

March 2, 2007

**MEMORANDUM**

**TO:** Interested Parties

**FROM:** Deborah Kalcevic  
Justin Humphrey

**SUBJECT:** CBO March 2007 Baseline Projections for the Student Loan and Grant Programs.

Attached are nine tables that detail the costs, loan volumes, and subsidy rates for both the guaranteed and direct student loan programs for the March 2007 CBO Baseline as well as a table that details the major federal student grant programs. Below each table is summarized:

Table 1. Includes the cost projection for each budget account associated with the student loan programs--the numbers shown are those in the CBO computer runs for Function 500.

Table 2. Includes the loan volume and subsidy rate projections for all guaranteed and direct student loans.

Table 3. Includes the loan volume and subsidy rate projections for the guaranteed student loans.

Table 4. Includes the loan volume and subsidy rate projection for the direct student loans.

Table 5. Includes the detailed components of the federal student loan subsidy rates for fiscal year 2008.

Table 6. Includes the estimates of consolidation loan volume implicit in the estimated subsidy costs of both guaranteed and direct student loans.

Table 7. Includes the Student Aid Administration expenditures.

Table 8. Includes the interest rate forecasts used in the projections of student loan costs.

Table 9. Includes the estimates of the Pell, Academic Competitiveness, and SMART grant programs.

For your information, below is a summary of the definitions of budget authority, program obligations, and outlays as they apply to the student loan program subsidy or "program" accounts:

**Subsidy Budget Authority:** 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 the loan.

**Subsidy Obligations:** Subsidy obligations are the costs associated with all loans for which there actually 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 on budget tables.

**Subsidy Outlays:** 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

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## CBO March 2007 BASELINE BUDGET ACCOUNT TOTALS: STUDENT LOAN PROGRAM BASELINE

			(by fiscal year, in millions of dollars)										
			2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Guaranteed Loan Program	<b>BA</b>		2,473	5,106	5,646	6,166	6,406	6,496	6,596	6,685	6,736	6,791	6,851
Program (Subsidy) Account	<b>OP</b>		1,606	1,336									
<b>91-0231-01-502 BA01,BA03,BA04</b>	<b>OL</b>		2,191	4,411	4,870	5,339	5,638	5,766	5,857	5,945	6,011	6,065	6,125
Guaranteed Loan Program	<b>BA</b>		0	0	0	0	0	0	0	0	0	0	0
Liquidating Account	<b>OP</b>		0	0									
<b>91-0230-01-502 BA02</b>	<b>OL</b>		-747	-691	-635	-585	-535	-489	-400	-350	-300	-250	-200
Student Aid Administration	<b>BA</b>		719	736	752	769	786	804	821	839	859	878	898
[discretionary]	<b>OP</b>		27	237									
<b>91-0202-01-502 AA01,AA02,AA04</b>	<b>OL</b>		406	626	712	758	775	792	810	827	846	865	885
Direct Loan Program	<b>BA</b>		4,055	-981	-846	-787	-836	-932	-1,026	-1,126	-1,229	-1,341	-1,460
Program (Subsidy) Account	<b>OP</b>		-302	-350									
<b>91-0243-01-502 BA04,BA05,BA06</b>	<b>OL</b>		4,248	-883	-753	-683	-694	-767	-850	-936	-1,025	-1,120	-1,221
Federal Student Loan	<b>BA</b>		-263	-287	-305	-323	-345	-568	-653	-717	-780	-848	-950
Reserve Fund	<b>OP</b>		0	0									
<b>91-4257-03-502 BD01</b>	<b>OL</b>		-263	-287	-305	-323	-345	-568	-653	-717	-780	-848	-950
Student Aid Administration	<b>BA</b>		0	0	0	0	0	0	0	0	0	0	0
[mandatory]	<b>OP</b>		234	65									
<b>91-0202-01-502 BA01</b>	<b>OL</b>		234	65	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>BA</b>		<b>6,984</b>	<b>4,575</b>	<b>5,248</b>	<b>5,825</b>	<b>6,011</b>	<b>5,800</b>	<b>5,738</b>	<b>5,681</b>	<b>5,586</b>	<b>5,480</b>	<b>5,339</b>
	<b>OP</b>		<b>1,564</b>	<b>1,288</b>									
	<b>OL</b>		<b>6,070</b>	<b>3,241</b>	<b>3,889</b>	<b>4,506</b>	<b>4,839</b>	<b>4,734</b>	<b>4,764</b>	<b>4,769</b>	<b>4,752</b>	<b>4,712</b>	<b>4,638</b>

Note: Fiscal year 2007 credit reestimates included in the above estimates:

Guaranteed Loan Program	<b>BA</b>	<b>-3,160</b>
Program (Subsidy) Account	<b>OP</b>	<b>0</b>
<b>91-0231-01-502 BA03, BA04</b>	<b>OL</b>	<b>-3,160</b>
Direct Loan Program	<b>BA</b>	<b>3,715</b>
Program (Subsidy) Account	<b>OP</b>	<b>0</b>
<b>91-0243-01-502 BA05,BA06</b>	<b>OL</b>	<b>3,715</b>

TABLE 2

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## TOTAL GUARANTEED AND DIRECT LOAN PROGRAMS, March 2007 Baseline

	(by fiscal year)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>TOTAL ALL NEW LOANS [ New Guaranteed and Direct Loans ] a/</b>											
Net Annual Loan Volume (Mil \$)	67,683	72,697	77,170	81,482	85,318	89,197	93,066	97,035	100,961	105,283	109,808
Net Number of Loans (000)	14,635	15,264	15,813	16,301	16,704	17,104	17,531	17,953	18,342	18,778	19,225
Average Loan Amount	\$4,625	\$4,763	\$4,880	\$4,998	\$5,108	\$5,215	\$5,309	\$5,405	\$5,504	\$5,607	\$5,712
Subsidy Rate b/ c/	4.90%	5.20%	5.42%	5.53%	5.52%	5.46%	5.41%	5.36%	5.30%	5.25%	5.20%
<b>SUBSIDIZED STUDENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	28,038	29,569	30,891	32,108	33,000	33,855	34,722	35,576	36,367	37,265	38,188
Net Number of Loans (000)	7,543	7,847	8,109	8,328	8,496	8,656	8,827	8,993	9,141	9,311	9,485
Average Loan Amount	\$3,717	\$3,768	\$3,810	\$3,856	\$3,884	\$3,911	\$3,933	\$3,956	\$3,978	\$4,002	\$4,026
Subsidy Rate b/ c/	16.53%	16.91%	17.20%	17.37%	17.43%	17.43%	17.42%	17.42%	17.41%	17.41%	17.41%
<b>UNSUBSIDIZED STUDENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	27,995	30,157	31,915	33,550	35,018	36,432	37,821	39,224	40,585	42,093	43,658
Net Number of Loans (000)	6,015	6,265	6,476	6,671	6,833	6,997	7,174	7,348	7,510	7,691	7,877
Average Loan Amount	\$4,654	\$4,814	\$4,928	\$5,030	\$5,125	\$5,206	\$5,272	\$5,338	\$5,404	\$5,473	\$5,542
Subsidy Rate b/ c/	-0.44%	-0.06%	0.21%	0.39%	0.43%	0.42%	0.42%	0.42%	0.41%	0.41%	0.41%
<b>GRADPLUS STUDENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	2,389	2,654	2,917	3,182	3,421	3,696	4,010	4,350	4,713	5,090	5,490
Net Number of Loans (000)	136	145	154	162	171	180	192	204	217	231	245
Average Loan Amount	\$17,516	\$18,257	\$18,938	\$19,596	\$20,049	\$20,484	\$20,903	\$21,303	\$21,685	\$22,049	\$22,369
Subsidy Rate b/ c/	-11.11%	-10.95%	-10.84%	-10.79%	-10.78%	-10.78%	-10.78%	-10.78%	-10.78%	-10.78%	-10.78%
<b>PARENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	9,261	10,318	11,446	12,642	13,879	15,214	16,514	17,885	19,296	20,835	22,471
Net Number of Loans (000)	940	1,007	1,074	1,141	1,204	1,270	1,338	1,407	1,474	1,545	1,618
Average Loan Amount	\$9,850	\$10,244	\$10,653	\$11,079	\$11,523	\$11,983	\$12,343	\$12,713	\$13,095	\$13,487	\$13,892
Subsidy Rate b/ c/	-12.90%	-12.57%	-12.34%	-12.22%	-12.20%	-12.20%	-12.20%	-12.20%	-12.20%	-12.21%	-12.21%

a. Totals exclude consolidation loans.

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 2007 federal cost associated with the \$67,683 million in new loan volume would be \$3,316 million or 4.90% of the new loan volume [ $\$67,683 * .0490 = \$3,316$ ]. Another way to look at the cost of the loan programs is that overall it will cost the federal government on average about 5 cents for each new dollar loaned in 2007.

c. The subsidy rates were calculated using the CBO January 2007 interest rate forecast. These rates would be different if other forecasts are used.

TABLE 3

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## TOTAL GUARANTEED LOAN PROGRAMS, March 2007 Baseline

	(by fiscal year)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>TOTAL ALL NEW LOANS [ New Guaranteed Loans Only ] a/</b>											
Net Annual Loan Volume (Mil \$)	53,573	57,541	61,071	64,471	67,489	70,538	73,586	76,714	79,808	83,212	86,775
Net Number of Loans (000)	11,207	11,687	12,106	12,478	12,785	13,090	13,415	13,737	14,034	14,367	14,708
Average Loan Amount	\$4,780	\$4,923	\$5,045	\$5,167	\$5,279	\$5,389	\$5,485	\$5,584	\$5,687	\$5,792	\$5,900
Subsidy Rate b/ c/	7.98%	8.18%	8.51%	8.79%	8.73%	8.50%	8.30%	8.09%	7.87%	7.64%	7.43%
<b>SUBSIDIZED STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	21,870	23,064	24,095	25,044	25,740	26,407	27,083	27,749	28,366	29,067	29,787
Net Number of Loans (000)	5,733	5,964	6,163	6,329	6,457	6,579	6,709	6,835	6,947	7,077	7,208
Average Loan Amount	\$3,815	\$3,867	\$3,910	\$3,957	\$3,986	\$4,014	\$4,037	\$4,060	\$4,083	\$4,107	\$4,132
Subsidy Rate b/ c/	19.59%	20.05%	20.64%	21.21%	21.42%	21.41%	21.41%	21.40%	21.39%	21.35%	21.33%
<b>UNSUBSIDIZED STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	22,676	24,427	25,851	27,176	28,365	29,510	30,635	31,772	32,874	34,095	35,363
Net Number of Loans (000)	4,692	4,886	5,051	5,203	5,329	5,458	5,596	5,732	5,858	5,999	6,144
Average Loan Amount	\$4,833	\$4,999	\$5,118	\$5,223	\$5,322	\$5,407	\$5,475	\$5,543	\$5,612	\$5,683	\$5,756
Subsidy Rate b/ c/	2.77%	3.21%	3.81%	4.36%	4.56%	4.54%	4.54%	4.54%	4.51%	4.48%	4.45%
<b>GRADPLUS STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	2,174	2,415	2,654	2,896	3,113	3,363	3,649	3,959	4,288	4,632	4,996
Net Number of Loans (000)	124	132	140	148	155	164	175	186	198	210	223
Average Loan Amount	\$17,516	\$18,257	\$18,938	\$19,596	\$20,049	\$20,484	\$20,903	\$21,303	\$21,685	\$22,049	\$22,369
Subsidy Rate b/ c/	-9.63%	-9.59%	-9.43%	-9.32%	-9.32%	-9.33%	-9.32%	-9.31%	-9.33%	-9.36%	-9.38%
<b>PARENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	6,853	7,635	8,470	9,355	10,270	11,259	12,220	13,235	14,279	15,418	16,628
Net Number of Loans (000)	658	705	752	799	843	889	937	985	1,032	1,081	1,132
Average Loan Amount	\$10,412	\$10,829	\$11,262	\$11,712	\$12,181	\$12,668	\$13,048	\$13,440	\$13,843	\$14,258	\$14,686
Subsidy Rate b/ c/	-9.33%	-9.21%	-9.01%	-8.88%	-8.88%	-8.88%	-8.87%	-8.87%	-8.89%	-8.91%	-8.92%

a. Totals exclude consolidation loans.

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 2007 federal cost associated with the \$53,573 million in new loan volume would be \$4,275 million or 7.98% of the new loan volume [ $\$53,573 * .0798 = \$4,275$ ]. Another way to look at the cost of the loan programs is that overall it will cost the federal government on average about 8 cents for each new dollar loaned in 2007.

c. The subsidy rates were calculated using the CBO January 2007 interest rate forecast. These rates would be different if other forecasts are used.

TABLE 4

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## TOTAL DIRECT LOAN PROGRAMS, March 2007 Baseline

	(by fiscal year)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>TOTAL ALL NEW LOANS [ New Direct Loans Only ] a/</b>											
Net Annual Loan Volume (Mil \$)	14,110	15,156	16,099	17,012	17,830	18,658	19,479	20,321	21,153	22,071	23,033
Net Number of Loans (000)	3,428	3,577	3,707	3,823	3,919	4,014	4,115	4,215	4,308	4,411	4,517
Average Loan Amount	\$4,116	\$4,238	\$4,343	\$4,450	\$4,550	\$4,648	\$4,733	\$4,821	\$4,911	\$5,004	\$5,100
Subsidy Rate b/ c/ d/	-6.78%	-5.35%	-4.29%	-3.74%	-3.80%	-4.06%	-4.30%	-4.54%	-4.78%	-5.01%	-5.24%
<b>SUBSIDIZED STUDENT LOANS [ New Direct Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	6,168	6,505	6,796	7,064	7,260	7,448	7,639	7,827	8,001	8,198	8,401
Net Number of Loans (000)	1,810	1,883	1,946	1,999	2,039	2,078	2,119	2,158	2,194	2,235	2,276
Average Loan Amount	\$3,407	\$3,454	\$3,492	\$3,534	\$3,560	\$3,585	\$3,606	\$3,626	\$3,647	\$3,669	\$3,691
Subsidy Rate b/ c/ d/	5.65%	7.40%	8.71%	9.48%	9.74%	9.74%	9.72%	9.70%	9.69%	9.67%	9.66%
<b>UNSUBSIDIZED STUDENT LOANS [ New Direct Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	5,319	5,730	6,064	6,375	6,653	6,922	7,186	7,453	7,711	7,998	8,295
Net Number of Loans (000)	1,323	1,378	1,425	1,468	1,503	1,539	1,578	1,617	1,652	1,692	1,733
Average Loan Amount	\$4,019	\$4,157	\$4,256	\$4,344	\$4,426	\$4,497	\$4,553	\$4,610	\$4,667	\$4,726	\$4,787
Subsidy Rate b/ c/ d/	-14.11%	-12.13%	-10.69%	-9.78%	-9.57%	-9.59%	-9.61%	-9.63%	-9.64%	-9.66%	-9.67%
<b>GRADPLUS STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	215	239	263	286	308	333	361	392	424	458	494
Net Number of Loans (000)	12	13	14	15	15	16	17	18	20	21	22
Average Loan Amount	\$17,516	\$18,257	\$18,938	\$19,596	\$20,049	\$20,484	\$20,903	\$21,303	\$21,685	\$22,049	\$22,369
Subsidy Rate b/ c/ d/	-26.10%	-24.35%	-23.16%	-22.54%	-22.46%	-22.46%	-22.46%	-22.47%	-22.47%	-22.47%	-22.46%
<b>PARENT LOANS [ New Direct Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	2,408	2,683	2,976	3,287	3,608	3,956	4,294	4,650	5,017	5,417	5,842
Net Number of Loans (000)	282	302	322	342	361	381	401	422	442	463	485
Average Loan Amount	\$8,536	\$8,878	\$9,233	\$9,602	\$9,986	\$10,386	\$10,697	\$11,018	\$11,349	\$11,689	\$12,040
Subsidy Rate b/ c/ d/	-23.05%	-21.79%	-20.91%	-20.43%	-20.38%	-20.37%	-20.37%	-20.38%	-20.38%	-20.38%	-20.38%

a. Totals exclude consolidation loans.

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 2007 federal cost associated with the \$14,110 million in new loan volume would be -\$957 million or -6.78% of the new loan volume [ $\$14,110 * -.0678 = -\$957$ ]. Another way to look at the cost of the loan programs is that overall it will save the federal government on average about 7 cents for each new dollar loaned in 2007.

c. The subsidy rates for direct loans do not include most federal administrative costs associated with disbursing and collecting the loans. Those costs are included on a cash basis in another budget account.

d. The subsidy rates were calculated using the CBO January 2007 interest rate forecast. These rates would be different if other forecasts are used.

# TABLE 5

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## Detail of the Fiscal Year Values for the 2008 Federal Subsidy Rates

[Note: the Federal Subsidy Rates are Shown in Percent for Each Dollar Loaned]

### Guaranteed Subsidized Loans:

	Fees	-1.80%
	In-School Interest Costs	16.89%
1./	Special Allowance Payments	0.24%
	Net Federal Claim Payments	2.34%
	Other	2.39%
	<b>Total Subsidy Rate</b>	<b>20.05%</b>

### Guaranteed Unsubsidized Loans:

	Fees	-1.83%
	In-School Interest Costs	0.00%
1./	Special Allowance Payments	0.32%
	Net Federal Claim Payments	2.49%
	Other	2.24%
	<b>Total Subsidy Rate</b>	<b>3.21%</b>

### Guaranteed GradPLUS Loans:

	Fees	-3.63%
	In-School Interest Costs	0.00%
1./	Special Allowance Payments	-8.97%
	Net Federal Claim Payments	1.61%
	Other	1.40%
	<b>Total Subsidy Rate</b>	<b>-9.59%</b>

### Guaranteed Parent Loans:

	Fees	-3.72%
	In-School Interest Costs	0.00%
1./	Special Allowance Payments	-8.66%
	Net Federal Claim Payments	2.31%
	Other	0.86%
	<b>Total Subsidy Rate</b>	<b>-9.21%</b>

### Direct Subsidized Loans:

	Fees	-1.08%
	Disbursement	98.60%
	Principal Repaid	-46.05%
	Interest Paid	-37.85%
	Other	-6.22%
	<b>Total Subsidy Rate</b>	<b>7.40%</b>

### Direct Unsubsidized Loans:

	Fees	-1.08%
	Disbursement	98.62%
	Principal Repaid	-54.51%
	Interest Paid	-47.15%
	Other	-8.01%
	<b>Total Subsidy Rate</b>	<b>-12.13%</b>

### Direct GradPLUS Loans:

	Fees	-2.46%
	Disbursement	98.51%
	Principal Repaid	-53.73%
	Interest Paid	-56.05%
	Other	-10.62%
	<b>Total Subsidy Rate</b>	<b>-24.35%</b>

### Direct Parent Loans:

	Fees	-2.46%
	Disbursement	98.48%
	Principal Repaid	-44.80%
	Interest Paid	-56.31%
	Other	-16.70%
	<b>Total Subsidy Rate</b>	<b>-21.79%</b>

1./ The loan consolidation fee is included with the special allowance payments because it offsets interest paid to lenders. For Parent and GradPLUS loans that are consolidated, that fee more than offsets the special allowance payments. Rebates to the government when borrower interest rates exceed the lender rates are included.

# TABLE 6

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## CBO March 2007--ANNUAL NEW CONSOLIDATION LOAN VOLUME IMPLICIT IN THE BASELINE FORECAST \*

(by fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual											
Guaranteed Loan Consolidation Volume	3,354	4,929	6,590	9,415	22,909	35,243	36,090	54,506	72,010	28,123	27,622	23,729	20,797	21,487	23,342	24,446	25,198	25,490	25,811	25,992
Direct Loan Consolidation Volume	2,429	7,974	5,419	7,774	8,910	6,676	7,718	15,747	19,347	8,150	8,942	8,454	8,318	9,436	10,586	11,572	12,620	13,452	14,286	15,042
Total Consolidation Volume	5,783	12,903	12,009	17,189	31,819	41,919	43,808	70,254	91,357	36,274	36,564	32,183	29,116	30,922	33,928	36,018	37,818	38,942	40,097	41,034

\*. **Note: Loan consolidation under Section 502(5)(C) of the Federal Credit Reform Act of 1990 is considered a repayment choice of a borrower in the calculation of the loan program subsidies rather than a newly disbursed loan at the time of the consolidation. Thus, the above volume levels for new annual consolidations are those implicit in the forecast of borrower repayment choices in the baseline subsidy estimates of the original loans. The Administration does not follow that guidance and considers consolidation loans as new loans for its subsidy calculations.**

# TABLE 7

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## STUDENT AID ADMINISTRATION--March 2007 Baseline

(by fiscal year, in millions of dollars)

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Discretionary Funding	BA	719	736	752	769	786	804	821	839	859	878	898
	OT	406	626	712	758	775	792	810	827	846	865	885
Mandatory Funding	1./ BA	0	0	0	0	0	0	0	0	0	0	0
	OT	234	65	0	0	0	0	0	0	0	0	0
TOTAL	BA	<b>719</b>	<b>736</b>	<b>752</b>	<b>769</b>	<b>786</b>	<b>804</b>	<b>821</b>	<b>839</b>	<b>859</b>	<b>878</b>	<b>898</b>
	OT	<b>640</b>	<b>691</b>	<b>712</b>	<b>758</b>	<b>775</b>	<b>792</b>	<b>810</b>	<b>827</b>	<b>846</b>	<b>865</b>	<b>885</b>

1. The guaranty agency account maintenance fee has been moved to the subsidy rate of guaranteed student loans.



# TABLE 8

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## CBO March 2007 Baseline Forecast

### HISTORICAL INTEREST RATES BY FISCAL YEAR

#### BER 91-Day Treasury Bill Rate: a/b/

1981	15.25%
1982	12.09%
1983	8.69%
1984	9.89%
1985	8.16%
1986	6.63%
1987	5.81%
1988	6.39%
1989	8.42%
1990	7.92%
1991	6.17%
1992	3.89%
1993	3.07%
1994	3.78%
1995	5.65%
1996	5.21%
1997	5.17%
1998	5.12%
1999	4.55%
2000	5.73%
2001	4.53%
2002	1.78%
2003	1.13%
2004	1.12%
2005	2.69%
2006	4.57%

#### BER 3-Month Commercial Paper Rate: a/b/

1981	15.00%
1982	12.80%
1983	8.87%
1984	10.12%
1985	8.39%
1986	7.08%
1987	6.37%
1988	7.32%
1989	9.07%
1990	8.26%
1991	6.61%
1992	4.08%
1993	3.31%
1994	4.00%
1995	5.98%
1996	5.50%
1997	5.59%
1998	5.66%
1999	5.15%
2000	6.37%
2001	5.04%
2002	1.88%
2003	1.25%
2004	1.26%
2005	2.99%
2006	4.94%

### PROJECTIONS OF INTEREST RATES BY FISCAL YEAR

#### BER 91-Day Treasury Bill Rate: a/b/

2007	5.02%
2008	4.70%
2009	4.54%
2010+	4.54%

#### BER 3-Month Commercial Paper Rate: a/b/

2007	5.45%
2008	5.12%
2009	4.95%
2010+	4.94%

#### Discount Rate--10-Year Zero Coupon Bond c/

2010	5.19%
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a. Because the costs of the student loan programs are estimated on a net present value basis, the interest rate forecast for 2009+ is the rate which has the most impact on the federal cost of loans disbursed over the forecast period.

b. BER stands for bond equivalency rate.

c. The cash flows of the student loan programs are discounted using a matrix of different zero coupon bonds. The rate shown here is the forecast for a 10-year zero coupon bond for fiscal year 2009. It is shown here for illustrative purposes.

# TABLE 9

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## PELL GRANT, ACADEMIC COMPETITIVENESS GRANT, AND SMART GRANT PROGRAMS, March 2007 Baseline

(by fiscal year, budget authority and outlays in millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>PELL GRANT PROGRAM</b>											
<b>CBO MARCH BASELINE a/</b>											
Obligation Level	14,057	14,324	14,577	14,844	15,111	15,378	15,659	15,941	16,236	16,517	16,812
Budget Authority	13,661	13,921	14,166	14,426	14,686	14,945	15,218	15,492	15,778	16,052	16,339
Outlays	13,179	14,098	14,379	14,636	14,903	15,170	15,440	15,721	16,006	16,297	16,582
<b>ESTIMATED PROGRAM COSTS USING A \$4,310 MAXIMUM AWARD LEVEL b/</b>											
Program Costs	14,057	14,229	14,353	14,376	14,380	14,783	14,661	14,731	14,818	14,868	14,928
Outlays	13,179	14,076	14,255	14,356	14,377	14,477	14,745	14,680	14,750	14,828	14,881
Participants	5,323,077	5,426,488	5,514,347	5,560,774	5,595,283	5,758,558	5,787,287	5,845,449	5,898,318	5,941,619	5,986,619
Average award	\$2,641	\$2,622	\$2,603	\$2,585	\$2,570	\$2,567	\$2,533	\$2,520	\$2,512	\$2,502	\$2,494
<b>ACADEMIC COMPETITIVENESS GRANTS c/</b>											
Budget Authority	405	465	505	555	---	---	---	---	---	---	---
Outlays	364	440	524	570	447	11	---	---	---	---	---
Participants	435,000	500,000	550,000	595,000	---	---	---	---	---	---	---
<b>SMART GRANTS c/</b>											
Budget Authority	455	455	455	455	---	---	---	---	---	---	---
Outlays	425	447	454	451	345	9	---	---	---	---	---
Participants	110,000	110,000	110,000	110,000	---	---	---	---	---	---	---

a. Under the CBO March baseline, the obligated level is calculated by inflating the fiscal year 2007 obligation level (which are actual program costs) and budget authority is calculated by inflating the budget authority appropriated for fiscal year 2007. Outlays are based on the obligation level rather than on budget authority.

b. Funding for the Pell Grant Program and the maximum award level are subject to appropriations.

c. The Academic Competitiveness Grant and SMART Grant Programs have been appropriated funds only through fiscal year 2010. Because these programs were established after enactment of the Balanced Budget Act of 1997 and are scheduled to sunset in fiscal year 2010, costs for fiscal years 2011-2017 are not included in baseline.