of payments to the amount borrowed for different income and debt categories, which are approximately equal in size. The table is based on a representative sample of borrowers expected to enter IDR repayment in fiscal year 2018 with income categories defined according to a borrower's average projected income throughout the full repayment period.

FFEL and Direct Loans

This method is designed to show how borrowers are affected by the different repayment plans but is not appropriate for comparing the costs of IDR plans, as costs to the Government of IDR loans are driven by the net present value of cash flows as the loans are repaid, not total payments made or total balances forgiven.

Estimated Ratio of Loan Payment Totals to Initial Principal Balance for Income-Driven Repayment Plans
Borrowers Entering Repayment in Fiscal Year 2018

Income and Debt	ICR	Pre-2014 IBR	PAYE & Post-2014 IBR	REPAYE
Income <= 70,000 Debt <= 25,000	1.66	1.54	1.28	1.25
Income <= 70,000 Debt > 25,000	1.64	1.30	.90	1.07
Income 70,001-110,00 Debt <= 40,000	1.54	1.58	1.42	1.32
Income 70,001-110,00 Debt > 40,000	1.72	1.54	1.09	1.35
Income > 110,000 Debt <= 60,000	1.51	1.62	1.47	1.38
Income > 110,000 Debt > 60,000	1.76	1.71	1.25	1.61

NOTE: This table combines PAYE and New Income Based repayment plans because they are very similar.

For comparison purposes, the table analyzes the projected payments, assuming completion of the full expected repayment period, under each of the IDR repayment plans for all borrowers expected to enter IDR repayment in fiscal year 2018. 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, although the complexity of choices may inadvertently lead to some confusion by borrowers.

From the borrowers' perspective, a lower ratio usually indicates a more advantageous plan. However, the wide variation of ratios by income category across plans illustrates the trade-offs borrowers face when considering the payments required and the length of time that payments must be made. This applies mostly to the REPAYE plan where the absence of a standard repayment cap can lead to higher payments over a shorter time period that would lower the ratio of amount repaid to amount borrowed but might not be preferable to borrowers because the monthly amount due is higher, and therefore less affordable.

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 income is less than or equal to $70,000 and where debt is less than or equal to $25,000) would pay, on average, $16,600 over their entire repayment period under ICR versus $15,400 under pre-2014

IBR, $12,800 under PAYE/post-2014 IBR, and $12,500 under REPAYE. Based on the ratios above, borrowers generally would pay less in totality under PAYE and REPAYE. In general, the PAYE/post-2014 IBR and REPAYE options will consistently result in lower total repayment amounts for borrowers than ICR or pre-2014 IBR options. The lower total borrower payments do not necessarily reflect higher costs to the Government, which are determined by the net present value of repayment cash flows.

Loan forgiveness:

As noted previously, at the end of any income-driven repayment plan term, qualified borrowers may have their remaining balance forgiven. Budget estimates of forgiveness under the current IDR plans for borrowers entering repayment in 2018—combined across all IDR plans, since borrowers can switch between plans—assume about 17 percent of borrowers would pay their loans off in full, 30 percent would end up not completing their repayment term due to default, prepayment, or other discharge, 34 percent would get IDR forgiveness, and 19 percent would qualify for Public Service Loan Forgiveness (PSLF).

Of those student borrowers whose balances are projected to be forgiven, about 67 percent would have an amount forgiven less than their original balance and about 33 percent would have an amount forgiven greater than their original balance. The original median balance for borrowers who would qualify for non-PSLF IDR forgiveness is estimated at $47,000 and the median amount forgiven is estimated at $29,000. The original median balance for borrowers who would qualify for PSLF is estimated at $42,000 and the median amount forgiven under PSLF is estimated at $34,000.

Under both 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 Budget retains teacher loan forgiveness programs in order to incentivize more high-quality teachers to teach in high-need schools and subjects.

In 2007, the CCRAA authorized a Public-Service Loan Forgiveness (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) IRS designation. Moreover, the specific job performed does not matter as long as the organization meets the eligibility requirements.

Borrowers must make 120 separate monthly payments while employed by an eligible public service organization, but the payments do not have to be consecutive. With PSLF, borrowers who make 120 qualifying payments under the 10-year standard repayment, or under any Direct Loan income-driven repayment plan, will have any remaining loan balance forgiven. Amounts forgiven under PSLF are exempt from taxation. This benefit is only available in the Direct Loan program, though FFEL borrowers may access the benefit by taking out a Direct Consolidation Loan.

Although no borrower will be eligible for PSLF until October 2017, the Department provides an Employment Certification Form that helps track progress in the program. Recent data from the Federal Student Aid Data Center show that through fiscal year 2016 about 1.1 million forms were submitted and about two-thirds of those were considered certified. However, it should be noted that submission of this form is optional; borrowers may apply for forgiveness after completion of their 120 qualifying payments.

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 HEA 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 (CCRAA) 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 (MAP-21) (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 Award Year 2016-2017 were set in June 2016.

Summaries of each loan type follow:

- <u>Subsidized Stafford (Stafford) Loans</u> are low-interest, fixed-rate loans for undergraduates based on financial need, and have loan limits. 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. The Government also pays the interest while the student is in school or deferment. The 2018 Budget proposes to eliminate this subsidy for new borrowers on or after July 1, 2018 with an exception for students who borrowed their first loans prior to July 1, 2018 and who are borrowing to complete their current course of study. Loans disbursed between July 1, 2016 and June 30, 2017, (Award Year 2016-2017) will have an interest rate of 3.76 percent, based on the 10-year Treasury rate of 1.71 percent plus a statutory add-on of 2.05 percent.

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FFEL and Direct Loans

- Unsubsidized Stafford Loans are low-interest, fixed-rate loans available to student borrowers, regardless of financial need, and have loan limits. Interest accrues while the borrower is in school. Borrowers may defer payment of interest while in school and have it capitalized upon entering repayment. New Unsubsidized Stafford Loans to undergraduates have the same rate and cap as Subsidized Stafford Loans (3.76 percent). However, the interest rate for graduate students has an add-on of 3.60 percent and a 9.5 percent cap. For Award Year 2016-2017, the rate is 5.31 percent based on the 3.60 add-on and 10-year Treasury note of 1.71 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 between July 1, 2016 and June 30, 2017, is 6.31 percent based on the 10-year Treasury note of 1.71 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 DL 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 (FISL), National Defense Student Loans (NDSL), Health Education Assistance Loans (HEAL), 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.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

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 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, through 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 appropriations act, 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 Treasury bill--91 Day T-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)
DEPENDENT UNDERGRADUATES	**Annual Limits**	**Annual Limits**
First-Year Student	$3,500	$5,500[1]
Second-Year Student	$4,500	$6,500[1]
Third-Year+ Student	$5,500	$7,500[1]
INDEPENDENT UNDERGRADUATES [2,3]		
First-Year Student	$3,500	$9,500[1]
Second-Year Student	$4,500	$10,500[1]
Third-Year+ Student	$5,500	$12,500[1]
GRADUATE STUDENTS [4]	0	$20,500
	Aggregate Limits	**Aggregate Limits**
DEPENDENT UNDERGRADUATES	$23,000	$31,000[1]
INDEPENDENT UNDERGRADUATES [2,3]	$23,000	$57,500[1]
GRADUATE STUDENTS [4]	$23,000	$138,500

[1] 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.

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

[3] 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.

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. Under HERA, qualified graduate and professional students are eligible to borrow PLUS loans, where the only limit is the cost of attendance minus other student aid.

[4] 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.

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 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.

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 FFEL and Direct Loans programs are funded by mandatory and indefinite budget authority and, therefore, do not receive annual discretionary appropriations. Both programs also incur various administrative expenses that are funded by the discretionary Student Aid Administration (SAA) account. In fiscal year 2018, the Administration requests $1.7 billion in SAA funding to administer all Title IV Federal student aid programs. This includes $680.7 million for student aid salaries and expenses, and $1,017 million for loan servicing activities. The 2018 SAA budget 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 disbursed. 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 would have a negative subsidy rate of -10 percent, indicating that the Federal Government was receiving10 percent on each dollar of loans made instead of incurring a cost. 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 that approximates the Government's borrowing rate, the interest rate at which borrowers repay their loans, as well as technical assumptions for defaults, repayment patterns, 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 fiscal year 2017, the Direct Loan program has an estimated net total negative subsidy—due in part to lower borrowing costs based on the discount rate paid by the Federal Government compared to the interest rates owed by borrowers. For Direct Loans, the overall weighted average negative subsidy rate for new and Consolidation Loans is estimated to be -1.21 percent in fiscal year 2017.

FFEL and Direct Loans

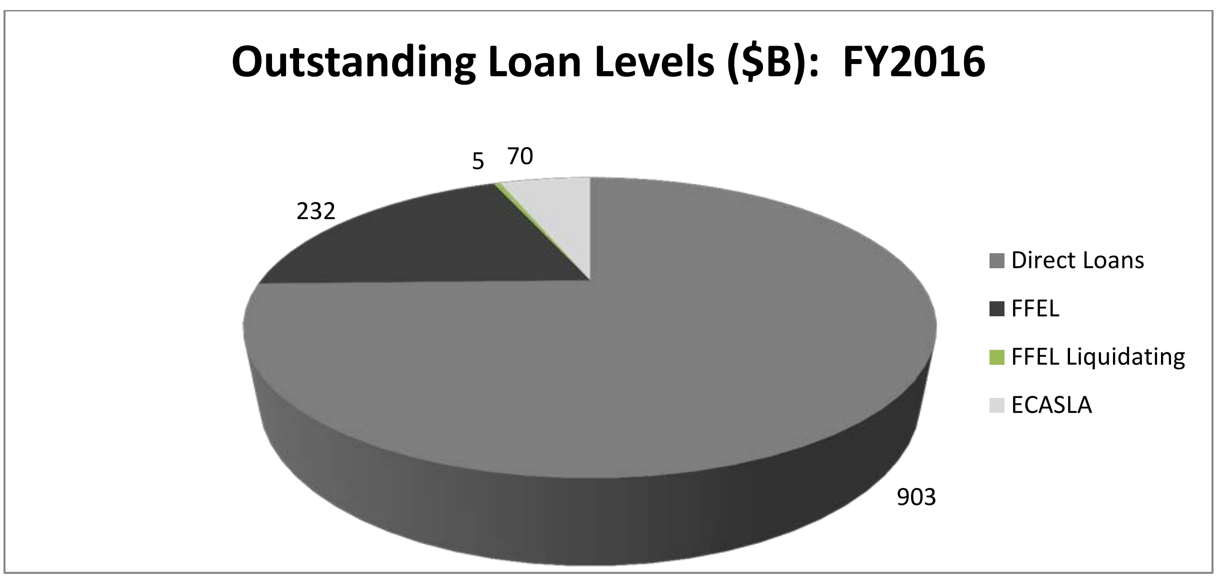
However, subsidy rates can vary significantly by loan types and the estimated loan volume of specific loan types can also affect the overall subsidy rate. For example, Subsidized Stafford Loans at 8.76 percent and Consolidation Loans at 15.64 percent have positive subsidy rates representing a cost to the Government, while Unsubsidized Stafford loans for undergraduates at -5.54 percent and Unsubsidized Stafford loans for graduates at -11.95 percent have negative subsidy rates, reflecting a savings to the Government. PLUS loans also reflect negative subsidy rates at -32.84 percent for undergraduates and -15.69 percent for graduates.

Subsidy rates also vary according to repayment options with the greatest differences appearing between income-driven repayment (IDR) plans and other plans such as Standard, Extended, and Graduated. For example, in fiscal year 2017, the cohort of Subsidized Stafford loans show an estimated subsidy rate of 6.41 percent under Standard (ten-year repayment), compared to a subsidy rate of 24.72 percent under all IDR plans. Unsubsidized Stafford loans show a subsidy rate of -16.74 percent under Standard repayment compared to 24.37 percent under IDR.

However, in fiscal year 2018, under the Administration's proposed policies, the estimated subsidy rate for Standard repayment for Subsidized Stafford is 4.42 percent compared to 8.13 percent under all IDR plans while the Standard repayment rate for Unsubsidized Stafford loans is -16.45 percent versus 8.12 percent under all IDR plans. The lower overall IDR subsidy rates in FY 2018 reflect a reduced cost to taxpayers compared to IDR plans in FY 2017, while still preserving key repayment benefits for student borrowers.

Outstanding Loan Levels

Based on the budget tables published in the 2018 Budget Appendix, at the end of fiscal year 2016, outstanding FFEL and Direct Loans principal totaled approximately $1,210 billion:



STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Reestimates of Subsidy Costs

Under credit reform, the Department annually reestimates the cost of outstanding loans since fiscal year 1992 by cohort to reflect updated modeling assumptions, the President's Budget economic assumptions, statutory and regulatory changes, and historical loan performance.

For the $903 billion in Direct Loan principal outstanding at the end of 2016, the 2018 Budget calculates that net future Federal costs of all outstanding loans is higher than projected in the 2017 President's Budget; this difference is the 2017 reestimate. The 2017 total net upward reestimate of +$28.4 billion reflects an upward component of about +$35.4 billion and a downward component of -$7 billion. The 2017 reestimate represents less than 4 percent of outstanding Direct Loan volume. The net upward reestimate is due to a variety of factors including updated repayment plan selection assumptions reflecting increased borrower enrollment in income-driven repayment plans—that as a group have higher subsidy rates—and collection rate assumptions reflecting lower actual collections on defaults since fiscal year 2011. Model assumptions affecting the 2016 cohort were also updated. These technical assumptions were not updated in the 2017 Budget due to the requirement in the Federal Credit Reform Act that estimates be based on current assumptions, as defined in section 250(c)(9) of the Balanced Budget and Emergency Deficit Control Act of 1985. The net upward reestimate also reflects costs associated with the recent increase in loan discharges for student borrowers harmed by institutional misconduct.

Similarly, the total change in costs for all outstanding FFEL loans at the end of fiscal year 2016—starting with guaranteed loans made as of October 1, 1992—is the 2017 reestimate. The 2017 FFEL guaranteed loan reestimate reflects an upward component of +$6.37 billion and a downward component of -$370 million, for a total net upward reestimate of +$6 billion. Thus, the estimated Federal cost of prior FFEL loans (1992-2016) is higher by about $6 billion than previously projected and represents less than 3 percent of the guaranteed loan portfolio. Major drivers of the FFEL reestimate include changes to collection rate assumptions due primarily to collection rates on defaulted loans which were lower than anticipated. The ECASLA programs show a net upward reestimate of +$4.79 billion, which when combined with the FFEL net upward guaranteed portion of +$6 billion produces an overall net upward FFEL reestimate of +$10.79 billion in fiscal year 2017.

Total net FFEL and Direct Loan subsidy costs for the past 5 fiscal years are shown below:

(dollars in thousands)

Fiscal Year	FFEL	Direct Loans
2013	-$6,843,641	-$38,184,480
2014	-5,676,042	-15,715,097
2015	-3,293,567	17,303,195
2016	-1,074,690	-1,472,077
2017	10,785,834	26,833,499

NOTE: Subsidy costs include net reestimates (combined upward and downward) of prior cohorts and net modifications, which may produce significant annual fluctuations, such as in fiscal year 2015 when Direct Loans expanded an income-based repayment plan to all borrowers. FFEL totals also reflect ECASLA programs.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

FY 2018 BUDGET PROPOSAL

The 2018 Budget addresses student debt by simplifying student loan repayment and redirecting inefficiencies in the student loan program to prioritize expedited debt relief for undergraduate borrowers. These loan proposals are part of a larger effort in the 2018 President's Budget to simplify funding for college, while continuing to help make postsecondary education more affordable.

All student loan policies would apply to loans originated on or after July 1, 2018, with an exception for students who borrowed their first loans prior to July 1, 2018 and who are borrowing to complete their current course of study. These policies would save approximately $143 billion over ten years and help put the Nation on a more sustainable fiscal path.

Student Loan Reform Proposals

Simplify Student Loan Programs and Repayment

In recent years, income-driven repayment (IDR) plans, which offer student borrowers the option of making affordable monthly payments based on factors such as income and family size, have grown in popularity. However, choosing and enrolling in the right repayment plan is overly complicated by the numerous repayment plans authorized and required by law to be offered to student borrowers.

The 2018 Budget proposes to greatly simplify student loan repayment by consolidating five IDR plans into a single plan to make choosing a repayment plan less complex. The single IDR plan would apply to loans originated on or after July 1, 2018, although students who borrowed their first loans prior to July 1, 2018, would continue to be able to select among the existing repayment plans for loans borrowed to fund their current course of study and would be ineligible for the new proposed IDR plan. Thus, only new borrowers, (excluding Parent PLUS borrowers for undergraduates) as of July 1, 2018 would be eligible for the proposed single IDR plan.

This new IDR plan would set a borrower's monthly payment at 12.5 percent of discretionary income, while eliminating the standard repayment cap to ensure that high-income, high balance borrowers make payments commensurate with their income. Married borrowers who file separately would have their payment determined based on both their and their spouse's combined income.

For borrowers with undergraduate student debt only, any balance remaining after 15 years of repayment would be forgiven. For borrowers with any graduate debt, any balance remaining after 30 years of repayment would be forgiven.

To support this expedited pathway to debt relief for undergraduate borrowers, and to generate savings that help put the Nation on a more sustainable fiscal path, the Budget eliminates the Public Service Loan Forgiveness program.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Eliminate Subsidized Stafford Student Loans

To simplify the types of loans undergraduate borrowers can take out, the Budget proposes to eliminate these inefficient subsidies. Therefore, all new undergraduate student loans would be unsubsidized. This policy would apply to loans originated on or after July 1, 2018, with an exception for borrowers continuing to borrow to complete their course of study.

Eliminate Account Maintenance Fees (AMF) paid to Guaranty Agencies

The 2018 Budget proposes to eliminate AMF payments to guaranty agencies given the significantly pared back services provided by guaranty agencies since the move to 100 percent direct lending and their ability to generate significant fee income through debt collection activities.

Accountability

Earning a college degree is one of the most important investments students can make in their future and remains a gateway to the middle class. Federal student grants and loans play a key role in helping students afford to enroll in and successfully complete college. However, some colleges do not hold up their end of the bargain, and they lack adequate incentives to support their students in graduating, finding a good job, and repaying their loans. A better system would create shared responsibility for success among students, schools, and the Federal Government to ensure students do not take on debt that they cannot afford to repay—leaving taxpayers on the hook for the costs of loan default or forgiveness. The Administration looks forward to working with Congress to address these issues in light of the anticipated HEA reauthorization.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

FY 2018 Estimated New Direct Loan Volume

New Direct Loan dollar volume has increased significantly, especially from 2007 to 2011, as the financial crisis drove many non-traditional students to seek higher education. However, from 2011 to 2016, as the economy recovered, volume declined. In keeping with the long-term trend in student loans, the budget estimates modest increases in loan volume in future years. Subsidized and Unsubsidized Stafford Loans are about 75 percent of new Direct Loan volume, with PLUS loans approximately 25 percent. Graduate school borrowing accounted for about 34 percent of the total in fiscal year 2013 and the portion has been increasing with 39 percent estimated for fiscal year 2018.

New Student Loan Volume (Non-Consolidation)

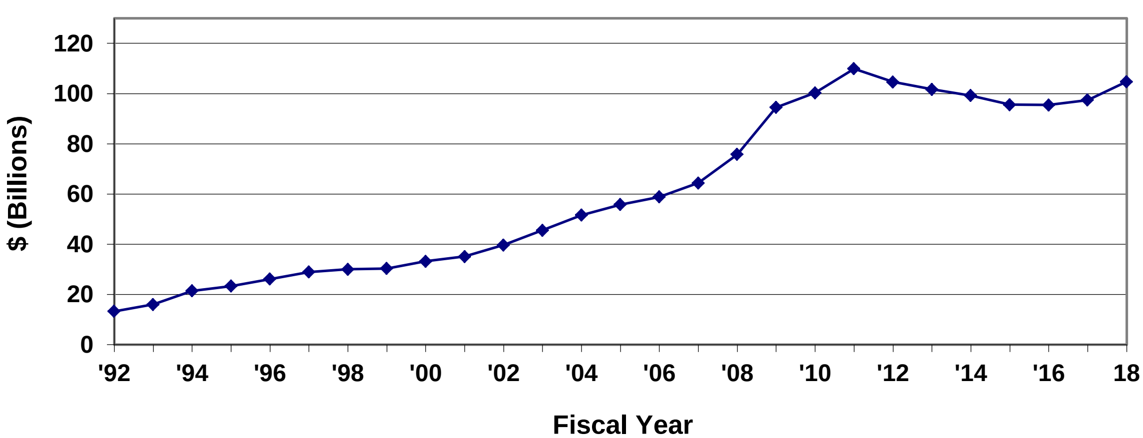
(Dollars in Millions)

Program Volume	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Subsidized Stafford	$27,428	$25,730	$23,754	$22,423	$22,565	$14,528
Unsubsidized Stafford	56,111	54,590	51,791	50,643	51,651	64,439
PLUS	18,189	18,867	20,044	22,396	23,234	25,793
Total New Loan Volume	101,728	99,187	95,589	95,462	97,450	104,760
Graduate School Portion	34,814	35,335	35,330	36,551	37,535	41,122

NOTES: Loan volume and number of loans reflect net commitments.
Figures for fiscal years 2017-2018 are estimates.

Many factors such as college costs, legislative changes, eligibility changes, State aid, Federal aid, economic conditions, and enrollment demographics affect new loan demand. Historical loan volume data and current projections are shown below.

New Student Loan Volume (Non-Consolidation)



STUDENT LOANS OVERVIEW

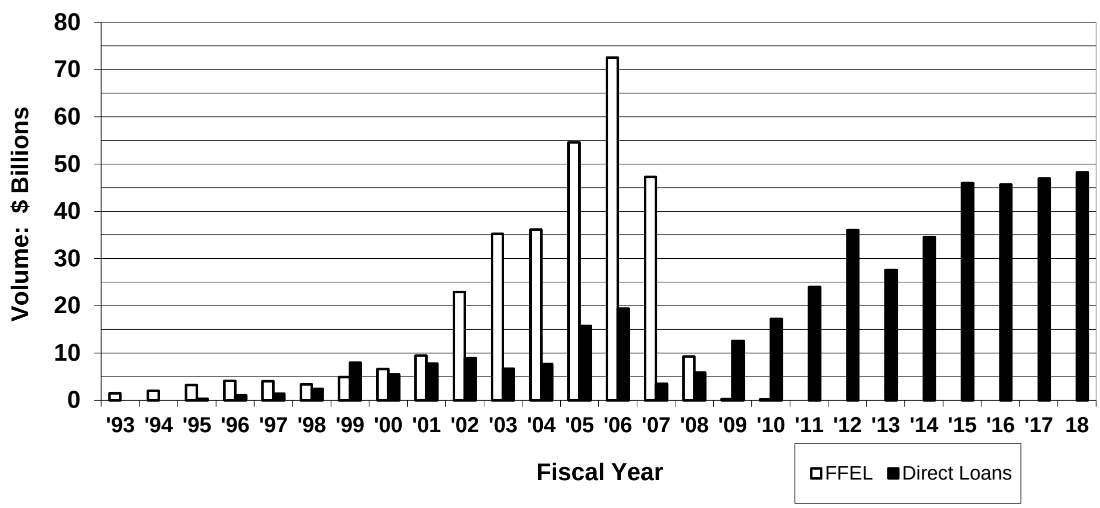
FFEL and Direct Loans

FY 2018 Estimated Consolidation Loan Volume

Direct Loan Consolidations grew substantially, from about $35 billion in fiscal year 2014 to $46 billion in fiscal year 2015, and are expected to remain steady at about $46 to $48 billion through fiscal year 2018. Although not definitive, the increase in 2015 may be due to increased marketing and outreach on the part of additional Consolidation Loan servicers brought under contract in July 2014. Additionally, increased borrowing in fiscal years 2009-2011 and higher loan balances of borrowers could all be contributing to the increase.

The noticeable increase that occurred in 2012 was due to a special temporary incentive program, where borrowers in repayment who had both a FFEL and a Direct Loan were offered an additional 0.25 percent interest rate reduction incentive to consolidate their loans under this special program (January-June 2012). Repayment incentives also included the regular 0.25 percent interest rate reduction for electronic payment.

Consolidation Loan Volume



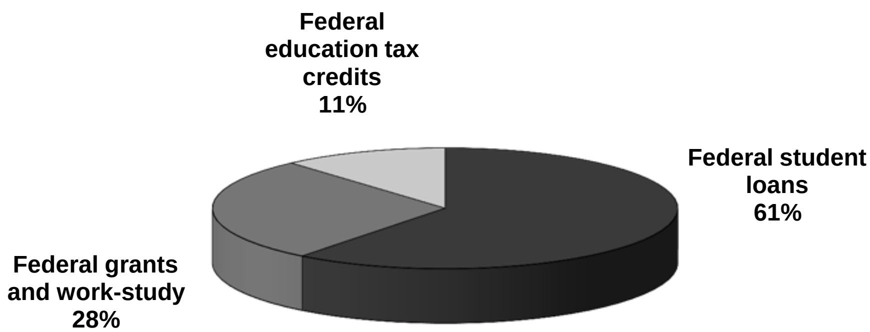
The Role of Student Loans

A major goal of the Federal student aid programs is to assist families in meeting college costs. Federal student loans play a key role along with Federal grants, Federal Work-Study funds, and Federal education tax credits. The following charts show that Federal student loans are the largest component of the Federal postsecondary aid system. Data show new Federal student loans (excluding Consolidation loans) accounted for about 61 percent of academic year 2015-2016 Federal student aid while Federal grants and work-study accounted for 28 percent. Federal tax benefits accounted for 11 percent. These data are based on Table 1 in the “College Board Trends in Student Aid 2016” (Student Aid Trends) online report, which is stated in constant 2015 dollars, https://trends.collegeboard.org/student-aid.

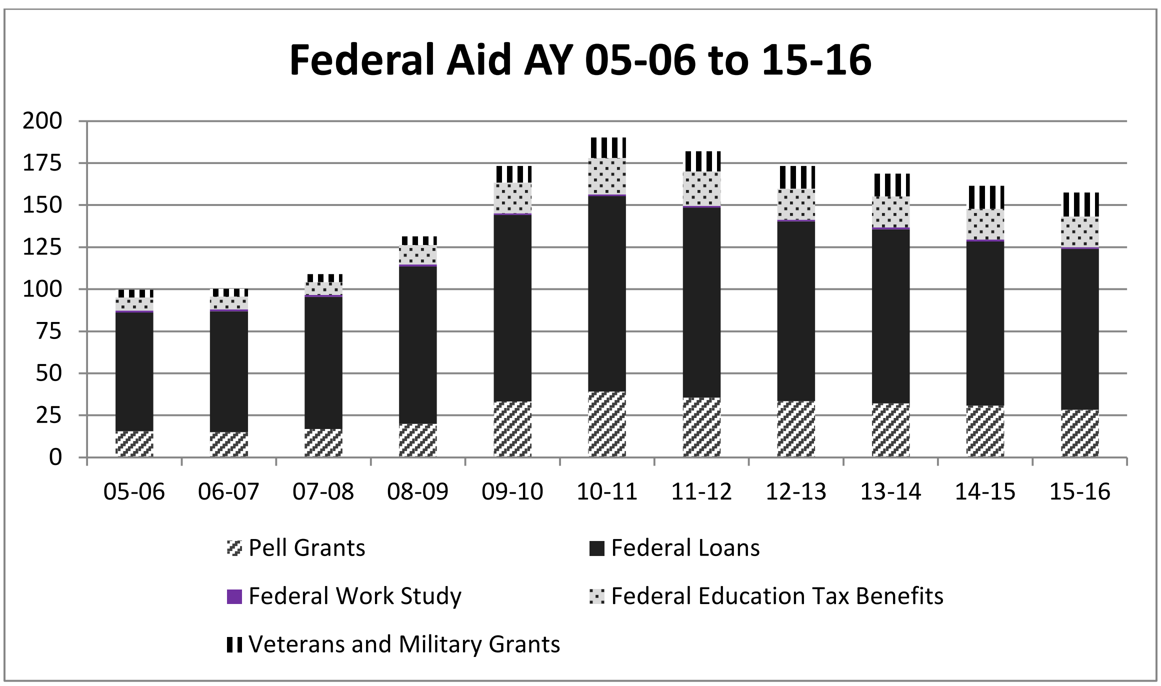
STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Federal Postsecondary Assistance: Academic Year 2015-2016



According to this report, approximately $252 billion in total funds from Federal, State, institutional, and private sources were used to help finance postsecondary expenses for academic year 2015-16. The Federal Government provided about $158 billion, or 63 percent of all these funds, while State, institutional, and private sources (i.e., non-Federal) provided about 37 percent. The chart below shows the historical trend for major Federal aid programs over the past decade based on data in the College Board online report.



Private sector student loans are also available through commercial banks, usually with less generous terms than Federal student loans. Such loans increased from $19.5 billion (using constant 2015 dollars) in academic year 2005-2006 to a peak of $24.1 billion in academic year 2007-08, but declined to about $10 billion in academic year 2015-16. Private sector loans accounted for about 11 percent of all postsecondary aid in 2005-06, but just 3.9 percent in 2015-16. Meanwhile, Federal loans accounted for approximately 40 percent of all postsecondary student aid during this time period.

Postsecondary Cost, Borrowing, and Enrollment by Institutional Sector

The 2016 “College Board Trends in College Pricing” report shows that the average total cost of attendance, including tuition and fees and room and board (in current dollars), at a public 4-year college increased by 63 percent from $12,837 in 2006-07, to $20,090 in 2016-17 (see Table 2, https://trends.collegeboard.org/college-pricing.) Over the same 10-year period, the average total cost at a private 4-year college increased by 49 percent, from $30,497 to $45,370.

The “College Board Trends In College Pricing” report also shows (Table 2) that in constant 2016 dollars, after adjusting for inflation, during this same 10-year period, public 4-year college costs increased 32 percent from $15,180 to $20,090 while private 4-year college costs increased 26 percent from $36,060 to $45,370. Historically, increases in public 4-year college costs are often tied to State budget reductions to higher education funding.

Students rely on the Federal loan programs to help close the gap between what their families are expected to pay (“estimated family contribution”) and the cost of attendance (including tuition, fees, and room and board).

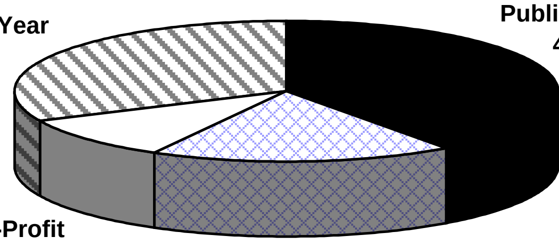
Stafford Loan borrowing varies considerably by type of postsecondary school attended. Based on the 2012 National Postsecondary Student Aid Study (NPSAS), less-than-2-year for-profit schools had the highest reported percentage of borrowers (74.5 percent), while 2-year public institutions, primarily community colleges, had the lowest (16.7 percent). The following table shows the range of borrowing based on school sector.

Percentage of Undergraduates Receiving a Federal Student Loan by Type of Institution Using 2012 NPSAS

Institution	Percent
Public: Less than 2-year	20.1%
Public: 2-year (community college)	16.7%
Public: 4-year non-doctorate-granting	37.4%
Public: 4-year doctorate-granting	53.4%
Private nonprofit: Less than 4-year	46.6%
Private nonprofit: 4-year non-doctorate-granting	61.3%
Private nonprofit: 4-year doctorate-granting	57.8%
Private for-profit: Less than 2-year	74.5%
Private for-profit: 2-year	61.3%
Private for profit: 4-year	73.1%

Using undergraduate enrollment data from the Department’s Integrated Postsecondary Education Data System (IPEDS), the College Board’s 2016 “Trends in Student Aid” report estimates student full-time equivalency (FTE) patterns. This provides perspective on which institutions undergraduates choose to attend. For the latest enrollment data (Fall 2014), the 2016 report estimates about 40 percent of all undergraduate students were enrolled at 4-year public institutions, while 18 percent were enrolled at 4-year private nonprofit institutions. Some 32 percent of all undergraduates were enrolled at 2-year public colleges and 10 percent were enrolled at private for-profit schools.

2014 Fall Undergraduate Enrollment (Percent of FTE)



Furthermore, according to the 2016 Trends Report, the Public 4-year sector, which accounted for 40 percent of FTE undergraduate enrollment, received approximately 31 percent of Pell Grant funds in 2014-15, 41 percent of Subsidized Stafford Loans, 39 percent of Unsubsidized Stafford Loans, and 48 percent of Parent PLUS loan funds. By comparison, the Private Nonprofit 4-year sector received about 15 percent of Pell Grant funds, 24 percent of Subsidized Stafford Loans, 35 percent of Unsubsidized Stafford Loans, and 43 percent of Parent PLUS loan funds. The table below shows a summary breakout percentage distribution of these specific financial aid sources by school sector.

Percentage Distribution of Selected Federal Aid Funds by Sector, 2014-15

School Sector	Pell Grant	Subsidized Stafford	Unsubsidized Stafford	PLUS
Public 4-yr	31%	41%	39%	48%
Private 4-yr	15%	24%	35%	43%
Public 2-yr	35%	15%	7%	1%
For profit	18%	19%	19%	7%

NOTE: column percentages may not sum to 100 due to rounding; rows are not intended to sum to 100.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

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, nor estimate loan-lifetime costs by cohort, and does not use a net present value calculation. The Liquidating Account pays for pre-1992 student loan activities, such as loan default payments, special allowance payments, and interest benefits. 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 2018 Budget, total net outlays are estimated to be -$243 million in fiscal year 2017 and -$215 million in fiscal year 2018, a net budget savings in each year. A portion of these collections is returned to the U.S. Treasury as a capital transfer each year.

Federal Student Loan Reserve Fund

The Amendments to the Higher Education Act (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, as opposed to funds held in an Operating fund that guaranty agencies retain control over. These Federal funds are used to pay default claims from FFEL lenders, as well as other claims related to death, disability, bankruptcy, and closed schools. This fund, the Reserve Fund, also pays fees to support successful guaranty agency efforts to avert defaults. Federal reimbursements for default claim payments are paid into these funds. 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 began fiscal year 2016 with an adjusted unobligated balance of about $1.6 billion. The Fund's major revenues are reinsurance payments from the Federal Government and its major expenses are insurance payments to lenders. These and other cash flows resulted in an ending balance in fiscal year 2016 of about $1.2 billion. Fiscal year 2017 is estimated to have an ending balance of $1.7 billion.

FFEL and Direct Loans

PROGRAM OUTPUT MEASURES

Direct Loans	2016	2017	2018
Direct Stafford Loans:			
Loan volume ($ in millions)[1]	$22,423	$22,565	$14,528
Number of loans (in thousands)	6,894	6,934	4,081
Average loan (whole $)	$3,252	$3,254	$3,560
Subsidy rate[2]	12.17%	8.76%	4.40%
Direct Unsubsidized Stafford Loans (Undergraduate):			
Loan volume ($ in millions)[1]	$23,553	$24,007	$34,803
Number of loans (in thousands)	6,940	7,009	7,868
Average loan (whole $)	$3,394	$3,425	$3,560
Subsidy rate[2]	1.70%	-5.54%	-8.58%
Direct Unsubsidized Stafford Loans (Graduate):			
Loan volume ($ in millions)[1]	$27,090	$27,643	$29,637
Number of loans (in thousands)	1,918	1,945	2,031
Average loan (whole $)	$14,121	$14,211	$14,591
Subsidy rate[2]	-5.53%	-11.95%	-17.78%
Direct PLUS Loans (Undergraduate):			
Loan volume ($ in millions)[1]	$12,934	$13,343	$14,308
Number of loans (in thousands)	1,005	1,020	1,070
Average loan (whole $)	$12,865	$13,087	$13,366
Subsidy rate[2]	-23.00%	-32.84%	-31.49%
Direct PLUS Loans (Graduate):			
Loan volume ($ in millions)[1]	$9,461	$9,891	$11,486
Number of loans (in thousands)	562	572	620
Average loan (whole $)	$16,832	$17,285	$18,522
Subsidy rate[2]	-16.09%	-15.69%	-27.47%
Direct Consolidation Loans:			
Loan volume ($ in millions)[1]	$45,633	$46,927	$48,201
Number of loans (in thousands)	813	821	826
Average loan (whole $)	$56,103	$57,141	$58,327
Subsidy rate[2]	3.01%	15.64%	12.86%
Total Direct Loans[3]:			
Loan volume ($ in millions)[1]	$141,095	$144,376	$152,961
Number of loans (in thousands)	18,134	18,302	16,497
Average loan (whole $)	$7,781	$7,889	$8,048
Subsidy Cost:			
New loan subsidy cost ($ in millions)[4]	-$9,165	-$1,961	-$10,663
Subsidy Net Reestimate ($ in millions)[4]	7,693	28,430	0
Net Modification ($ in millions)[4]	0	364	0
DL Total Net Subsidy ($ in millions)	-1,472	26,833	-10,663
Average Weighted Subsidy rate[2]	-0.95%	-1.21%	-6.39%

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Direct Loans	2016	2017	2018
Outstanding Loan Volume ($ in billions):			
Total Direct Loans Outstanding[5]	$903	$990	$1,071

[1] Net commitments (disbursements) that are less than amounts committed (e.g., due to loan cancellations).
[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.
[3] Totals reflect DL program amounts only—no Perkins Loans.
[4] 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 Q-1.
[5] Reflects total Direct Loan principal (including Consolidations) as the end-of-year estimate.

FFEL Program Loans

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

FFEL Loans	2016	2017	2018
Subsidy Cost			
Net Reestimate ($ in millions)[1]	-$1,226	$10,786	0
Net Modification ($ in millions	152	0	-$443
Total FFEL Net Subsidy ($ in millions)	-1,074	10,786	-443
Outstanding Loan Volume ($ in billions):			
FFEL Loans	$232	$207	$187
ECASLA Loans	70	62	52
Liquidating Account Loans	5	4	4
Total Combined Outstanding Loan Volume[2]	307	273	243

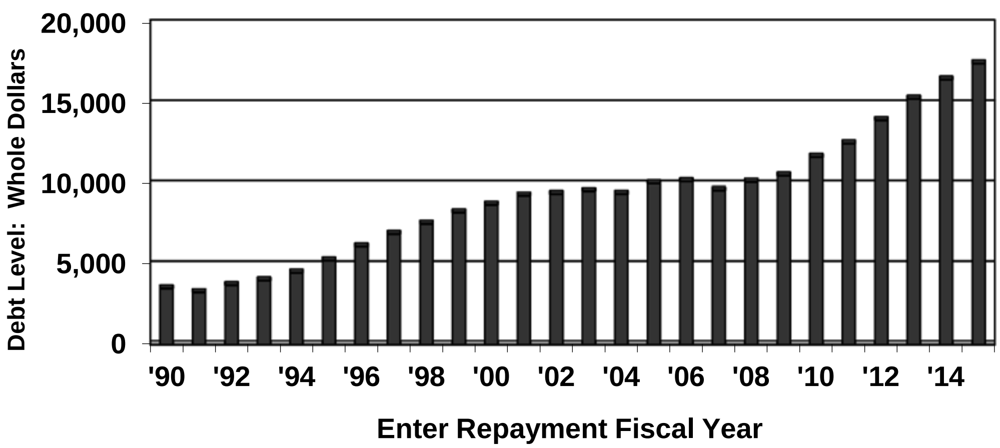
[1] Subsidy amounts are estimated on a net present value basis and since no new loans are made, only net reestimates and net modifications are reported. Reestimates may reflect both upward and downward amounts—consistent with data on page Q-1. The Reestimate in FY 2017 is largely due to updated collection assumptions. ECASLA reestimates are also included, consistent with the Budget Appendix. The proposed modification in FY 2018 is to eliminate Account Maintenance Fees to guaranty agencies.
[2] Reflects total FFEL and Liquidating account loan principal (including Consolidations) as end-of-year estimate.

FFEL and Direct Loans

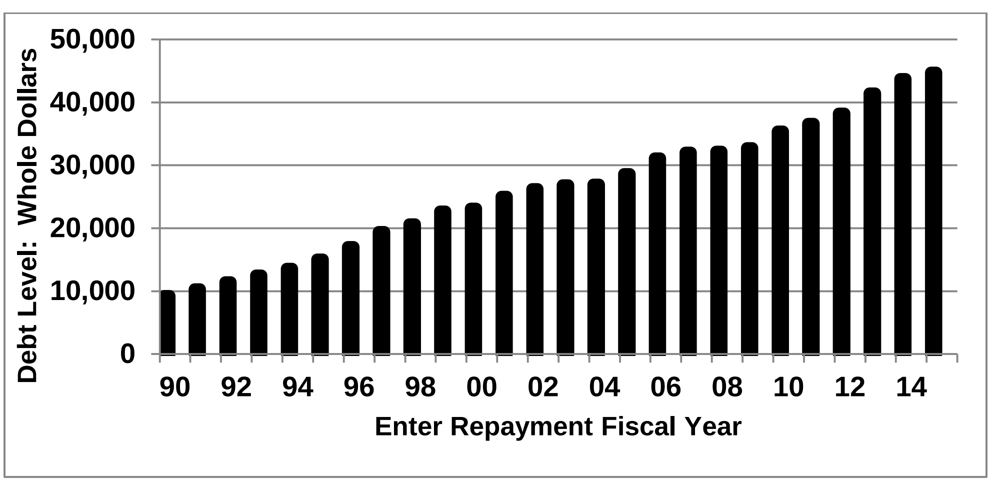
Median Federal Student Loan Debt

National Student Loan Data System (NSLDS) data reveal that 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 $3,504 in 1990, to $8,730 in 2000, and to $17,492 for those who entered repayment in 2015. Graduate student loan debt has also increased substantially from $9,234 in 1990, to $23,146 in 2000 and $44,776 in 2015. Amounts are shown in current dollars. Graduate debt reflects borrowing at the graduate level only.

Median Undergraduate Federal Student Loan Debt When Entering Repayment



Median Graduate Federal Student Loan Debt When Entering Repayment



FFEL and Direct Loans

Undergraduate and Graduate Borrower Distribution by Family Income

These charts reflect 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 (AY) 2015-2016. Graduate student data is also presented.

Approximately 56 percent of Subsidized Stafford Loan dependent borrowers come from families with under $60,000 in family income, while about 41 percent of the Unsubsidized Stafford Loan dependent borrowers come from families with under $60,000 in family income. Notably, 47 percent of all Unsubsidized Stafford Loan dollars go to dependent students from families with incomes over $100,000. Independent student borrowers are fairly similar in their borrowing pattern for both Subsidized and Unsubsidized Stafford loans. Over half of all independent student recipients of Subsidized or Unsubsidized loans are from households in the under-$20,000 income category. Graduate student borrowers are also concentrated in the under-$20,000 income category.

Percentage of Borrowers and Dollars of Aid by Income Category: AY 2015-16 (NSLDS)

Dependent Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Subsidized Stafford	Borrowers	20.0%	19.7%	16.2%	14.4%	11.6%	18.1%
Subsidized Stafford	Dollars	19.5%	19.9%	16.7%	14.7%	11.6%	17.7%
Unsub. Stafford	Borrowers	14.3%	14.5%	12.6%	12.3%	11.9%	34.4%
Unsub. Stafford	Dollars	11.5%	11.1%	9.4%	9.7%	11.1%	47.2%

Independent Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Subsidized Stafford	Borrowers	55.3%	25.8%	9.7%	4.8%	2.5%	1.8%
Subsidized Stafford	Dollars	54.3%	26.3%	10.0%	5.0%	2.6%	1.8%
Unsub. Stafford	Borrowers	52.7%	25.0%	9.9%	5.5%	3.2%	3.8%
Unsub. Stafford	Dollars	50.0%	24.9%	10.3%	6.0%	3.7%	5.1%

Graduate Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Unsub. Stafford	Borrowers	43.8%	20.4%	13.3%	8.1%	5.7%	8.9%
Unsub. Stafford	Dollars	50.8%	18.6%	11.5%	6.9%	4.7%	7.5%
PLUS	Borrowers	61.8%	15.9%	9.1%	4.7%	3.1%	5.3%
PLUS	Dollars	64.6%	14.9%	8.6%	4.2%	2.7%	4.9%

NOTE: 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.

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Undergraduate Students by Income Category

These tables, using NPSAS 2012 data from award year 2011-2012, show 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, in the Dependent Students table, 15.8 percent of all dependent undergraduates are from families with total income under $20,000 and, of that group, 43.7 percent received Subsidized Stafford Loans, 33 percent received Unsubsidized Stafford Loans, and 83.2 percent reported receiving some type of Federal aid.

These tables show 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-$20,000 and $20,001-$40,000—have the highest percentages of students receiving some form of Federal aid, corresponding to 83.2 percent and 73.8 percent, respectively, while the highest income category—$100,000+—reflects the lowest percentage of dependent undergraduates receiving aid, at 38 percent.

Percentage of Undergraduate Students by: 1) Income Level and 2) Within Income Level, By Type of Federal Aid: AY 2011-12 (NPSAS)

Dependent Students (Income Categories = dollars in thousands)

Group Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Undergraduates	Students	15.8%	17.9%	12.4%	13.7%	11.9%	28.3%
Subsidized Stafford	% Receiving	43.7%	40.8%	48.7%	39.9%	32.1%	17.8%
Unsub. Stafford	% Receiving	33.0%	31.3%	39.1%	37.4%	36.9%	33.2%
Federal Aid	% Receiving	83.2%	73.8%	69.2%	49.0%	44.3%	38.0%

Independent Students (Income Categories = dollars in thousands)

Group Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Undergraduates	Students	50.0%	24.1%	11.9%	6.9%	3.5%	3.7%
Subsidized Stafford	% Receiving	44.0%	37.5%	28.4%	23.0%	21.0%	9.9%
Unsub. Stafford	% Receiving	37.3%	32.4%	25.1%	23.3%	23.1%	19.6%
Federal Aid	% Receiving	69.6%	54.9%	42.4%	31.7%	27.8%	20.8%

NOTES: In both tables above, the “Undergraduates” percentages will add across columns to 100 percent. However, the “% Receiving” aid measures are not all mutually exclusive and, therefore, are not intended to, and will not, sum to 100 percent, either 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.

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Loan Volume by Institutional Sector

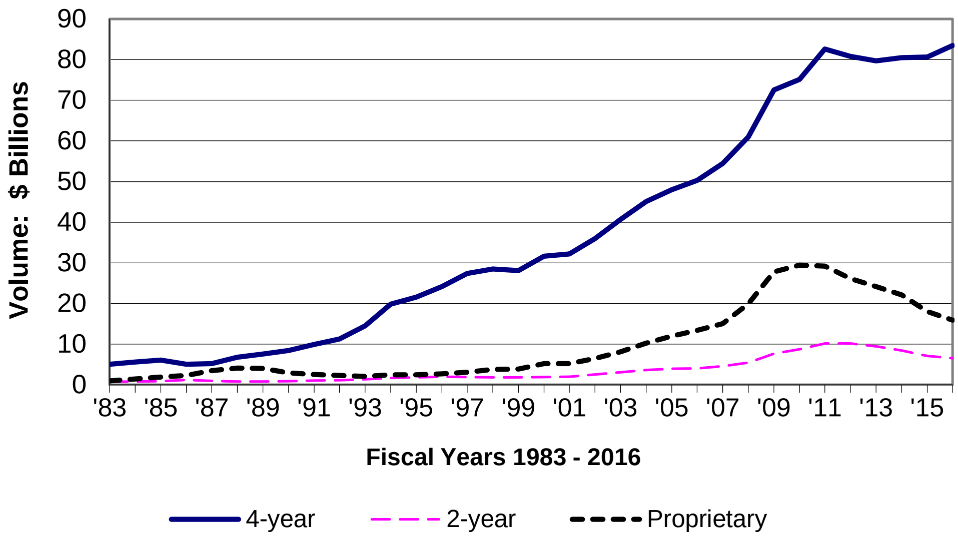
The following charts are based on NSLDS and related data.

Distribution of New Loan Volume Dollars by Institution

FY 2016	4-Yr. Public	4-Yr. Private	2-Yr. Public	2-Yr. Private	Proprietary
Direct Loans	41.8%	37.0%	5.9%	0.3%	15.0%

The following graph depicts annual gross commitment loan volume trends by 4-year, 2-year, and proprietary school sectors. (DL data 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 sharply from about $5 billion in fiscal year 1983 to almost $83 billion in fiscal year 2011, although recent total 4-year volume has remained relatively level since 2011. The loan volume at 4-year institutions accounts for about 79 percent of all gross commitment loan volume in fiscal year 2016.
- Loan volume at proprietary institutions increased substantially between fiscal years 1999 and 2010. However, proprietary school loan volume continues to decline between fiscal years 2010 and 2016, from $29.4 billion to $15.4 billion. In fiscal year 2010, proprietary school loan volume was 26 percent of total volume, and in fiscal year 2016, 15 percent.
- Loan volume at 2-year institutions remained steady during the 1990s, rose to $2 billion in fiscal year 2001 and then increased to $10.2 billion in 2012. Levels have decreased annually for the past 4 years. Relative to the other sectors, student loan volume at 2-year schools is comparatively small, accounting for only 6.2 percent of all loan volume in 2016.

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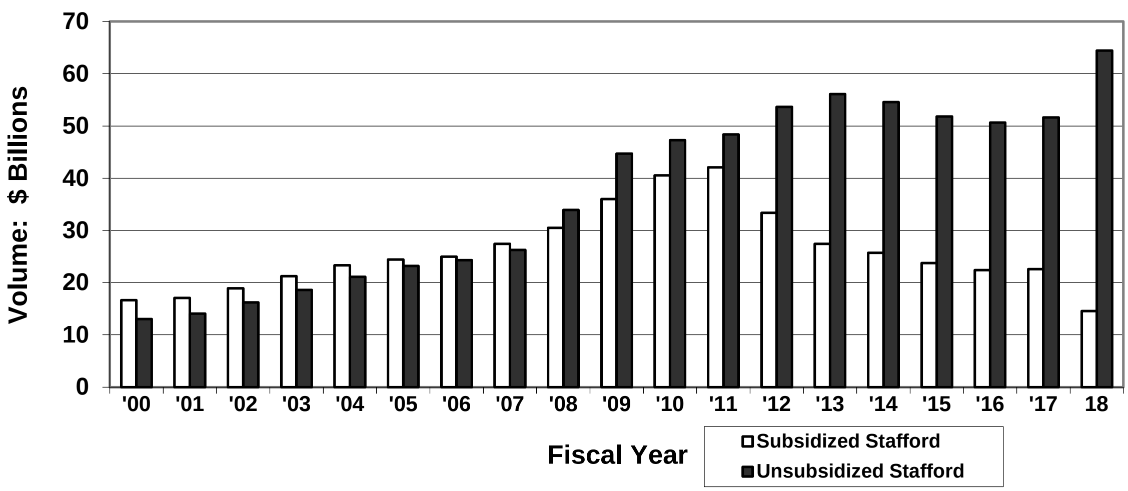
Loan Volume by Subsidized and Unsubsidized Stafford Loans

A substantial portion of loan volume growth in the last decade is attributable to the Unsubsidized Stafford Loan program. 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. FY 2018 reflects the proposed policy to make all Stafford loans unsubsidized for new borrowers, with an exception for borrowers continuing to borrow to complete their course of study.

Subsidized Stafford Loan and Unsubsidized Stafford Loan Volume



NOTE: Loan volume is estimated for fiscal years 2016-2018.

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including GPRA goals, objectives, measures, and performance targets and data; and an assessment of the programs' progress in achieving program results. Achievement of program results is based, in part, on the cumulative effect of program resources available in previous years as well as in fiscal year 2018 and future years, and the resources and efforts invested by those served by this program.

The student loan programs and other Federal financial aid programs help remove financial barriers to postsecondary education. Because these programs rely on the same performance measures, strategies, and program improvement activities, such measures are discussed in the Student Financial Assistance account, and are not repeated here.

However, in response to a GAO recommendation regarding the development of program performance measures for Teacher Loan Forgiveness, the Department has initiated a metric to track the number of borrowers who receive forgiveness. Since trends in loan forgiveness tend to follow trends in the Stafford loan program, this metric will track the number of Stafford

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borrowers who receive forgiveness per year, including loans from both DL and FFEL programs. This number is estimated to increase in future years as the Department finds ways to better publicize and promote these programs as GAO recommended. Specifically the Department is working on ways to raise awareness more effectively among both current and incoming students and among potentially eligible borrowers who have already entered the workforce.

The following table reflects current baseline (2010 – 2016) and target (2017 – 2021) levels for the number of Stafford Loan borrowers receiving Teacher Loan Forgiveness.

Teacher Loan Forgiveness Performance Measure

Fiscal Year	Number of Borrowers Receiving Forgiveness
2010—Baseline	21,564
2011	29,618
2012	28,472
2013	34,599
2014	38,502
2015	33,619
2016	36,602
2017—Target	37,000
2018	39,000
2019	41,000
2020	43,000
2021	45,000

Based on the 2008 NPSAS, 46.9 percent of all undergraduates reported receiving some type of Federal Title IV financial aid in 2007-08 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 2011-12. Of undergraduates in 2007-08 who borrowed a Federal Stafford Loan, the average amount borrowed was $5,000, while in 2011-12, the average amount was $6,400—a 28 percent increase.

In addition, graduate and professional student borrowing has also increased. 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 in 2011-12 this figure was 43 percent. The average Stafford Loan amount borrowed by graduate and first-professional students in 2007-08 was $15,600, while in 2011-12 the average loan was $17,000.

Also, the percentage of graduate students who reported borrowing PLUS loans jumped from 4.9 percent to 9.9 percent 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.

In fiscal year 2016, the Direct Loan program, excluding Consolidations, provided approximately $95 billion in new loan assistance to an estimated 8.7 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 they would be able to obtain elsewhere. Without access to Federal student loans, many students might not be able to obtain educational loans, since 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 have few of the protections of Federal loans and often have higher interest rates.

National Student Loan Cohort Default Rate

Given the annual volume of Federal student loans, ensuring that those taxpayer-funded loans are repaid is critical to the long-term success of the student loan program. In addition, since the consequences of default on a Federal student loan are severe, the Administration is committed to ensuring that borrowers can easily select a repayment plan and have student loan payments that are manageable. The Administration's proposed policy for creating a single income-driven repayment plan further enhances the prospects of student repayment success by simplifying and streamlining income-driven options into one uniform plan for new borrowers.

With the introduction of income-driven repayment plan options, the Department has significantly improved borrower opportunities to select repayment plans that can help make student loan debt more manageable.

For example, over the past 2 years, data from the Department's FSA Data Center show that the number of Direct Loan borrowers enrolled in income-contingent, income-based, PAYE, and REPAYE repayment plans has more than doubled to almost 5.6 million borrowers as of September 30, 2016, compared to September 30, 2014.

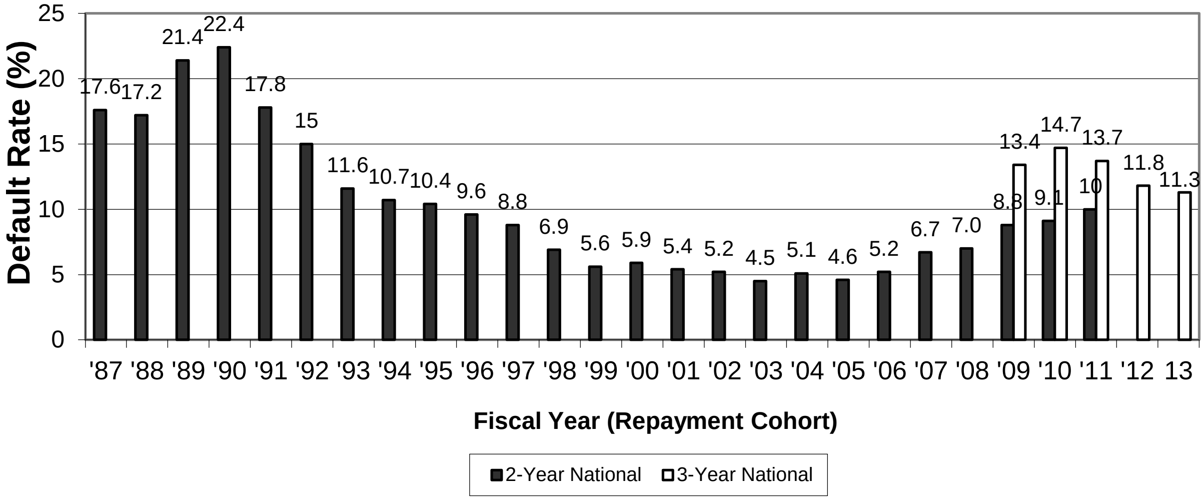
The national student loan "cohort default rate" measures student loan borrower default behavior in the first 3 years of repayment, but excludes PLUS loan defaults. This measure was established by the Omnibus Budget Reconciliation Act of 1990 (OBRA), to exclude "high-default" institutions from participation in the loan programs. The measure looks 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.

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 issued for the 2009 cohort, published on September 28, 2012, was 13.4 percent. The most recent 3-year cohort default rate for the 2013 cohort was 11.3 percent. For the 2013 cohort, over 5.2 million borrowers from 6,155 postsecondary institutions entered repayment and approximately 593,000 of those borrowers defaulted within a 3-year period.

The national cohort default rate also includes component data on cohort default rates by school sectors. The 2013 cohort default rates published showed public 2-year schools sector with 18.5 percent, the proprietary school sector with 15 percent, and the private non-profit 2-year schools sector with 16.4 percent. The rates are lower for borrowers at 4-year public and private schools: 7.4 percent and 6.6 percent respectively.

2-Year and 3-Year National Cohort Default Rates



The national “cohort default rate” (as shown above) measures 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 “lifetime dollar default rates” used in budget formulation to project future default costs. The lifetime default rates account for defaults over the entire loan-life and are significantly higher than the 3-year cohort default rate.

FY 2018 Cohort Lifetime Dollar Default and Recovery Rates

The following table shows the estimated dollar default and recovery rates for the 2018 cohort of new loans in the Direct Loan program. The default rates reflect the percentage of dollars that are estimated to go into default over the life of the particular 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 is the primary driver of the estimate of total collections. However, the Federal Government might only recover some or none of the dollars for a loan in default, particularly if a borrower enters an income-driven repayment plan after entering repayment

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FY 2018 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	19.73%	104.60%	92.08%	77.61%
Unsub Stafford (Undergrad)	28.93%	104.34%	91.70%	77.31%
Unsub Stafford (Graduate)	7.66%	96.17%	86.35%	75.72%
Unsub Stafford (Combined)	19.15%	102.83%	90.71%	77.03%
PLUS (Undergrad)	8.75%	107.68%	94.36%	77.11%
PLUS (Graduate)	8.31%	95.60%	85.30%	73.74%
PLUS (Combined)	8.55%	102.45%	90.44%	74.89%

Lifetime Default Rate: Default rates for the 2018 cohort of Direct Loans range from 28.93 percent for Unsubsidized Stafford Loans (undergraduates) to 7.66 percent for Unsubsidized Stafford Loans (graduates). 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: The Budget estimates that cash recovery rates exceeding 100 percent indicate the Federal Government, on average, expects to collect principal, interest, and penalty fees that would more than offset defaulted dollars. 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 and paid to collection agencies. 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.

Cash Recovery Rate (net of CCC): The cash recovery rates of less than 100 percent show 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 are used to pay private debt collection contractors.

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): Shows recovery rates net of contract collection costs using a net present value (NPV) basis, which takes into account 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.

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This column reflects cumulative principal, interest, and fee recoveries on defaulted loans divided by the outstanding principal and interest at time of default on a net present value (NPV) basis, using 2018 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.