Department of Education

STUDENT LOANS OVERVIEW

Fiscal Year 2024 Budget Request

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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 2024 Authorization: Indefinite

Mandatory Budget Authority:

	2023 Appropriation	2024	Change
Net Loan Subsidies:			
DL Net New Loan Subsidy	$21,794,343	$26,592,828	$4,798,485
DL Net Reestimate	-1,917,480	0	1,917,480
DL Net Modification	42,534,312	0	42,534,312
DL Total Net Subsidy	62,411,175	26,592,828	-35,818,347
FFEL Net Reestimate	2,025,733	0	-2,025,733
FFEL Net Modification	2,623,076	0	-2,623,076
FFEL Total Net Subsidy	4,648,809	0	-4,648,809

NOTE: The Direct Loan (DL) downward net reestimate for fiscal year 2023 is primarily due to updated Income Driven Repayment (IDR) model assumptions. The DL net modification in fiscal year 2023 reflects costs related to the extension of COVID-19 emergency relief measures on Federal student loans through August 30, 2023, and costs related to final regulations that streamline and improve the rules for major targeted debt relief programs. The FFEL net modification for fiscal year 2023 reflects costs related to the extension of COVID-19 emergency relief measures on Federal student loans through August 30, 2023, and costs related to extending those relief measures to borrowers serviced by Guaranty Agencies.

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 2012-13 and 2013-14 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.

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 2024, new Direct Loan volume is estimated at $85.8 billion, and Consolidation Loans (which include older loans) are estimated at $36.5 billion, for a total of $122.3 billion. In fiscal year 2024, new Direct Loan volume alone will account for about 68 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 2023—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 CARES Act provided emergency relief measures on federally held student loans, including suspending loan payments, halting collections on defaulted loans, and setting interest rates to 0 percent through September 30, 2020. The COVID-19 emergency relief measures have been extended several times since then. Loan payments will resume 60 days after the Supreme Court announces its decision on the Administration's one-time student debt relief. If the

Supreme Court has not made a decision or resolved the litigation by June 30, 2023, payments will resume 60 days after that.

The COVID-19 emergency relief measures have largely insulated Federal student loan performance from economic disruption caused by the COVID-19 pandemic while reducing loan repayments remitted to the Department. There is great uncertainty regarding student loan performance and corresponding cost estimates once these relief measures expire.

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 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, 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.

According to the Department's September 2022 Federal Student Aid Data Center quarterly report (the most recent report publicly available), as of the fourth quarter of fiscal year 2022, approximately 8.4 million Direct Loan borrowers were enrolled in IDR plans, representing about 33 percent of all Direct Loan borrowers and 45 percent of all Direct Loan outstanding dollars in repayment status. Borrower participation reflects a 0.4 percent decrease over fiscal year 2021 fourth quarter and a 0.1 percent decrease in dollars being repaid via IDR plans. The percentage of outstanding Direct Loan dollars not currently listed on a repayment plan has risen since the start of the COVID-19 pandemic. As of the first quarter of fiscal year 2021, that percentage was 9.1 percent. As of the fourth quarter of fiscal year 2022, the percentage was 17.9 percent.

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

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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 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.

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Repayment Plans

Key Features	Standard	Graduated	Extended	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 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	20 or 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 REPAYE 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 REPAYE, 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 more detailed cost information on Income-Driven Repayment. As a result of earlier efforts by the Department to advertise the PAYE and REPAYE 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,

[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.

including students pursuing Public Service Loan Forgiveness (PSLF). Results were published in the fiscal year 2022 Agency Financial Report along with supplemental information on IDR costs.[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 $817 million for loans originated in fiscal year 2021 (i.e., the fiscal year 2021 loan cohort), while a 5 percent decrease in estimated borrower income would increase costs by $862 million. A 5 percent increase in estimated PSLF plan participation would increase costs by $175 million for the same cohort of loans, while a 5 percent decrease would decrease costs by $148 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 2024

Debt Range	Income <= $85,000	Income $85,000-$135,000	Income > $135,000
<= $30,000	0.87		
> $30,000	0.64		
<= $52,000		1.18	
> $52,000		0.89	
<= $94,000			1.33
> $94,000			1.09

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 2024. 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, REPAYE, 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 2024, approximately 81 percent of borrowers entering repayment in an IDR plan are expected to choose PAYE and 12 percent are expected to choose REPAYE. 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.

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

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

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 $8,700 over their entire repayment period under IDR. 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[1]

Estimates of forgiveness under the current IDR plans for borrowers entering repayment in 2024—combined across all IDR plans, since borrowers can switch between IDR plans—assume about 6 percent of borrowers would pay their loans off in full; 12 percent would end up not completing their repayment term due to prepayment in full; 17 percent would end up not completing their repayment term due to default; 14 percent would end up not completing their repayment term due to loan discharge (e.g., total and permanent disability); 32 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 59 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 $50,000, and the median amount forgiven is $39,000. The original median balance for borrowers who would qualify for PSLF is $62,000, and the median amount forgiven under PSLF is $64,000.

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. The adjustment is estimated to give approximately 3.6 million borrowers at least three years of additional credit toward IDR forgiveness.

Public Service Loan Forgiveness

[1] Analysis in this section reflects assumptions used to calculate the fiscal year 2023 baseline for program cost estimates under current law.

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FFEL and Direct Loans

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.

The first cohort of borrowers became eligible for PSLF discharge in October 2017. As of January 31, 2023, 2,704,482 borrowers had submitted 4,557,261 applications for loan forgiveness under the PSLF program. Of the 1,025,871 applications that had been processed, 22.5 percent of PSLF applications were denied due to missing or incomplete information on the form. Overall, there were 12,521 unique borrowers that had PSLF discharges approved, resulting in more than $1.2 billion in total discharges with an average balance discharged of $97,982. As of January 31, 2023, there were 6,499 unique borrowers that had TEPSLF discharges approved, resulting in more than $285 million in total discharges with an average balance discharged of $43,301.

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. As of January 31, 2023, the waiver has helped more than 370,465 borrowers qualify for loan forgiveness, resulting in about $25.2 billion in approved discharges.

On October 31, 2022, the Department announced final regulations that streamline and improve the rules for major targeted debt relief programs, including PSLF. These regulations will:

- Allow borrowers to receive credit toward PSLF on payments that are made late, in installments, or in a lump sum.
- Count certain periods in deferment or forbearance toward PSLF to avoid instances where a borrower may have faced confusing choices about pausing payments or getting credit towards PSLF.
- Allow borrowers to access a hold harmless option to have other periods of deferment and forbearance potentially counted toward PSLF if they make payments equivalent to what they would have owed at the time. This includes getting credit for periods during which the borrower would have had a $0 payment.
- Provide borrowers with a weighted average of existing qualifying payments toward PSLF when they consolidate their Direct Loans.
- Adopt a single standard of full-time employment at 30 hours a week.
- Provide a formalized reconsideration process for borrowers to have their applications reviewed again if there are errors made in review.

The new PSLF regulations and upcoming one-time account adjustment will deliver 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 2022-2023 were set in June 2022.

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, 2022, and before July 1, 2023, (academic year 2022-2023) will have an interest rate of 4.99 percent, based on the 10-year Treasury rate of 2.94 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 (2.75 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 2022-2023, the rate for graduate students is 6.54 percent, based on the 3.60 add-on and 10-year Treasury note of 2.94 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, 2022 and before July 1, 2023, is 7.54 percent, based on the 10-year Treasury note of 2.94 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.

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 2024, the Administration requests $2.654 billion in SAA funding to administer all Title IV Federal student aid programs. This includes $1.449 billion for student aid salaries and expenses and $1.205 million for loan servicing activities. The fiscal year 2024 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 2023, the Direct Loan program had an estimated net positive subsidy – driven in part by rising enrollment in IDR plans. In fiscal year 2023, the Direct Loan program weighted average subsidy rate for new and Consolidation Loans was estimated at 16.81 percent.

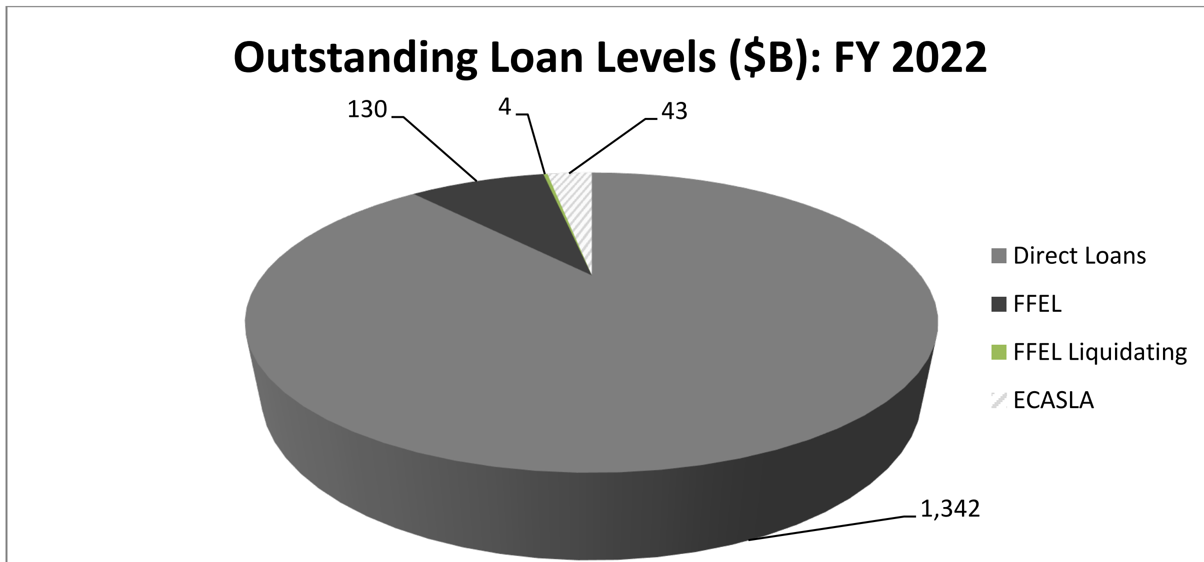
FFEL and Direct Loans

However, subsidy rates can vary significantly by loan types. For example, in fiscal year 2023, Subsidized Stafford Loans, at 14.17 percent, and Consolidation Loans, at 33.54 percent, had estimated positive subsidy rates, indicating a cost to the Government. Unsubsidized Stafford loans for undergraduates, at 13.58 percent, Unsubsidized Stafford loans for graduates, at 8.41 percent, and PLUS loans for graduate students, at 16.50 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 -34.49 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 2023, the cohort of Subsidized Stafford loans showed an estimated subsidy rate of 4.71 percent under Standard (ten-year repayment), compared to a subsidy rate of 37.47 percent under all IDR plans. Unsubsidized Stafford loans (both undergraduate and graduate) showed a subsidy rate of -11.28 percent under Standard repayment compared to 38.89 percent under IDR.

Outstanding Loan Levels

Based on the budget tables published in the 2024 Budget Appendix, at the end of fiscal year 2022 the outstanding FFEL and Direct Loan principal is estimated at approximately $1.519 trillion:



According to the Federal Student Aid Data Center quarterly reports, at the end of fiscal year 2022, the outstanding FFEL and Direct Loan principal and interest balance is $1.631 trillion.

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.

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

For the $1.342 trillion in Direct Loan principal outstanding at the end of fiscal year 2022, the Administration's fiscal year 2024 budget calculates that net future Federal costs of outstanding loans are lower than projected in the fiscal year 2023 request; this difference is reflected in the 2023 reestimate. The 2023 net downward reestimate of -$1.9 billion reflects an upward component of about +$8.1 billion and a downward component of about -$10.0 billion. The net downward reestimate is due primarily to updated IDR model assumptions and is partially offset by several other assumption updates. During fiscal year 2022, the Department completed a standard events update in the IDR model to reflect the immediate prior cycle for defaults, collections, discharges, and revised inflation rates provided in OMB's economic assumption package. In addition, actual data on borrower incomes was analyzed using more of the available data from National Student Loan Data System (NSLDS). Calibrations to NSLDS were done by the risk group and this resulted in a higher projected incomes for some groups (especially graduate students), which contributed significantly to savings for this component. These updates to the IDR model were the most significant factor in the reestimate. This net reestimate represents less than 1.0 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 2022—starting with guaranteed loans made as of October 1, 1992—is the 2023 reestimate. The 2023 FFEL guaranteed loan reestimate reflects an upward component of +$2.2 billion, with a downward component of about -$500 million, for a total net upward reestimate of +$1.7 billion. Thus, the estimated Federal cost of prior FFEL program loans is higher by about $1.7 billion than previously projected. The FFEL 2023 upward reestimate was due primarily to updated Death, Disability, and Bankruptcy rates. The ECASLA programs show a net upward reestimate of +$277 million, which when combined with the FFEL portion of $1.7 billion produces an overall net upward FFEL reestimate of +$2.0 billion in fiscal year 2023, representing about 1.3 percent of the overall FFEL portfolio. The net upward reestimates in these programs were due primarily to updated deferment and forbearance rates. 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.

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

(dollars in thousands)

Fiscal Year	FFEL	Direct Loans
2019	$1,562,603	$25,014,022
2020	9,734,183	109,669,910
2021	9,304,404	124,111,109
2022	34,350,479	447,084,131
2023	4,648,809	62,411,175

NOTE: 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 2023 is primarily due to a net upward modification of $42.5 billion. The net modification in fiscal year 2023 reflects costs related to the extension of COVID-19 emergency relief measures on federal student loans through August 30, 2023 and costs related to final regulations that streamline and improve the rules for major targeted debt relief programs.

FFEL and Direct Loans

FY 2024 BUDGET PROPOSAL

The Administration looks forward to working with Congress on reforms that make the administration of student loans more effective and efficient. As part of the 2024 request, the Administration also intends to work with Congress to ensure access to student financial aid for students who are Deferred Action for Childhood Arrivals recipients, commonly known as DREAMers.

FY 2024 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 has both continued to depress loan volume as well as affect the mix of volume among loan types. Consistent with long-term student loan trends, the fiscal year 2024 budget estimates a modest increase in total loan volume. Subsidized and Unsubsidized Stafford Loans are projected to account for about 71 percent of new Direct Loan volume in fiscal year 2024, with PLUS loans at 29 percent. Graduate school loan volume is estimated to increase 5 percent between 2019 and 2024, accounting for 42 percent of new volume in fiscal year 2019 and 47 percent in fiscal year 2024. It is still uncertain whether effects on enrollment due to the pandemic are temporary or more of a permanent trend. The table below includes actual loan volume disbursed through fiscal year 2024.

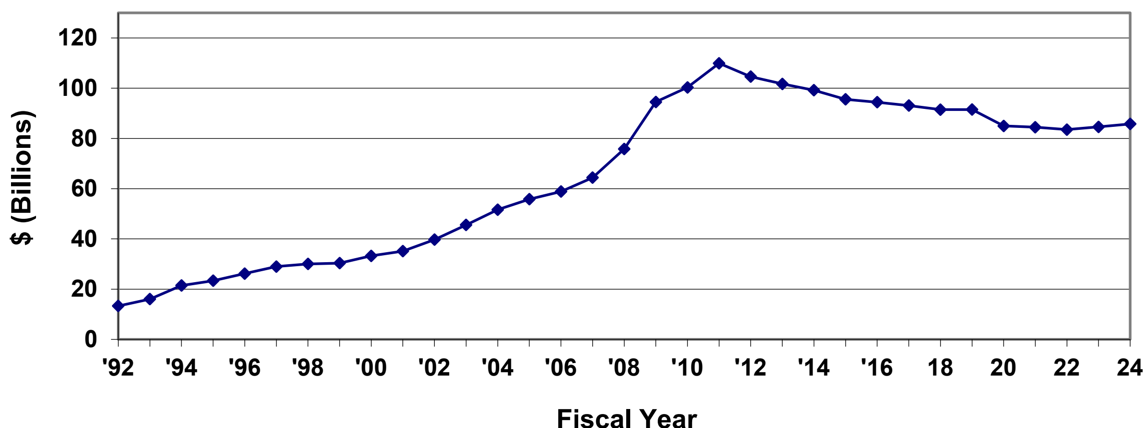
New Student Loan Volume (Non-Consolidation)
(dollars in Millions)

Program Volume	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Subsidized Stafford	$19,550	$17,050	$16,192	$15,656	$15,696	$15,777
Unsubsidized Stafford	47,974	46,366	45,596	44,243	44,949	45,365
PLUS	23,988	21,576	22,673	23,609	23,966	24,621
Total New Loan Volume	91,512	84,992	84,460	83,508	84,611	85,763
Graduate School Portion	38,495	38,643	39,554	39,193	39,801	40,275

NOTES: Loan volume reflects net commitments. Figures for fiscal years 2021-2024 are baseline estimates.

FFEL and Direct Loans

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 2024 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, Consolidation volume surged again as loan consolidation was a necessary step for many borrowers to apply for the time-limited PSLF waiver.

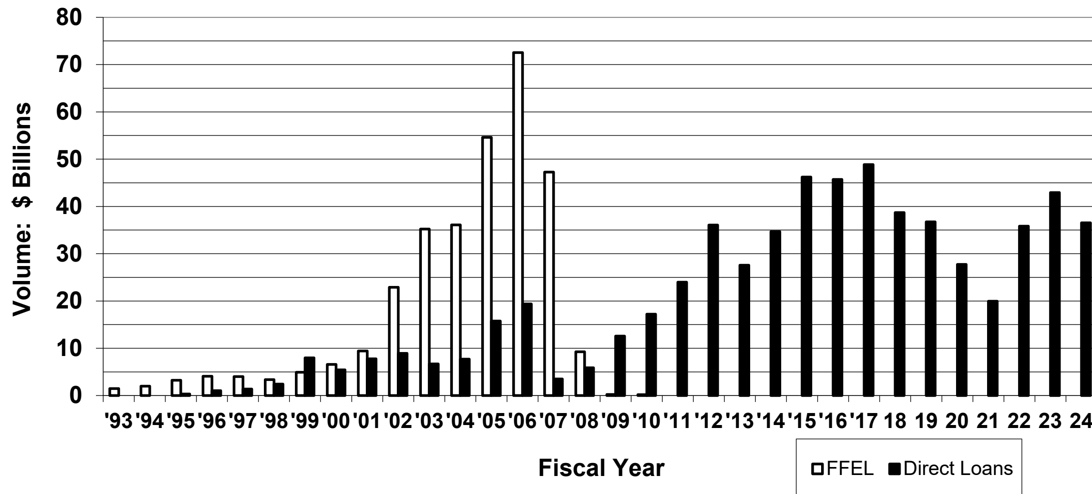
The 2012 surge was due to a special six-month incentive repayment program, where borrowers who had both a FFEL and a Direct Loan were offered an additional 0.25 percent interest rate reduction to consolidate their loans under this special program. Repayment incentives also included the regular 0.25 percent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

FFEL and Direct Loans

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

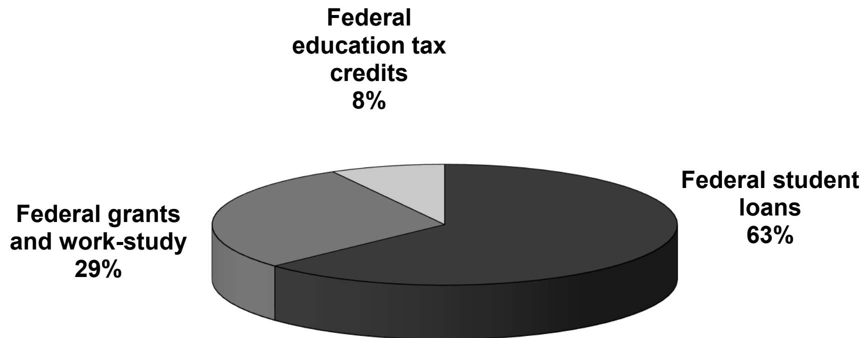
Federal student loans play a key role, along with Federal grants and Federal education tax credits, in helping families meet postsecondary school costs. The following charts show that Federal student loans are the largest component of the Federal postsecondary aid system. Federal student loans (excluding Consolidation loans) accounted for about 63 percent of academic year 2021-2022 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 2022” online report[1].

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

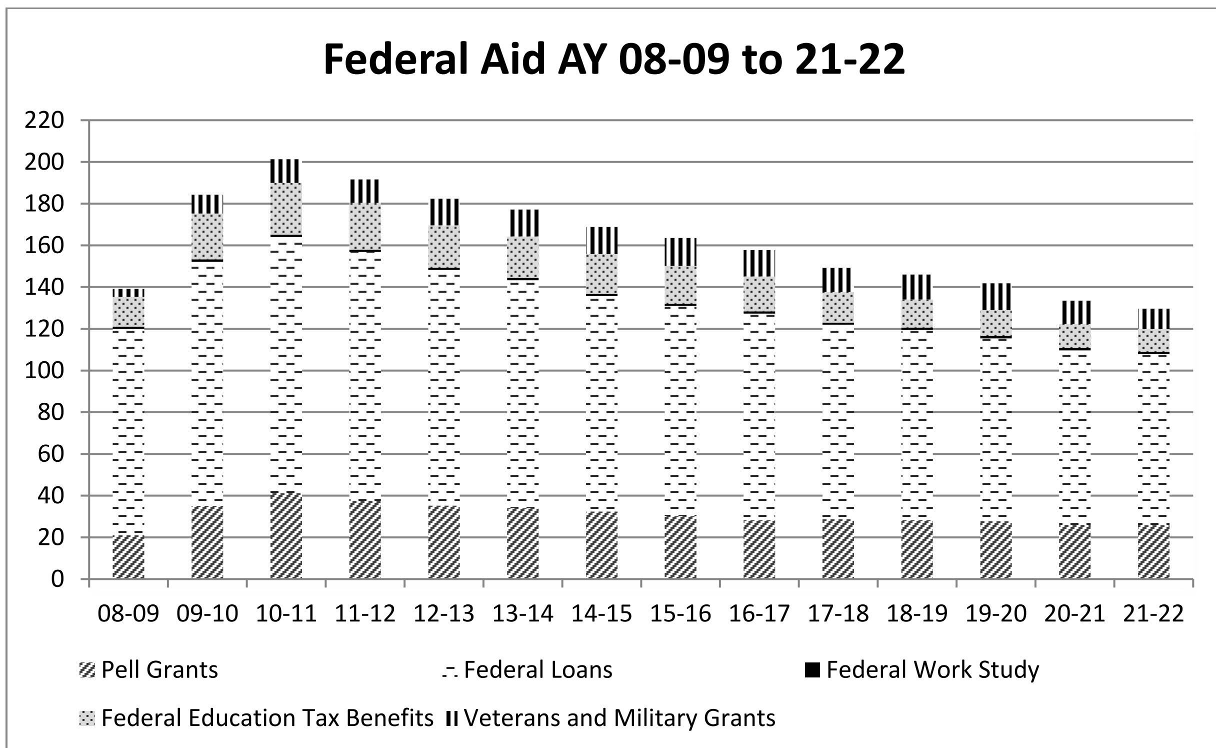
STUDENT LOANS OVERVIEW

FFEL and Direct Loans

Federal Postsecondary Assistance: Academic Year 2021-2022



According to this report, approximately $235 billion in total funds from Federal, State, institutional, and private sources were used to help finance postsecondary expenses for academic year 2021-22. The Federal Government provided about $130.5 billion, or 56 percent, of all these funds, while State, institutional, and private sources (i.e., non-Federal) provided about 44 percent. The chart below shows the historical trend for major Federal aid programs over the past decade based on data in this 2022 College Board online report.

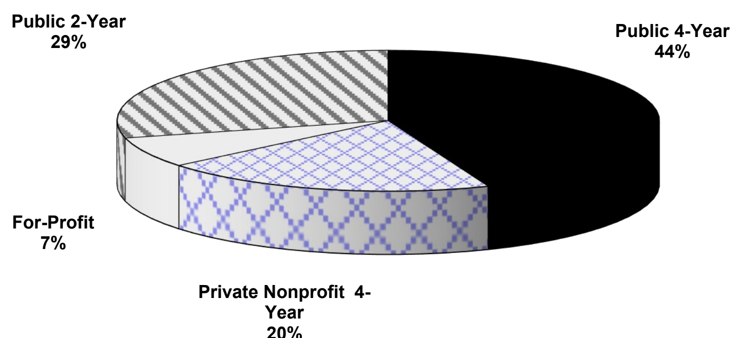


POSTSECONDARY COST, BORROWING, AND ENROLLMENT BY INSTITUTIONAL SECTOR

The 2022 "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 30 percent from $17,820 in 2012-13, to $23,250 in 2022-23[1]. Over the same 10-year period, the average yearly total cost at a private 4-year college increased by 35 percent, from $39,450 to $53,430. Using just tuition and fees shows that public 4-year schools increased from $8,650 in 2012-13 to $10,940 in 2022-23, a 26 percent increase, while private 4-year schools increased from $28,990 to $39,400, a 36 percent increase. Tuition and fees—there is no room and board—at public 2-year community colleges increased from $3,150 in 2012-13 to $3,860 in 2022-23, a 23 percent increase, but a much lower overall cost.

Students rely on the Federal loan programs to help close the gap between what 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 2022 "Trends in Student Aid" report estimates student full-time equivalency (FTE) patterns, providing context on where undergraduates choose to attend. The latest enrollment data, from fall 2020, shows that about 44 percent of all undergraduate students were enrolled at 4-year public institutions, 20 percent at 4-year private nonprofit institutions, 29 percent at 2-year public colleges, and 7 percent at private for-profit schools.

2020 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

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

STUDENT LOANS OVERVIEW

FFEL and Direct Loans

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, 2020-21

Type of Aid	Public 4-yr	Private 4-yr	Public 2-yr	For-profit
Pell Grant	38%	17%	30%	14%
Subsidized Stafford	44%	28%	10%	17%
Unsubsidized Stafford	41%	40%	4%	15%
Parent PLUS	50%	42%	1%	6%
Grad PLUS	27%	67%	0%	5%

NOTE: Row percentages may not sum to 100 due to rounding; columns are not intended to sum to 100.

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. 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 2024 President’s Budget, reduced collections due to the extension of the payment pause mean that total net outlays in the Liquidating Account are estimated at a net zero in fiscal year 2023 in that collections are estimated to cover expenses. In fiscal year 2024 outlays are estimated at -$218 million, 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,

FFEL and Direct Loans

and its major expenses are insurance payments to lenders. The Fund began fiscal year 2022 with an adjusted unobligated balance of about $1.9 billion and ended the year with a balance of about $725 million, which became the starting balance for fiscal year 2023. Fiscal year 2023 is estimated to have an ending balance of $800 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.

FFEL and Direct Loans

PROGRAM OUTPUT MEASURES[1]

Direct Loans	2022	2023	2024
Direct Stafford Loans:			
Loan volume ($ in millions)[2]	$15,656	$15,696	$15,777
Number of loans (in thousands)	4,455	4,484	4,516
Average loan (whole $)	$3,514	$3,501	$3,494
Subsidy rate[2]	30.18%	14.17%	21.52%
Direct Unsubsidized Stafford Loans (Undergraduate):			
Loan volume ($ in millions)[2]	$44,243	$44,949	$45,365
Number of loans (in thousands)	6,350	6,412	6,446
Average loan (whole $)	$6,968	$7,010	$7,037
Subsidy rate[2]	31.48%	8.41%	14.15%
Direct Unsubsidized Stafford Loans (Graduate):			
Loan volume ($ in millions)[2]	$26,361	$26,739	$26,810
Number of loans (in thousands)	1,682	1,699	1,686
Average loan (whole $)	$15,668	$15,736	$15,900
Subsidy rate[2]	18.16%	13.58%	16.97%
Direct PLUS Loans (Parents of Undergrads):			
Loan volume ($ in millions)[2]	$10,777	$10,904	$11,156
Number of loans (in thousands)	656	646	651
Average loan (whole $)	$16,429	$16,876	$17,136
Subsidy rate[3]	-17.15%	-34.49%	-27.13%
Direct PLUS Loans (Graduate):			
Loan volume ($ in millions)[2]	$12,832	$13,062	$13,465
Number of loans (in thousands)	614	622	615
Average loan (whole $)	$20,893	$21,016	$21,879
Subsidy rate[3]	21.54%	16.50%	17.39%
Direct Consolidation Loans:			
Loan volume ($ in millions)[2]	$35,826	$42,939	$36,523
Number of loans (in thousands)	581	748	532
Average loan (whole $)	$61,706	$57,416	$68,651
Subsidy rate[3]	34.60%	33.54%	38.65%
Total Direct Loans[4]:			
Loan volume ($ in millions)[5]	$119,334	$127,550	$122,286

[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

Direct Loans	2022	2023	2024
Number of loans (in thousands)	12,656	12,911	12,761
Average loan (whole $)	$9,429	$9,879	$9,583
Subsidy Cost[1]**:**			
New loan subsidy cost ($ in millions)	$8,239	$21,794	$26,593
Subsidy Net Reestimate ($ in millions)	13,005	-1,917	0
Net Modification ($ in millions)	425,840	42,534	0
DL Total Net Subsidy ($ in millions)	447,084	62,411	26,593
Weighted Average Subsidy rate[2]	23.99%	15.36%	19.72%
Outstanding Loan Volume ($ in billions):			
Total Direct Loans Outstanding[3]	$ 1,342	$977	$1,002

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.

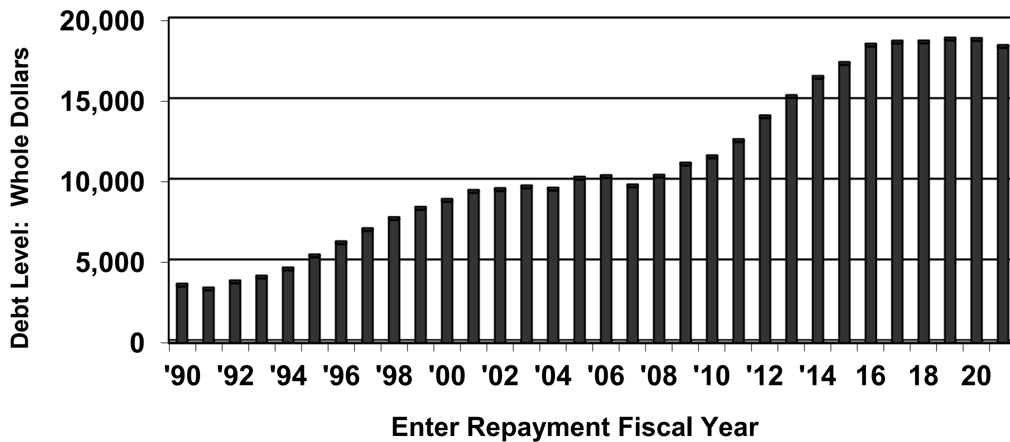
FFEL Loans	2022	2023	2024
Subsidy Cost			
Net Reestimate ($ in millions)[4]	$9,797	2,026	0
Net Modification ($ in millions)	24,553	2,623	0
Total FFEL Net Subsidy ($ in millions)	34,350	4,649	0
Outstanding Loan Volume ($ in billions):			
FFEL Loans	$130	$123	$115
ECASLA Loans	43	35	29
Liquidating Account Loans	4	4	4
Total Combined Outstanding Loan Volume[5]	177	162	148

[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.

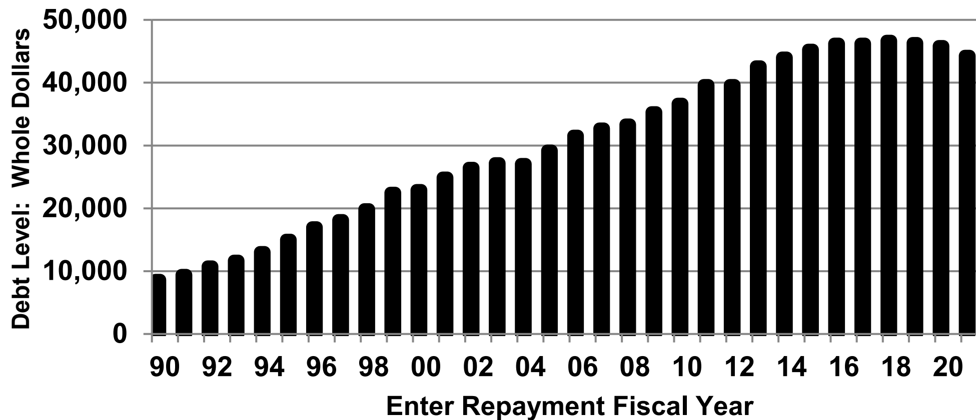
MEDIAN FEDERAL STUDENT LOAN DEBT

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 $18,294 for those who entered repayment in 2021. Graduate borrower median federal loan debt has also increased substantially from $8,626 in 1990, to $22,906 in 2000, and $44,292 in 2021. 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



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 (AY) 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 36 percent of the Unsubsidized Stafford Loan dependent borrowers. Notably, more than 50 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 2021-22 (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	17.1%	18.4%	15.9%	14.0%	11.8%	22.7%
Subsidized Stafford	Dollars	16.7%	18.5%	16.3%	14.4%	11.9%	22.2%
Unsub. Stafford	Borrowers	11.8%	12.8%	11.4%	10.8%	10.8%	42.4%
Unsub. Stafford	Dollars	8.4%	8.8%	7.8%	7.8%	9.3%	58.0%

Independent Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Subsidized Stafford	Borrowers	46.9%	29.0%	11.5%	5.7%	3.1%	3.9%
Subsidized Stafford	Dollars	46.2%	29.5%	11.7%	5.8%	3.2%	3.6%
Unsub. Stafford	Borrowers	44.6%	27.6%	11.4%	6.1%	3.8%	6.5%
Unsub. Stafford	Dollars	42.6%	27.3%	11.6%	6.5%	4.2%	7.7%

Graduate Students (Income Categories = dollars in thousands)

Loan Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Unsub. Stafford	Borrowers	42.4%	19.1%	13.0%	8.1%	5.7%	11.8%
Unsub. Stafford	Dollars	49.5%	18.1%	11.2%	6.8%	4.7%	9.7%
PLUS	Borrowers	55.7%	17.2%	9.7%	5.6%	3.7%	8.3%
PLUS	Dollars	58.2%	16.8%	8.9%	5.1%	3.3%	7.8%

[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.

UNDERGRADUATE STUDENTS BY INCOME CATEGORY

This table, using the most recent National Postsecondary Student Aid Study (NPSAS 2016) data from academic year 2015-2016, 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, 18 percent of all dependent undergraduates are from families with total income under $20,000 and, of that group, 36.8 percent received Subsidized Stafford Loans, 27.3 percent received Unsubsidized Stafford Loans, and 80.9 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 80.9 percent and 76.2 percent, respectively, while the highest income category—$100,000+—reflects the lowest percentage of dependent undergraduates receiving aid, at 39.8 percent.

Percentage of Undergraduate Students by: 1) Income Level and 2) Within Income Level, By Type of Federal Aid: Academic Year 2015-16 (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	18.0%	16.9%	13.1%	11.7%	9.6%	30.7%
Subsidized Stafford	% Receiving	36.8%	39.4%	44.5%	39.8%	35.9%	17.9%
Unsub. Stafford	% Receiving	27.3%	30.0%	35.2%	35.1%	37.9%	35.6%
Federal Aid	% Receiving	80.9%	76.2%	68.3%	50.0%	45.5%	39.8%

Independent Students (Income Categories = dollars in thousands)

Group Type	Measure	0-$20	$20-40	$40-60	$60-80	$80-100	$100+
Undergraduates	Students	49.5%	23.3%	11.2%	6.1%	4.1%	5.8%
Subsidized Stafford	% Receiving	33.7%	33.7%	26.4%	23.3%	19.0%	8.5%
Unsub. Stafford	% Receiving	29.4%	29.0%	24.6%	22.6%	21.5%	15.3%
Federal Aid	% Receiving	58.2%	53.7%	42.4%	34.0%	26.0%	16.2%

[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.

Data from NPSAS:20 are still being processed and expected by the by the end of Spring 2023.

LOAN VOLUME BY INSTITUTIONAL SECTOR

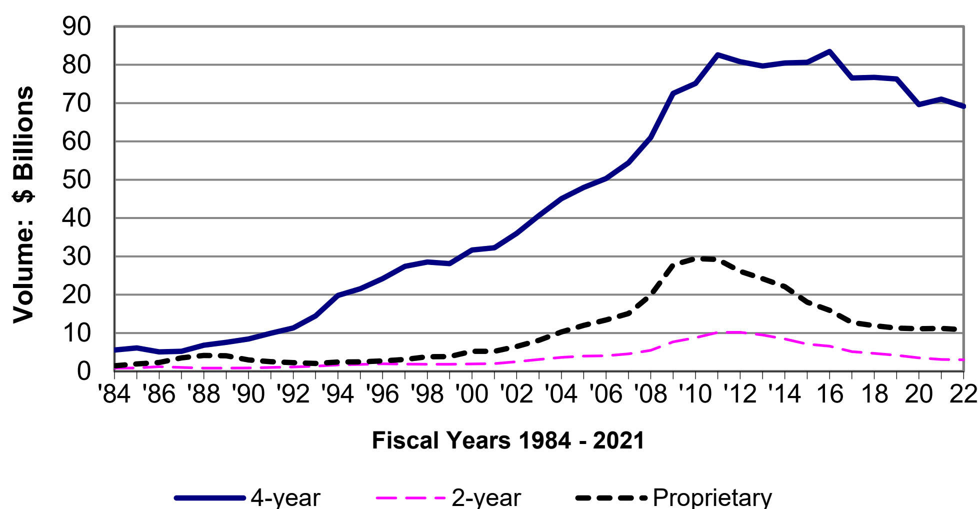
The following charts are based on NSLDS and related data.

Distribution of New Loan Volume Dollars by Institution

FY 2022	4-Yr. Public	4-Yr. Private	2-Yr. Public	2-Yr. Private	Proprietary
Direct Loans	40.8%	40.9%	3.2%	0.4%	12.8%

The following graph depicts annual gross commitment loan volume trends by 4-year, 2-year, 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 2022, there was a slight decline to $69 billion. Loan volume at 4-year institutions accounted for about 82 percent of all volume in fiscal year 2022.

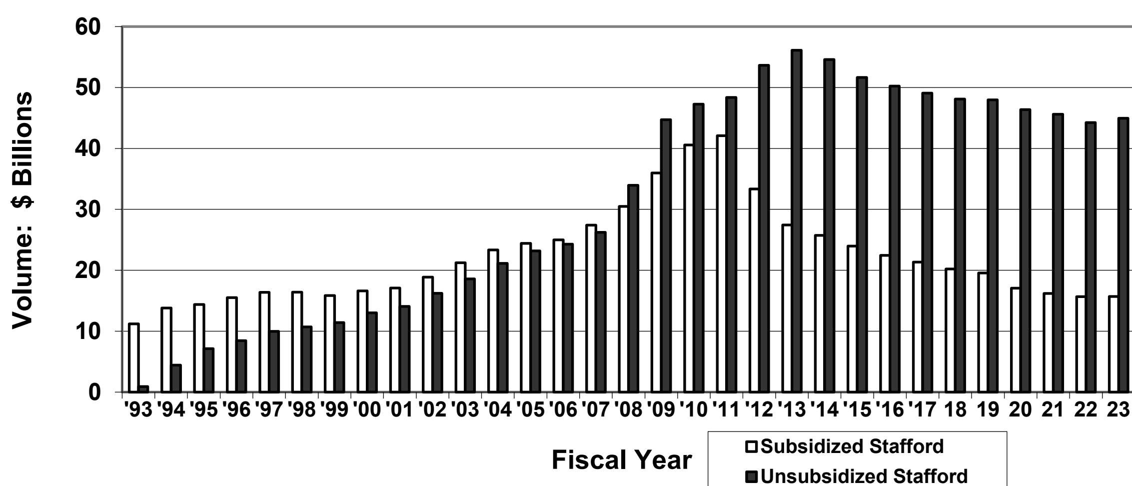
- Loan volume at proprietary institutions increased substantially between fiscal years 1999 and 2010. However, proprietary school loan volume has continued to decline between fiscal years 2010 and 2021, from $29.4 billion to $11.2 billion. Proprietary school loan volume accounted for 26 percent of total volume in fiscal year 2010 but only 13 percent in 2022.

- 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 $3.0 billion in fiscal year 2022.

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 2024 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.

FFEL and Direct Loans

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 2021, approximately 27,030 teachers received loan forgiveness amounting to $253.7 million in dollars discharged, with an average balance discharged of about $9,387.

The following table reflects current baseline actuals (2010 – 2021) 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		20,740
2011		28,953
2012		28,376
2013		35,009
2014		39,394
2015		38,520
2016		38,462
2017	37,000	42,336
2018	38,000	45,101
2019	42,500	39,700
2020	43,500	35,300
2021	45,000	27,030
2022	46,000	
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 2007-08, 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.

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 2015-16, reflecting a decrease in the portion of students who reported borrowing in recent

years. Of undergraduates who borrowed a Federal Stafford Loan, the average amount borrowed was $5,000 in 2007-08, $6,400 in 2011-12, and $6,600 in 2015-16.

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 in 2011-12 this figure was 43 percent. Data from the 2016 NPSAS shows 39.9 percent. The average Stafford Loan amount borrowed by graduate and first-professional students was $15,600 in 2007-08, $17,000 in 2011-12, and $18,200 in 2015-16. 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 2007-08 to 9.9 percent in 2011-12, 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 are still being processed and expected by the by the end of Spring 2023.

In fiscal year 2022, the Direct Loan program, excluding Consolidations, provided more than $83 billion in new loan assistance to an estimated 5.9 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.

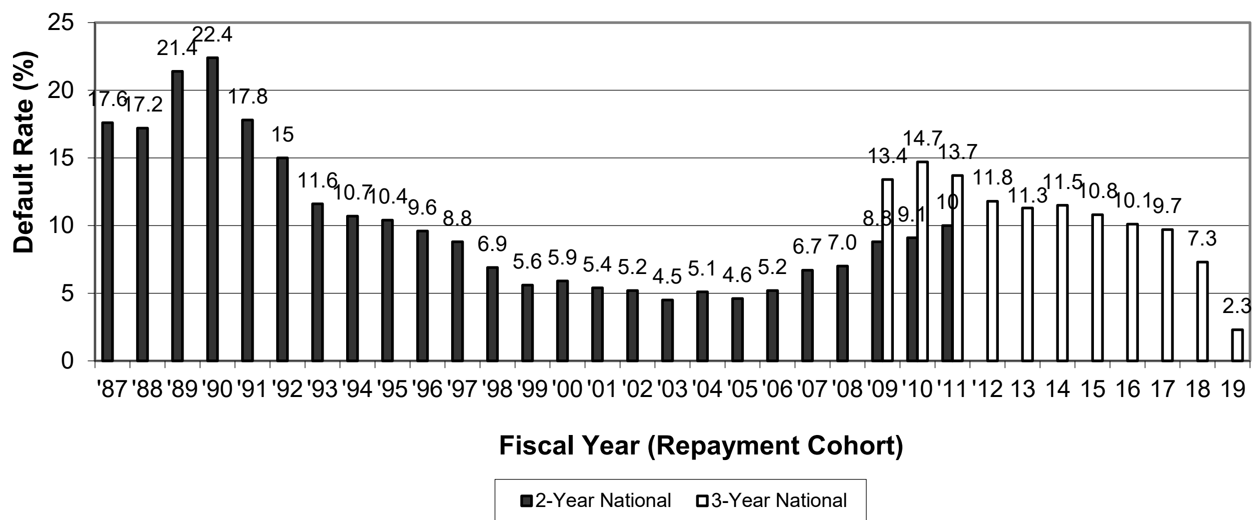
The national student loan “cohort default rate” measures student loan borrower default behavior in the first 3 years of repayment but excludes PLUS loan defaults. This cohort default rate measure was established by the Omnibus Budget Reconciliation Act of 1990 to exclude “high-default” institutions from 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.

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 2019 cohort was 2.3 percent. This reflects approximately 3.9 million borrowers from 5,895 postsecondary institutions who entered repayment, and 91,475 of these borrowers defaulted within a 3-year period. The 2019 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.

The national cohort default rate also includes component data on cohort default rates by school sectors. The 2019 cohort default rates published showed public 2-year school sector with 3.7 percent, the proprietary school sector with 3.1 percent, and the private non-profit 2-year school sector with 3.0 percent. The rates are lower for borrowers at 4-year public and private schools: 1.8 percent and 1.6 percent, respectively. 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 2024 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 extension of the CARES Act borrower relief provisions through August 30, 2023, collection activities on defaulted loans in the Direct Loan program are currently suspended.

FY 2024 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	29.54%	100.08%	95.80%	80.09%
Unsub Stafford (Undergrad)	35.36%	98.80%	94.62%	78.93%
Unsub Stafford (Graduate)	15.40%	89.03%	84.89%	75.22%
Unsub Stafford (Combined)	23.56%	95.03%	90.86%	77.54%
PLUS (Undergrad)	15.54%	95.95%	92.04%	75.34%
PLUS (Graduate)	12.25%	90.62%	86.43%	75.48%
PLUS (Combined)	13.74%	93.35%	89.31%	75.40%

Lifetime Default Rate: Default rates for the 2024 cohort of Direct Loans range from a high of 35.36 percent for Unsubsidized Stafford Loans to undergraduates down to 12.25 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 September 2022, defaulted accounts are with FSA’s Default Resolution Group, which is handling defaulted customer inquiries, and FSA intends for the Business Process Operations (BPO) vendors to begin handling default collections when they resume. 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.

FFEL and Direct Loans

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 debt collection contractors in the past and will be used to pay BPO vendors in the future.

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 2024 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

DEPARTMENT OF EDUCATION FISCAL YEAR 2024 PRESIDENT'S BUDGET
(in thousands of dollars)

		Cat Code	2022 Appropriation	2023 Appropriation	2024 President's Budget Request	FY 2024 President's Budget Request Compared to FY 2023 Appropriation	
						Amount	Percent
Federal Direct Student Loans Program Account (HEA IV-D)							
1.	New loan subsidies	M	11,477,191	23,478,178	27,307,629.00	3,829,451	16.31%
2.	New net loan subsidy (non-add)	M	8,239,325	21,794,343	26,592,828.00	4,798,485.	22.02%
3.	Upward reestimate of existing loans	M	26,706,610	8,131,676	0	-8,131,676	-100.00%
4.	Downward reestimate of existing loans (non-add)	M	-13,701,756	-10,049,156	0	10,049,156	100.00%
5.	Net reestimate of existing loans (non-add)	M	13,004,854	-1,917,480	0	1,917,480	100.00%
6.	Upward modification of existing loans	M	435,937,468	42,534,895	0	-42,534,895	-100.00%
7.	Net modification of existing loans (non-add)	M	425,839,951	42,534,312	0	-42,534,312	-100.00%
8.	Temporary Expanded Public Service Loan Forgiveness	D	0	0	0	0	—
	Subtotal, loan subsidies		474,121,269	74,144,749	27,307,629	-46,837,120	-63.17%
	Subtotal, new loan subsidies and net reestimate/modification (non-add)		450,321,996	64,095,010	27,307,629	-36,787,381	-57.40%
	Total		**474,121,269**	**74,144,749**	**27,307,629**	**-46,837,120**	**-63.17%**
	Discretionary	D	0	0	0	0	0.00%
	Mandatory	M	474,121,269	74,144,749	27,307,629	-46,837,120	-63.17%
Federal Family Education Loans Program Account (HEA IV-B)							
1.	Upward reestimate of existing loans	M	9,797,237	2,924,909	0	-2,924,909	-100.00%
2.	Downward reestimate of existing loans (non-add)	M	0	-899,176	0	899,176	-100.00%
3.	Net reestimate of existing loans (non-add)	M	9,797,237	2,025,733	0	-2,025,733	-100.00%
4.	Upward modification of existing loans	M	25,099,142	2,623,076	0	-2,623,076	-100.00%
5.	Downward modification of existing loans (non-add)	M	-545,900	0	0	0	—
6.	Net modification of existing loans (non-add)	M	24,553,242	2,623,076	0	-2,623,076	-100.00%
	Total, FFEL Program Account	**M**	**34,896,379**	**5,547,985**	**0**	**-5,547,985**	**-100.00%**
	Total, new loan subsidies and net reestimate (non-add)		34,350,479	4,648,809	0	-4,648,809	-100.00%
Federal Family Education Loans Liquidating Account (HEA IV-B)							
1.	Pre-1992 student loans	M	-2,297	0	-218,169	-218,169	—

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 2022 and 2023 Appropriation columns reflect the 5.7 percent reduction that went into effect on October 1, 2021 and October 1, 2022, respectively.
3) Detail may not add to totals due to rounding.