
CBO's April 2014 Baseline Projections for the Student Loan Program.

Attached are five tables that detail the costs, loan volumes, and subsidy rates for the direct student loan program for CBO's April 2014 baseline. Below each table is summarized:

Table 1 includes the cost projection for each budget account associated with the student loan programs.

Table 2 includes the loan volume and subsidy rate projections for the direct student loans.

Table 3 includes the detailed components of the federal student loan subsidy rates for fiscal year 2015.

Table 4 includes expenditures for Student Aid Administration.

Table 5 includes the projection of the borrower interest rates.

The definitions of budget authority, program obligations, and outlays as they apply to the student loan program subsidy or "program" accounts are as follows:

Subsidy budget authority figures express what total subsidy costs would be if all the loans for which an application was received during a year were made. But all loans are seldom made--only about 90 percent. This is because prospective borrowers either do not show up for school or decide not to take all or part of the loan.

Subsidy obligations are the costs associated with all loans for which there will be at least one cash disbursement (shown on the attached tables as Net Annual Loan Volume). Typically, the subsidy obligation estimates are not included in budget tables.

Subsidy outlays reflect the subsidy obligations adjusted for the timing of the loan dollar disbursements. Because of the multiple disbursement requirements and the timing of the academic school year calendars compared to the federal fiscal year, only about two-thirds of the dollars are disbursed to the borrowers during the first fiscal year. The remaining dollars are disbursed in the following year.

Table 1.
Student Loan Program—CBO's April 2014 Baseline Budget Account Totals

(millions of dollars, by fiscal year)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Guaranteed Loans:												
Guaranteed Loan Program Account (Subsidy)	Budget Authority	-5,676	0	0	0	0	0	0	0	0	0	0
	Outlays	-5,676	0	0	0	0	0	0	0	0	0	0
Guaranteed Loan Program Liquidating Account	Budget Authority	0	0	0	0	0	0	0	0	0	0	0
	Outlays	-148	-147	-127	-108	-93	-80	-69	-59	-50	-41	-34
Federal Student Loan Reserve Fund	Budget Authority	-19	-56	-60	-59	-5	-5	-5	-5	-5	-5	-5
	Outlays	-19	-56	-60	-59	-5	-5	-5	-5	-5	-5	-5
Subtotal, Guaranteed Loans	Budget Authority	-5,695	-56	-60	-59	-5	-5	-5	-5	-5	-5	-5
	Outlays	-5,843	-203	-187	-167	-98	-85	-74	-64	-55	-46	-39
Direct Loans:												
Direct Loan Program Account (Subsidy)	Budget Authority	-11,915	-18,272	-16,621	-14,097	-12,950	-13,524	-13,948	-14,552	-15,122	-15,632	-16,138
	Outlays	-13,038	-16,401	-15,331	-13,379	-11,944	-11,929	-12,356	-12,839	-13,360	-13,837	-14,292
Student Aid Administration:												
Student Aid Administration (Discretionary)	Budget Authority	1,167	1,189	1,214	1,241	1,270	1,300	1,330	1,361	1,394	1,426	1,460
	Outlays	1,085	1,156	1,193	1,224	1,252	1,281	1,311	1,341	1,373	1,405	1,439
Student Aid Administration (Mandatory)	Budget Authority	1,659	1,394	1,357	1,321	1,292	1,267	1,248	1,234	1,223	1,216	1,213
	Outlays	1,564	1,514	1,407	1,341	1,299	1,273	1,253	1,237	1,226	1,218	1,214
Subtotal, Student Aid Administration	Budget Authority	2,825	2,583	2,571	2,562	2,562	2,568	2,578	2,595	2,618	2,642	2,673
	Outlays	2,649	2,670	2,600	2,566	2,551	2,555	2,564	2,578	2,599	2,623	2,653
Total Student Loans	Budget Authority	-14,785	-15,745	-14,110	-11,594	-10,393	-10,961	-11,375	-11,962	-12,509	-12,995	-13,470
	Outlays	-16,232	-13,934	-12,918	-10,980	-9,491	-9,459	-9,866	-10,325	-10,816	-11,260	-11,678

NOTE: Fiscal Year 2014 Credit Reestimates and Loan Modifications (included above)

Budget Authority 1,118
Outlays 1,118

Components may not add up to totals because of rounding.

Table 2.
Total Direct Loan Programs—CBO's April 2014 Baseline

(by fiscal year)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total All New Loans (New Loans Only)^a											
Net Annual Loan Volume (\$ millions)	101,261	103,397	106,147	108,761	112,077	115,404	118,761	122,159	125,569	129,130	132,824
Net Number of Loans (thousands)	19,994	20,182	20,539	20,880	21,262	21,649	22,043	22,416	22,781	23,163	23,556
Average Loan Amount	\$5,065	\$5,123	\$5,168	\$5,209	\$5,271	\$5,331	\$5,388	\$5,450	\$5,512	\$5,575	\$5,639
Subsidy Rate ^{b, c, d}	-16.45%	-15.75%	-13.97%	-11.59%	-10.35%	-10.50%	-10.52%	-10.67%	-10.79%	-10.85%	-10.89%
Subsidized Student Loans (New Loans Only)											
Net Annual Loan Volume (\$ millions)	27,052	27,595	28,389	29,199	30,008	30,875	31,780	32,619	33,496	34,414	35,349
Net Number of Loans (thousands)	8,418	8,503	8,660	8,819	8,974	9,142	9,317	9,468	9,626	9,792	9,959
Average Loan Amount	\$3,213	\$3,246	\$3,278	\$3,311	\$3,344	\$3,377	\$3,411	\$3,445	\$3,480	\$3,514	\$3,550
Subsidy Rate ^{b, c, d}	1.01%	3.61%	5.74%	8.11%	9.33%	9.26%	9.26%	9.24%	9.22%	9.21%	9.21%
Unsubsidized Student Loans: Undergraduate (New Loans Only)											
Net Annual Loan Volume (\$ millions)	29,029	29,583	30,487	31,368	32,254	33,135	34,045	34,966	35,857	36,789	37,764
Net Number of Loans (thousands)	8,348	8,432	8,612	8,782	8,949	9,111	9,278	9,444	9,599	9,760	9,929
Average Loan Amount	\$3,477	\$3,509	\$3,540	\$3,572	\$3,604	\$3,637	\$3,669	\$3,702	\$3,736	\$3,769	\$3,803
Subsidy Rate ^{b, c, d}	-9.38%	-9.46%	-8.15%	-6.22%	-5.23%	-5.40%	-5.40%	-5.43%	-5.48%	-5.50%	-5.50%
Unsubsidized Student Loans: Graduate (New Loans Only)											
Net Annual Loan Volume (\$ millions)	26,837	27,349	28,185	28,999	29,818	30,632	31,474	32,326	33,150	34,011	34,912
Net Number of Loans (thousands)	1,929	1,948	1,990	2,029	2,068	2,105	2,144	2,182	2,218	2,255	2,294
Average Loan Amount	\$13,914	\$14,039	\$14,165	\$14,293	\$14,421	\$14,551	\$14,682	\$14,814	\$14,948	\$15,082	\$15,218
Subsidy Rate ^{b, c, d}	-25.16%	-25.14%	-23.58%	-21.20%	-19.75%	-19.86%	-19.88%	-20.06%	-20.17%	-20.20%	-20.19%
GradPLUS Student Loans (New Loans Only)											
Net Annual Loan Volume (\$ millions)	8,031	8,491	8,956	9,400	9,930	10,414	10,862	11,390	11,943	12,522	13,128
Net Number of Loans (thousands)	489	501	512	521	534	544	551	561	571	581	592
Average Loan Amount	\$16,418	\$16,943	\$17,485	\$18,027	\$18,586	\$19,144	\$19,718	\$20,310	\$20,919	\$21,546	\$22,193
Subsidy Rate ^{b, c, d}	-41.08%	-40.62%	-38.46%	-35.63%	-33.88%	-34.03%	-34.07%	-34.31%	-34.47%	-34.52%	-34.54%
Parent Loans (New Loans Only)											
Net Annual Loan Volume (\$ millions)	10,312	10,378	10,131	9,794	10,068	10,348	10,600	10,858	11,123	11,394	11,671
Net Number of Loans (thousands)	810	799	765	728	738	747	754	761	768	775	782
Average Loan Amount	\$12,734	\$12,989	\$13,249	\$13,448	\$13,649	\$13,854	\$14,062	\$14,273	\$14,487	\$14,704	\$14,925
Subsidy Rate ^{b, c, d}	-40.31%	-40.03%	-38.34%	-36.02%	-34.40%	-34.42%	-34.42%	-34.66%	-34.76%	-34.77%	-34.77%

a. Totals exclude consolidation loans. Components may not add up to totals because of rounding.

b. The subsidy rate is the net present value of the future federal cash flows associated with the loan dollars disbursed to borrowers each year. For example, the 2015 federal cost associated with the \$103,397 million in new loan volume would be -\$16,285 million or -15.75% of the new loan volume [$\$103,397 \times -15.75\% = -\$16,285$]. In other words, the federal government will save on average about 16 cents for each new dollar loaned in 2015.

c. 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).

d. Subsidy rates were calculated using CBO's April 2014 interest rate forecast.

Table 3.
Detail of the Fiscal Year Values for the 2015 Federal Subsidy Rates

Direct Subsidized Loans:	
Fees	-1.07%
Disbursement	99.70%
Principal Repaid	-69.83%
Interest Paid	<u>-25.20%</u>
Total Subsidy Rate	3.61%
Direct Unsubsidized Loans: Undergraduate	
Fees	-1.07%
Disbursement	99.72%
Principal Repaid	-79.77%
Interest Paid	<u>-28.34%</u>
Total Subsidy Rate	-9.46%
Direct Unsubsidized Loans: Graduate	
Fees	-1.07%
Disbursement	99.66%
Principal Repaid	-75.13%
Interest Paid	<u>-48.60%</u>
Total Subsidy Rate	-25.14%
Direct GradPLUS Loans	
Fees	-4.27%
Disbursement	99.62%
Principal Repaid	-61.04%
Interest Paid	<u>-74.94%</u>
Total Subsidy Rate	-40.62%
Direct Parent Loans	
Fees	-4.27%
Disbursement	99.57%
Principal Repaid	-75.29%
Interest Paid	<u>-60.04%</u>
Total Subsidy Rate	-40.03%

Notes:

Components may not add up to totals because of rounding.

The federal subsidy rates are shown in percent for each dollar loaned.

Because of changes in the economic forecast and borrower interest rates, subsidy rates are substantially different for years later than 2015.

Table 4.
Student Aid Administration—CBO's April 2014 Baseline

(millions of dollars, by fiscal year)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Mandatory Administrative Costs												
Outstanding Guaranteed Loans												
Administrative Account	Budget Authority	621	579	534	485	441	401	364	331	301	273	248
	Outlays	582	590	546	498	452	411	373	339	308	280	255
Default Prevention ^a (included in the Federal Student Loan Reserve Account)	Budget Authority	122	113	103	90	77	65	55	49	43	30	21
	Outlays	<u>122</u>	<u>113</u>	<u>103</u>	<u>90</u>	<u>77</u>	<u>65</u>	<u>55</u>	<u>49</u>	<u>43</u>	<u>30</u>	<u>21</u>
Subtotal, Mandatory	Budget Authority	743	692	637	575	518	466	419	380	344	303	269
	Outlays	704	703	649	588	529	476	428	388	351	310	276
Direct Loans												
Administrative Account	Budget Authority	810	815	823	836	851	867	884	903	923	943	965
	Outlays	776	813	821	833	847	863	880	898	918	938	959
Nonprofit Loan Servicers	Budget Authority	227	0	0	0	0	0	0	0	0	0	0
	Outlays	<u>206</u>	<u>111</u>	<u>40</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal, Mandatory	Budget Authority	1,037	815	823	836	851	867	884	903	923	943	965
	Outlays	982	924	861	844	847	863	880	898	918	938	959
Total Mandatory	Budget Authority	1,781	1,507	1,460	1,411	1,369	1,332	1,303	1,283	1,266	1,246	1,234
	Outlays	1,686	1,627	1,510	1,431	1,376	1,338	1,308	1,286	1,269	1,248	1,235
Discretionary Administrative Costs^b												
	Budget Authority	1,167	1,189	1,214	1,241	1,270	1,300	1,330	1,361	1,394	1,426	1,460
	Outlays	1,085	1,156	1,193	1,224	1,252	1,281	1,311	1,341	1,373	1,405	1,439
Total Administrative Costs^a												
	Budget Authority	2,948	2,696	2,674	2,652	2,639	2,632	2,633	2,644	2,660	2,672	2,694
	Outlays	2,771	2,783	2,703	2,655	2,628	2,619	2,619	2,627	2,642	2,653	2,674

Note: Components may not add up to totals because of rounding.

a. Funds for default prevention are included in the budget in the Student Loan Reserve Fund Account; not the Student Aid Administration account. They are included in the total for Administration.

b. Some of the funds for discretionary administrative costs are used for other student aid programs such as Pell grants.

Table 5.
Projection of Borrower Interest Rates—CBO's April 2014

(borrower rates as of each July 1)

	Actual 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
10-year Treasury + 2.05% capped @ 8.25%	3.86%	5.09%	5.72%	6.28%	6.82%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%
10-year Treasury + 3.60% capped @ 9.50%	5.41%	6.64%	7.27%	7.83%	8.37%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%
10-year Treasury + 4.60% capped @ 10.50%	6.41%	7.64%	8.27%	8.83%	9.37%	9.60%	9.60%	9.60%	9.60%	9.60%	9.60%	9.60%

Notes:

1. Borrower interest rates are fixed for the life of the loan. Each year on July 1, the borrower interest rate is adjusted based on the last auction in May for the 10-year Treasury rate. That rate is in effect for all newly issued loans from July 1 through the following June 30.
2. 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 purposes are projected using a Monte Carlo method to capture the effect of capping the interest rates.