



Federal Student Loan Programs

Under the William D. Ford Direct Loan Program, the federal government provides education loans to undergraduate and graduate students and to the parents of undergraduate students. The federal government serves as the lender for all borrowers in the direct loan program but contracts with private entities to service those loans. Before July 1, 2010, the federal government also provided loan guarantees to financial institutions to provide federal student loans through the Federal Family Education Loan Program. The current program offers four types of loans:

- **Subsidized loans** are need-based loans for undergraduate students. No interest accrues while a borrower is enrolled or during other deferment periods, and borrowing is limited by a student's class level and dependency status.
- **Unsubsidized loans** are non-need-based loans for undergraduate and graduate students. Interest accrues from origination, and borrowing is limited by a student's class level and dependency status.
- **PLUS parent loans** are non-need-based loans for parents of dependent undergraduates. Interest accrues from origination, and borrowing is limited only by the cost of attendance.
- **GradPLUS loans** are non-need-based loans for graduate students. Interest accrues from origination, and borrowing is limited only by the cost of attendance.

The seven tables for federal student loan programs detail costs, loan volume, and subsidy rates as follows:

- **Table 1** shows cost projections for each budget account associated with the federal student loan programs, estimated according to procedures established in the Federal Credit Reform Act of 1990 (FCRA).
- **Table 2** shows the credit reestimates and modifications that OMB plans to record.
- **Table 3** shows projections of loan volume and subsidy rates for direct student loans, using FCRA procedures.
- **Table 4** shows estimated costs for administration of federal student aid programs.
- **Table 5** shows interest rate projections for federal student loans.
- **Table 6** shows cost projections for the federal student loan programs, estimated using fair-value procedures.
- **Table 7** shows projected federal subsidy rates for student loans, estimated using fair-value procedures.

FCRA and fair-value estimating procedures differ: FCRA requires that the lifetime costs of student loans be recorded up front on an accrual basis (that is, they are recognized in the year in which the loan is made). The lifetime cost of a federal loan—called its subsidy cost—is measured by discounting all of the expected future cash flows associated with the loan to a present value at the date the loan is disbursed. Present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid at a specific time. The present value depends on the rate of interest—the discount rate—that is used to translate future cash flows into current dollars. The cash flows include the amounts disbursed, principal repaid, interest received, fees charged, and net losses that accrue from defaults.



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Under the rules specified in FCRA, the present value of expected future cash flows is calculated by discounting those cash flows using the rates on Treasury securities with similar terms to maturity. For instance, the yield on a Treasury security maturing in one year is used to discount cash flows one year from disbursement, a two-year rate is used for cash flows two years from disbursement, and so on.

In contrast, under fair-value estimating procedures, estimates are based on market value—market prices or approximations of market prices when directly comparable figures are unavailable—which more fully account for the cost of the risk the government incurs. The fair-value approach accounts for the cost of market risk; FCRA procedures using Treasury rates do not.

The definitions of budget authority, program obligations, outlays, credit reestimates, and modifications as they apply to the student loan program subsidy or “program” accounts are as follows:

- **Subsidy budget authority** expresses what total subsidy costs would be if all the loans for which an eligible application was received during a year were made. In reality, not all loans are disbursed because prospective borrowers either do not attend school or decide not to take all or part of the loan for which they applied.
- **Subsidy obligations** are the costs associated with all loans for which there will be at least one cash disbursement (shown as “Net Annual Loan Volume” in Table 3). Typically, estimates of subsidy obligations are not included in budget tables.
- **Subsidy outlays** are subsidy obligations, adjusted for the timing of the cash disbursements. Because of the multiple disbursement requirements and the timing of the academic year relative to the federal fiscal year, only about two-thirds of the funds are disbursed to borrowers during the first fiscal year; the rest is disbursed in the following year.
- **Credit reestimates** and **modifications** are changes to the estimated costs of the outstanding cohorts of loans recorded in the current fiscal year. Credit reestimates are made annually and are based on changes in a federal agency’s economic assumptions (such as interest rates) and technical assumptions (such as default rates). Modification costs result from changes in the projected cash flows of outstanding loans because of legislation enacted by the Congress or administrative actions taken by a federal agency.

Table 1.
Federal Student Loan Program: Budget Account Totals, Federal Credit Reform Act Estimates

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021- 2026	2021- 2031
BUDGET INFORMATION													
Millions of dollars, by fiscal year													
Direct Student Loans													
Program Account ^a													
Budget Authority	2,607	-1,759	-3,155	-2,983	-2,510	-2,383	-2,112	-1,962	-1,580	-1,661	-1,047	-10,183	-18,545
Outlays	3,091	-1,002	-2,480	-2,790	-2,462	-2,241	-2,051	-1,881	-1,626	-1,557	-1,225	-7,884	-16,224
Credit Reestimates and Modifications ^b													
Budget Authority	89,232	0	0	0	0	0	0	0	0	0	0	89,232	89,232
Outlays	<u>89,232</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>89,232</u>	<u>89,232</u>
Subtotal, Direct Loans													
Budget Authority	91,839	-1,759	-3,155	-2,983	-2,510	-2,383	-2,112	-1,962	-1,580	-1,661	-1,047	79,049	70,687
Outlays	92,323	-1,002	-2,480	-2,790	-2,462	-2,241	-2,051	-1,881	-1,626	-1,557	-1,225	81,348	73,008
Guaranteed Student Loans													
Program Liquidating Account and Federal Student Loan Reserve Fund													
Budget Authority	12	10	10	9	8	7	7	6	5	5	4	56	83
Outlays	-135	-137	-79	-60	-47	-39	-31	-30	-29	-27	-26	-497	-640
Credit Reestimates and Modifications ^b													
Budget Authority	5,996	0	0	0	0	0	0	0	0	0	0	5,996	5,996
Outlays	<u>5,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,996</u>	<u>5,996</u>
Subtotal, Guaranteed Loans													
Budget Authority	6,008	10	10	9	8	7	7	6	5	5	4	6,052	6,079
Outlays	5,861	-137	-79	-60	-47	-39	-31	-30	-29	-27	-26	5,499	5,356
Student Aid Administration													
Discretionary ^c													
Budget Authority	1,884	1,903	1,949	1,997	2,046	2,094	2,144	2,195	2,247	2,300	2,353	11,873	23,112
Outlays	1,827	1,883	1,928	1,968	2,016	2,063	2,112	2,163	2,214	2,266	2,319	11,685	22,759
Mandatory ^d													
Budget Authority	1,399	1,343	1,381	1,424	1,463	1,494	1,524	1,556	1,589	1,623	1,658	8,504	16,454
Outlays	<u>1,312</u>	<u>1,373</u>	<u>1,397</u>	<u>1,422</u>	<u>1,462</u>	<u>1,486</u>	<u>1,517</u>	<u>1,548</u>	<u>1,581</u>	<u>1,614</u>	<u>1,649</u>	<u>8,452</u>	<u>16,361</u>
Subtotal, Student Aid Administration													
Budget Authority	3,283	3,246	3,330	3,421	3,509	3,588	3,668	3,751	3,836	3,923	4,011	20,377	39,566
Outlays	<u>3,139</u>	<u>3,256</u>	<u>3,325</u>	<u>3,390</u>	<u>3,478</u>	<u>3,549</u>	<u>3,629</u>	<u>3,711</u>	<u>3,795</u>	<u>3,880</u>	<u>3,968</u>	<u>20,137</u>	<u>39,120</u>

Table 1.
Federal Student Loan Program: Budget Account Totals, Federal Credit Reform Act Estimates

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021- 2026	2021- 2031
Total, Student Loans													
Budget Authority	101,130	1,497	185	447	1,007	1,212	1,563	1,795	2,261	2,267	2,968	105,478	116,332
Outlays	101,323	2,117	766	540	969	1,269	1,547	1,800	2,140	2,296	2,717	106,984	117,484

Components may not sum to totals because of rounding.

- a. Estimated spending for fiscal year 2021 includes additional adjustments based on current spending patterns projected by the Office of Management and Budget.
- b. Costs for credit reestimates and modifications are changes to the estimated costs of outstanding loans originated before 2021. Those totals are based on the amounts that the Office of Management and Budget expects to record in fiscal year 2021. See Table 2 for more details.
- c. Projections of discretionary spending for administering student aid are calculated by inflating the budget authority provided in the most recent appropriation act rather than being made on the basis of the estimated future costs of administering the program.
- d. Projections of mandatory spending for administering student aid are based on estimated future costs of administering federal loan programs.

Table 2.
Federal Student Loan Program: Credit Reestimate and Modification Costs, Federal Credit Reform Act Estimates

	2021
BUDGET INFORMATION	
Millions of dollars, by fiscal year	
Direct Student Loans	
Credit Reestimates ^a	52,836
Modifications ^b	<u>36,396</u>
Subtotal, Direct Loans	89,232
Guaranteed Student Loans	
Credit Reestimates ^a	3,192
Modifications ^b	<u>2,804</u>
Subtotal, Direct Loans	5,996
Total	
Credit Reestimates ^a	56,028
Modifications ^b	<u>39,200</u>
Total	95,228

- a. A credit reestimate is a change in the estimated cost of an outstanding cohort of loans because of changes to assumptions about the future cash flows of those loans. Credit reestimates are made annually and are based on changes to economic assumptions (such as interest rates) and to technical assumptions (such as default rates). The totals in this table are based on the amounts that the Office of Management and Budget (OMB) expects to record in fiscal year 2021. According to OMB's budget documents, the credit reestimates for 2021 are attributable primarily to updated income assumptions for borrowers in income-driven repayment plans.
- b. A modification is a change to the estimated cost of an outstanding cohort of loans because of legislation enacted by the Congress or because of administrative actions taken by an agency that change the future estimated cash flows of those loans. The totals in this table are based on the amounts that OMB expects to record in fiscal year 2021. According to OMB's budget documents, nearly all of the modification costs are related to the extension of emergency relief measures for outstanding federal student loans from January 1, 2021, through September 30, 2021, which were enacted in response to the coronavirus pandemic. Costs for those measures before January 21, 2021, were recorded in fiscal year 2020. A small amount of that cost is for allowing borrowers who work for employers that engage in religious instruction, worship services, or proselytizing to qualify for Public Service Loan Forgiveness (\$122 million) and for allowing additional borrowers to benefit from the Temporary Expanded Public Service Loan Forgiveness Program (\$50 million).

Table 3.
Total Direct Student Loan Program (New Loans Only), Federal Credit Reform Act Estimates

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021- 2026	2021-2031
PROGRAM INFORMATION													
By fiscal year													
All New Loans^a													
Net Annual Loan Volume (Millions of dollars)	86,923	88,952	91,220	93,832	97,067	100,478	103,331	105,871	108,530	111,185	113,888	558,472	1,101,277
Net Number of Loans (Thousands)	13,779	13,927	14,136	14,409	14,760	15,146	15,382	15,532	15,667	15,821	15,971	86,157	164,530
Average Loan Amount (Dollars)	6,308	6,387	6,453	6,512	6,576	6,634	6,718	6,817	6,927	7,028	7,131		
Subsidy Rate (Percent) ^b	0.6	-1.9	-3.2	-2.9	-2.4	-2.2	-1.9	-1.8	-1.4	-1.4	-0.9		
Subsidized Student Loans													
Net Annual Loan Volume (Millions of dollars)	17,028	17,308	17,686	18,174	18,784	19,512	19,924	20,281	20,596	20,949	21,288	108,492	211,530
Net Number of Loans (Thousands)	5,014	5,046	5,105	5,194	5,315	5,466	5,526	5,570	5,600	5,640	5,674	31,140	59,150
Average Loan Amount (Dollars)	3,396	3,430	3,465	3,499	3,534	3,570	3,605	3,641	3,678	3,715	3,752		
Subsidy Rate (Percent) ^b	11.4	11.4	10.5	11.0	11.7	12.5	13.0	13.5	13.8	13.9	14.2		
Unsubsidized Student Loans: Undergraduate													
Net Annual Loan Volume (Millions of dollars)	19,993	20,523	21,178	21,934	22,804	23,710	24,427	24,901	25,350	25,875	26,411	130,142	257,106
Net Number of Loans (Thousands)	5,628	5,720	5,844	5,992	6,168	6,350	6,477	6,538	6,590	6,660	6,730	35,702	68,697
Average Loan Amount (Dollars)	3,553	3,588	3,624	3,660	3,697	3,734	3,771	3,809	3,847	3,885	3,924		
Subsidy Rate (Percent) ^b	4.5	2.4	0.5	0.5	0.7	0.9	1.1	1.4	1.4	1.5	1.7		
Unsubsidized Student Loans: Graduate													
Net Annual Loan Volume (Millions of dollars)	27,237	27,591	27,968	28,700	29,450	30,221	31,012	31,823	32,656	33,510	34,387	171,167	334,555
Net Number of Loans (Thousands)	1,798	1,802	1,807	1,834	1,861	1,889	1,918	1,946	1,975	2,005	2,035	10,991	20,870
Average Loan Amount (Dollars)	15,146	15,312	15,481	15,651	15,823	15,997	16,173	16,351	16,531	16,713	16,896		
Subsidy Rate (Percent) ^b	-0.7	-3.3	-4.3	-4.0	-4.1	-4.5	-4.3	-4.0	-3.4	-3.9	-3.3		
GradPLUS Student Loans													
Net Annual Loan Volume (Millions of dollars)	12,202	12,891	13,471	13,813	14,448	15,071	15,635	16,175	16,834	17,428	18,042	81,896	166,010
Net Number of Loans (Thousands)	630	649	662	662	675	687	696	702	713	720	727	3,965	7,523
Average Loan Amount (Dollars)	19,379	19,863	20,360	20,869	21,391	21,925	22,474	23,035	23,611	24,202	24,807		
Subsidy Rate (Percent) ^b	0.8	-0.6	-1.1	-0.7	1.1	1.4	1.9	1.2	2.0	2.3	3.6		
Parent Loans													
Net Annual Loan Volume (Millions of dollars)	10,463	10,638	10,917	11,212	11,580	11,965	12,332	12,692	13,094	13,423	13,761	66,775	132,077
Net Number of Loans (Thousands)	710	711	719	728	740	754	765	776	789	797	805	4,362	8,294
Average Loan Amount (Dollars)	14,737	14,958	15,182	15,410	15,641	15,876	16,114	16,356	16,601	16,850	17,103		
Subsidy Rate (Percent) ^b	-21.7	-29.6	-32.2	-31.9	-31.4	-31.0	-30.7	-30.2	-29.8	-29.7	-29.3		

Components may not sum to totals because of rounding.

a. Totals exclude consolidation loans stemming from loans issued before 2021.

 b. The subsidy rate is the net present value of future federal cash flows divided by the amount in loans disbursed to borrowers each year. For example, the 2022 federal cost associated with the \$88,3952 million in new loan volume would be -\$1,690 million or -1.90 percent of the new loan volume [$\$88,952 \times -0.0190 = -\$1,690$]. The federal government will save, on average, about 2 cents for each new dollar lent in 2022. Subsidy rates exclude federal administrative costs associated with disbursing and servicing loans. Those costs are included in the budget on a cash basis (see Table 4). Subsidy rates were calculated using CBO's March 2021 interest rate forecast.

Table 4.
Federal Student Aid Administration Costs

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021- 2026	2021- 2031
BUDGET INFORMATION													
Millions of dollars, by fiscal year													
Mandatory Administrative Costs													
Outstanding Guaranteed Loans													
Administrative Account													
Budget Authority	310	303	295	286	277	268	258	248	237	226	214	1,739	2,922
Outlays	329	305	297	288	279	270	261	251	240	229	217	1,768	2,966
Default Prevention Fee Paid to Guaranty Agencies ^a													
Budget Authority	12	10	10	9	8	7	7	6	5	5	4	56	83
Outlays	12	10	10	9	8	7	7	6	5	5	4	56	83
Loan Collection Costs on Pre-1992 Loans ^a													
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Outlays	4	4	2	2	1	1	1	1	1	1	1	14	19
Subtotal, Mandatory Guaranteed Loans													
Budget Authority	322	313	305	295	285	275	265	254	242	231	218	1,795	3,005
Outlays	345	319	309	299	288	278	269	258	246	235	222	1,838	3,068
Direct Loans													
Administrative Account													
Budget Authority	1,089	1,040	1,086	1,138	1,186	1,226	1,266	1,308	1,352	1,397	1,444	6,765	13,532
Outlays	984	1,068	1,100	1,134	1,183	1,216	1,256	1,298	1,341	1,386	1,432	6,685	13,398
Subtotal, Mandatory													
Budget Authority	1,089	1,040	1,086	1,138	1,186	1,226	1,266	1,308	1,352	1,397	1,444	6,765	13,532
Outlays	984	1,068	1,100	1,134	1,183	1,216	1,256	1,298	1,341	1,386	1,432	6,685	13,398
Discretionary Administrative Costs^b													
Budget Authority	1,884	1,903	1,949	1,997	2,046	2,094	2,144	2,195	2,247	2,300	2,353	11,873	23,112
Outlays	1,827	1,883	1,928	1,968	2,016	2,063	2,112	2,163	2,214	2,266	2,319	11,685	22,759
Total Administrative Costs^a													
Budget Authority	3,295	3,256	3,340	3,430	3,517	3,595	3,675	3,757	3,841	3,928	4,015	20,433	39,649
Outlays	3,156	3,270	3,337	3,401	3,487	3,557	3,637	3,719	3,801	3,887	3,973	20,208	39,225

Components may not sum to totals because of rounding.

- In the budget, funds for default prevention are included in the Student Loan Reserve Fund Account and funds for administering pre-1992 loans are included in the Liquidating Account. Both are included in this table's total for administration.
- Some of the funds for discretionary administrative costs are used for other student aid programs, such as the Pell grant program.

Table 5.
Federal Student Loan Programs: Projected Interest Rates

	Actual, 2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Percentage rate, by award year											
Subsidized and Unsubsidized Loans to Undergraduate Students 10-year Treasury + 2.05% Capped 8.25%	3.73	3.93	4.05	4.30	4.59	4.82	5.01	5.19	5.33	5.43	5.51
Unsubsidized Loans to Graduate Students 10-year Treasury + 3.60% Capped 9.50%	5.28	5.48	5.60	5.85	6.14	6.37	6.56	6.74	6.88	6.98	7.06
PLUS Loans to Graduate Students and Parents 10-year Treasury + 4.60% Capped 10.50%	6.28	6.48	6.60	6.85	7.14	7.37	7.56	7.74	7.88	7.98	8.06

Borrower interest rates are fixed for the life of the loan and adjusted based on the last auction in May for 10-year Treasury notes. That rate is in effect for all newly issued loans from July 1 through the following June 30.

The borrower interest rates used for estimating the cost of the student loan program are different from the rates shown above. The rates used for cost estimating are projected using a Monte Carlo method to capture the effect of a cap on interest rates under current law.

Table 6.
Federal Student Loan Programs: Budget Account Totals, Fair-Value Estimating Procedures

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2021- 2026	2021- 2031
BUDGET INFORMATION													
Millions of dollars, by fiscal year													
Direct Student Loans													
Program Costs													
Budget Authority	24,519	20,929	20,228	21,005	22,113	22,988	23,828	24,529	25,424	25,995	27,103	131,782	258,661
Outlays	21,565	18,827	17,995	18,251	19,132	19,980	20,724	21,384	22,108	22,715	23,534	115,750	226,215
Credit Reestimates and Modifications ^a													
Budget Authority	89,232	0	0	0	0	0	0	0	0	0	0	89,232	89,232
Outlays	<u>89,232</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>89,232</u>	<u>89,232</u>
Subtotal, Direct Loans													
Budget Authority	113,751	20,929	20,228	21,005	22,113	22,988	23,828	24,529	25,424	25,995	27,103	221,014	347,893
Outlays	110,797	18,827	17,995	18,251	19,132	19,980	20,724	21,384	22,108	22,715	23,534	204,982	315,447
Guaranteed Student Loans													
Program Costs													
Budget Authority	12	10	10	9	8	7	7	6	5	5	4	56	83
Outlays	-135	-137	-79	-60	-47	-39	-31	-30	-29	-27	-26	-497	-640
Credit Reestimates and Modifications ^a													
Budget Authority	5,996	0	0	0	0	0	0	0	0	0	0	5,996	5,996
Outlays	<u>5,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,996</u>	<u>5,996</u>
Subtotal, Guaranteed Loans													
Budget Authority	6,008	10	10	9	8	7	7	6	5	5	4	6,052	6,079
Outlays	5,861	-137	-79	-60	-47	-39	-31	-30	-29	-27	-26	5,499	5,356
Student Aid Administration													
Budget Authority	3,283	3,246	3,330	3,421	3,509	3,588	3,668	3,751	3,836	3,923	4,011	20,377	39,566
Outlays	<u>3,139</u>	<u>3,256</u>	<u>3,325</u>	<u>3,390</u>	<u>3,478</u>	<u>3,549</u>	<u>3,629</u>	<u>3,711</u>	<u>3,795</u>	<u>3,880</u>	<u>3,968</u>	<u>20,137</u>	<u>39,120</u>
Total, Student Loans													
Budget Authority	123,042	24,185	23,568	24,435	25,630	26,583	27,503	28,286	29,265	29,923	31,118	247,443	393,538
Outlays	119,797	21,946	21,241	21,581	22,563	23,490	24,322	25,065	25,874	26,568	27,476	230,618	359,923

Components may not sum to totals because of rounding.

a. Costs for credit reestimates and modifications are changes to the estimated costs of outstanding loans originated before 2021. Those totals are based on the amounts that the Office of Management and Budget expects to record in fiscal year 2021.

Table 7.
Federal Subsidy Rates for Student Loans, Fair-Value Estimating Procedures

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Percentage rate, by fiscal year											
All Loans	22.84	20.70	19.50	19.69	20.04	20.13	20.29	20.39	20.62	20.58	20.96
Subsidized Loans	31.37	31.25	30.23	30.63	31.23	31.84	32.19	32.57	32.79	32.89	33.13
Unsubsidized Loans: Undergraduate	24.94	23.08	21.43	21.37	21.58	21.69	21.81	22.03	22.02	22.06	22.23
Unsubsidized Loans: Graduate	23.54	21.23	20.40	20.59	20.40	20.02	20.09	20.19	20.56	20.21	20.61
GradPLUS Loans for Students	26.07	24.92	24.39	24.63	25.93	25.98	26.19	25.69	26.23	26.49	27.35
Parent Loans	-0.68	-7.58	-9.95	-9.73	-9.39	-9.16	-8.91	-8.58	-8.31	-8.21	-7.84

The subsidy rate is the net present value of the future federal cash flows divided by the amounts in loans disbursed to borrowers each year. For example, the 2022 federal cost associated with the \$88,952 million in new loan volume would be \$18,413 million or 20.70 percent of the new loan volume [$\$88,952 * 0.0207 = \$18,413$]. The federal government will spend, on average, about 21 cents for each new dollar lent in 2022.

Subsidy rates do not include federal administrative costs associated with disbursing and servicing loans. Those administrative costs are included in the budget on a cash basis (see Table 4).