
CBO's March 2015 Baseline Projections for the Student Loan Program.

These five tables detail the costs, loan volumes, and subsidy rates for the direct student loan program for CBO's March 2015 baseline.

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 2016.

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 Budget Account Totals—CBO's March 2015 Baseline

(Millions of dollars, by fiscal year)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
		Guaranteed Loans										
Guaranteed Loan Program Account (Subsidy)	Budget Authority	-3,294	0	0	0	0	0	0	0	0	0	0
	Outlays	-3,294	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	-206	-176	-149	-125	-110	-95	-82	-70	-60	-52	-44
Federal Student Loan Reserve Fund	Budget Authority	124	0	5	4	4	3	1	0	0	0	0
	Outlays	124	0	5	4	4	3	1	0	0	0	0
Subtotal, Guaranteed Loans	Budget Authority	-3,170	0	5	4	4	3	1	0	0	0	0
	Outlays	-3,376	-176	-144	-121	-106	-92	-81	-70	-60	-52	-44
		Direct Loans										
Direct Loan Program Account (Subsidy)	Budget Authority	-4,538	-13,092	-11,245	-9,840	-8,119	-6,989	-7,372	-7,630	-7,908	-8,054	-8,257
	Outlays	-2,970	-12,730	-10,561	-9,202	-7,783	-6,624	-6,539	-6,807	-7,052	-7,223	-7,390
		Student Aid Administration										
Student Aid Administration (Discretionary)	Budget Authority	1,397	1,422	1,451	1,485	1,519	1,555	1,591	1,628	1,666	1,705	1,744
	Outlays	1,268	1,372	1,425	1,464	1,497	1,532	1,568	1,605	1,642	1,680	1,719
Student Aid Administration (Mandatory)	Budget Authority	1,761	1,864	1,930	1,959	1,958	1,975	1,978	1,999	2,021	2,045	2,072
	Outlays	1,818	1,878	1,924	1,951	1,958	1,971	1,978	1,994	2,015	2,039	2,065
Subtotal, Student Aid Administration	Budget Authority	3,158	3,286	3,381	3,444	3,477	3,530	3,569	3,627	3,687	3,750	3,816
	Outlays	3,086	3,250	3,349	3,415	3,455	3,503	3,546	3,599	3,657	3,719	3,784
Total Student Loans	Budget Authority	-4,550	-9,806	-7,859	-6,392	-4,638	-3,455	-3,801	-4,003	-4,222	-4,304	-4,442
	Outlays	-3,259	-9,655	-7,355	-5,907	-4,433	-3,213	-3,075	-3,278	-3,455	-3,557	-3,650

NOTES: Fiscal Year 2015 Credit Reestimates and Loan Modifications (included above)

Budget Authority	9,057
Outlays	9,057

Components may not add up to totals because of rounding.

Table 2.
Total Direct Loan Program (New Loans Only)—CBO's March 2015 Baseline

(By fiscal year)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total All New Loans^a											
Net Annual Loan Volume (Millions of dollars)	104,009	107,123	110,101	113,306	116,562	119,696	122,838	126,083	129,436	132,877	136,415
Net Number of Loans (Thousands)	19,855	20,203	20,531	20,856	21,192	21,515	21,818	22,129	22,450	22,773	23,101
Average Loan Amount	\$5,239	\$5,302	\$5,363	\$5,433	\$5,500	\$5,563	\$5,630	\$5,698	\$5,766	\$5,835	\$5,905
Subsidy Rate ^{b, c, d}	-14.44%	-10.90%	-9.13%	-7.79%	-6.27%	-5.28%	-5.42%	-5.47%	-5.52%	-5.48%	-5.47%
Subsidized Student Loans											
Net Annual Loan Volume (Millions of dollars)	26,733	27,501	28,286	29,070	29,910	30,787	31,599	32,449	33,338	34,244	35,174
Net Number of Loans (Thousands)	8,216	8,369	8,522	8,672	8,834	9,003	9,149	9,302	9,462	9,623	9,787
Average Loan Amount	\$3,254	\$3,286	\$3,319	\$3,352	\$3,386	\$3,420	\$3,454	\$3,488	\$3,523	\$3,558	\$3,594
Subsidy Rate ^{b, c, d}	-0.37%	3.20%	5.27%	6.77%	8.21%	9.13%	9.05%	9.03%	9.00%	9.01%	9.02%
Unsubsidized Student Loans: Undergraduate											
Net Annual Loan Volume (Millions of dollars)	28,600	29,406	30,175	30,903	31,650	32,382	33,131	33,897	34,681	35,483	36,304
Net Number of Loans (Thousands)	8,216	8,364	8,498	8,616	8,737	8,851	8,966	9,082	9,200	9,320	9,441
Average Loan Amount	\$3,481	\$3,516	\$3,551	\$3,587	\$3,622	\$3,659	\$3,695	\$3,732	\$3,770	\$3,807	\$3,845
Subsidy Rate ^{b, c, d}	-11.33%	-8.24%	-6.95%	-5.87%	-4.66%	-3.83%	-3.98%	-4.02%	-4.08%	-4.06%	-4.04%
Unsubsidized Student Loans: Graduate											
Net Annual Loan Volume (Millions of dollars)	28,683	29,709	30,654	31,571	32,461	33,278	34,063	34,866	35,688	36,529	37,390
Net Number of Loans (Thousands)	2,024	2,071	2,112	2,149	2,183	2,212	2,237	2,263	2,289	2,315	2,341
Average Loan Amount	\$14,175	\$14,345	\$14,517	\$14,691	\$14,868	\$15,046	\$15,227	\$15,409	\$15,594	\$15,781	\$15,971
Subsidy Rate ^{b, c, d}	-18.16%	-14.40%	-12.44%	-10.90%	-9.11%	-7.97%	-8.13%	-8.19%	-8.25%	-8.19%	-8.19%
GradPLUS Student Loans											
Net Annual Loan Volume (Millions of dollars)	8,751	9,185	9,631	10,120	10,609	11,060	11,592	12,150	12,733	13,344	13,984
Net Number of Loans (Thousands)	533	545	555	566	576	583	593	604	614	625	636
Average Loan Amount	\$16,406	\$16,849	\$17,354	\$17,875	\$18,411	\$18,963	\$19,532	\$20,118	\$20,722	\$21,344	\$21,984
Subsidy Rate ^{b, c, d}	-23.88%	-19.17%	-17.09%	-15.54%	-13.53%	-12.27%	-12.46%	-12.52%	-12.59%	-12.53%	-12.52%
Parent Loans											
Net Annual Loan Volume (Millions of dollars)	11,243	11,323	11,355	11,641	11,932	12,190	12,453	12,722	12,996	13,276	13,562
Net Number of Loans (Thousands)	866	855	844	853	861	867	872	878	884	890	895
Average Loan Amount	\$12,989	\$13,249	\$13,448	\$13,649	\$13,854	\$14,062	\$14,273	\$14,487	\$14,704	\$14,925	\$15,149
Subsidy Rate ^{b, c, d}	-38.98%	-36.20%	-35.13%	-34.02%	-32.69%	-31.80%	-32.01%	-32.08%	-32.16%	-32.07%	-32.08%

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 2016 federal cost associated with the \$107,123 million in new loan volume would be -\$11,678 million or -10.90% of the new loan volume [$\$107,123 \times -0.1090 = -\$11,678$]. In other words, the federal government will save on average about 11 cents for each new dollar loaned in 2016.

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 March 2015 interest rate forecast.

Table 3.
Detail of the Fiscal Year Values for the 2016 Federal Subsidy Rates

Direct Subsidized Loans:	
Fees	-1.00%
Disbursement	99.60%
Principal Repaid	-69.61%
Interest Paid	<u>-25.79%</u>
Total Subsidy Rate	3.20%
Direct Unsubsidized Loans: Undergraduate	
Fees	-1.00%
Disbursement	99.62%
Principal Repaid	-78.66%
Interest Paid	<u>-28.20%</u>
Total Subsidy Rate	-8.24%
Direct Unsubsidized Loans: Graduate	
Fees	-1.00%
Disbursement	99.57%
Principal Repaid	-62.20%
Interest Paid	<u>-50.77%</u>
Total Subsidy Rate	-14.40%
Direct GradPLUS Loans	
Fees	-3.98%
Disbursement	99.55%
Principal Repaid	-34.93%
Interest Paid	<u>-79.81%</u>
Total Subsidy Rate	-19.17%
Direct Parent Loans	
Fees	-3.98%
Disbursement	99.49%
Principal Repaid	-75.84%
Interest Paid	<u>-55.87%</u>
Total Subsidy Rate	-36.20%

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 March 2015 Baseline

(Millions of dollars, by fiscal year)

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Mandatory Administrative Costs												
Outstanding Guaranteed Loans												
Administrative Account	Budget Authority	510	477	447	418	389	362	336	313	291	272	254
	Outlays	518	485	455	425	396	369	343	319	297	277	258
Default Prevention ^a (included in the Federal Student Loan Reserve Account)	Budget Authority	57	52	46	41	35	30	26	22	18	15	12
	Outlays	57	52	46	41	35	30	26	22	18	15	12
Loan Collection Costs ^a (included in the Liquidating Account)	Budget Authority	0	0	0	0	0	0	0	0	0	0	0
	Outlays	<u>23</u>	<u>20</u>	<u>17</u>	<u>14</u>	<u>12</u>	<u>11</u>	<u>9</u>	<u>8</u>	<u>7</u>	<u>6</u>	<u>5</u>
Subtotal, Mandatory	Budget Authority	567	529	493	459	424	393	362	335	309	286	266
	Outlays	599	557	517	480	444	410	378	348	321	297	275
Direct Loans												
Administrative Account	Budget Authority	1,025	1,387	1,483	1,541	1,570	1,613	1,642	1,686	1,729	1,773	1,818
	Outlays	1,094	1,282	1,430	1,515	1,562	1,602	1,635	1,675	1,719	1,762	1,807
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	1,252	1,387	1,483	1,541	1,570	1,613	1,642	1,686	1,729	1,773	1,818
	Outlays	1,300	1,393	1,470	1,526	1,562	1,602	1,635	1,675	1,719	1,762	1,807
Total Mandatory	Budget Authority	1,819	1,916	1,976	1,999	1,994	2,006	2,004	2,020	2,039	2,060	2,084
	Outlays	1,899	1,950	1,987	2,006	2,006	2,012	2,013	2,023	2,040	2,059	2,082
Discretionary Administrative Costs^b												
	Budget Authority	1,397	1,422	1,451	1,485	1,519	1,555	1,591	1,628	1,666	1,705	1,744
	Outlays	1,268	1,372	1,425	1,464	1,497	1,532	1,568	1,605	1,642	1,680	1,719
Total Administrative Costs^a												
	Budget Authority	3,216	3,338	3,427	3,484	3,513	3,561	3,595	3,648	3,705	3,765	3,828
	Outlays	3,167	3,322	3,412	3,470	3,503	3,544	3,581	3,628	3,682	3,739	3,801

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, and funds for administering pre-1992 loans are included in the Liquidating 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 March 2015 Baseline

(Interest rates as of July 1 of each year)

	Actual 2013	Actual 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
10-year Treasury + 2.05% capped 8.25%	3.86%	4.66%	4.73%	5.34%	5.76%	6.01%	6.19%	6.26%	6.26%	6.27%	6.28%	6.27%	6.27%
10-year Treasury + 3.60% capped 9.50%	5.41%	6.21%	6.28%	6.88%	7.28%	7.51%	7.66%	7.73%	7.74%	7.75%	7.76%	7.74%	7.75%
10-year Treasury + 4.60% capped 10.50%	6.41%	7.21%	7.28%	7.88%	8.28%	8.51%	8.66%	8.73%	8.74%	8.75%	8.76%	8.74%	8.75%

Notes: 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.

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.