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## **CBO's June 2017 Baseline Projections for the Student Loan Program.**

These six tables detail the costs, loan volumes, and subsidy rates for the direct student loan program for CBO's June 2017 baseline.

Table 1 includes the cost projections for each budget account associated with the student loan programs using estimating procedures established in the Federal Credit Reform Act (FCRA).

Table 2 includes the projections of loan volume and subsidy rates for the direct student loans using FCRA.

Table 3 includes expenditures for student aid administration.

Table 4 includes the projection of the borrower interest rates.

Table 5 includes the cost projections for the student loan programs using fair-value estimating procedures.

Table 6 includes the federal subsidy rates for student loans using fair-value estimating procedures.

The differences between FCRA and fair value estimating procedures are as follows:

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. Those cash flows include the amounts disbursed, principal repaid, interest received, fees charged, and net losses that accrue from defaults.

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 U.S. 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 the fair-value estimating procedures, estimates are based on market values—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, which FCRA procedures using Treasury rates, do not.

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 eligible application was received during a year were made. In reality, not all loans are disbursed because prospective borrowers either do not show up for 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 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 cash disbursements. Because of the multiple disbursement requirements and the timing of the academic school years 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 are disbursed in the following year.

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**Table 1.**  
**Student Loan Program Budget Account Totals, Federal Credit Reform—CBO's June 2017 Baseline**

(Millions of dollars, by fiscal year)

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2027
<b>Guaranteed Student Loans</b>													
Program Account <sup>1</sup>	Budget Authority	10,786	0	0	0	0	0	0	0	0	0	0	10,786
	Outlays	10,786	0	0	0	0	0	0	0	0	0	0	10,786
Program Liquidating Account	Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
	Outlays	-243	-215	-191	-169	-149	-130	-113	-98	-86	-75	-65	-1,534
Federal Student Loan Reserve Fund	Budget Authority	-521	-468	-426	-412	-363	-322	-263	-214	-176	-145	-119	-3,429
	Outlays	-521	-468	-426	-412	-363	-322	-263	-214	-176	-145	-119	-3,429
<b>Subtotal, Guaranteed Loans</b>	<b>Budget Authority</b>	<b>10,265</b>	<b>-468</b>	<b>-426</b>	<b>-412</b>	<b>-363</b>	<b>-322</b>	<b>-263</b>	<b>-214</b>	<b>-176</b>	<b>-145</b>	<b>-119</b>	<b>7,357</b>
	<b>Outlays</b>	<b>10,022</b>	<b>-683</b>	<b>-617</b>	<b>-581</b>	<b>-512</b>	<b>-452</b>	<b>-376</b>	<b>-312</b>	<b>-262</b>	<b>-220</b>	<b>-184</b>	<b>5,823</b>
<b>Direct Student Loans</b>													
Program Account <sup>1</sup>	Budget Authority	24,749	-10,021	-7,908	-6,806	-6,233	-5,807	-5,907	-6,127	-6,350	-6,604	-6,846	-43,859
	Outlays	23,810	-9,389	-7,718	-6,463	-5,806	-5,392	-5,334	-5,500	-5,701	-5,921	-6,144	-39,558
<b>Student Aid Administration</b>													
Student Aid Administration (Discretionary) <sup>2</sup>	Budget Authority	1,575	1,610	1,645	1,680	1,717	1,757	1,796	1,836	1,879	1,923	1,967	19,386
	Outlays	1,535	1,584	1,623	1,658	1,694	1,732	1,771	1,811	1,852	1,895	1,939	19,095
Student Aid Administration (Mandatory) <sup>3</sup>	Budget Authority	1,857	1,922	1,987	2,052	2,120	2,193	2,273	2,348	2,410	2,459	2,505	24,127
	Outlays	1,689	1,906	1,971	2,035	2,102	2,175	2,253	2,329	2,395	2,446	2,494	23,795
<b>Subtotal, Student Aid Administration</b>	<b>Budget Authority</b>	<b>3,432</b>	<b>3,532</b>	<b>3,632</b>	<b>3,732</b>	<b>3,837</b>	<b>3,950</b>	<b>4,069</b>	<b>4,185</b>	<b>4,290</b>	<b>4,382</b>	<b>4,472</b>	<b>43,513</b>
	<b>Outlays</b>	<b>3,224</b>	<b>3,490</b>	<b>3,594</b>	<b>3,693</b>	<b>3,796</b>	<b>3,907</b>	<b>4,024</b>	<b>4,140</b>	<b>4,247</b>	<b>4,342</b>	<b>4,432</b>	<b>42,889</b>
<b>Total Student Loans</b>	<b>Budget Authority</b>	<b>38,446</b>	<b>-6,957</b>	<b>-4,703</b>	<b>-3,486</b>	<b>-2,759</b>	<b>-2,179</b>	<b>-2,101</b>	<b>-2,157</b>	<b>-2,236</b>	<b>-2,367</b>	<b>-2,493</b>	<b>7,010</b>
	<b>Outlays</b>	<b>37,056</b>	<b>-6,582</b>	<b>-4,741</b>	<b>-3,351</b>	<b>-2,522</b>	<b>-1,937</b>	<b>-1,686</b>	<b>-1,672</b>	<b>-1,716</b>	<b>-1,799</b>	<b>-1,895</b>	<b>9,154</b>

Components may not add up to totals because of rounding.

<sup>1</sup> Fiscal year 2017 totals include adjustments for actual year-to-date spending and the costs of credit reestimates and loan modifications. These totals are changes to the estimated costs of outstanding loans originated in years prior to 2017. Those totals are:

Guaranteed Loan Program Account:		Direct Student Loan Program Account	
Budget Authority:	10,786	Budget Authority:	28,794
Outlays:	10,786	Outlays:	28,794

<sup>2</sup> Projections of discretionary spending for administering student aid are based on an inflation of the budget authority provided in the most recent appropriations act rather than on an estimate of the future costs of administering the program. This total does not reflect any potential reductions in spending stemming from the across-the-board cut that is part of the final appropriations act.

<sup>3</sup> Projections of mandatory spending for administering student aid are based on estimated future costs of administering federal loan programs.

**Table 2.**  
**Total Direct Loan Program (New Loans Only), Federal Credit Reform—CBO's June 2017 Baseline**

(By fiscal year)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Total All New Loans<sup>a</sup></b>											
Net Annual Loan Volume (Millions of dollars)	97,285	100,910	104,463	107,810	111,417	115,552	120,024	124,321	128,904	133,775	138,953
Net Number of Loans (Thousands)	17,031	17,424	17,826	18,175	18,515	18,940	19,413	19,907	20,378	20,883	21,423
Average Loan Amount	\$5,712	\$5,791	\$5,860	\$5,932	\$6,018	\$6,101	\$6,183	\$6,245	\$6,326	\$6,406	\$6,486
Subsidy Rate <sup>b, c, d</sup>	-10.56%	-8.90%	-6.82%	-5.71%	-5.07%	-4.57%	-4.48%	-4.48%	-4.48%	-4.49%	-4.48%
<b>Subsidized Student Loans</b>											
Net Annual Loan Volume (Millions of dollars)	22,224	22,964	23,789	24,548	25,268	26,122	27,060	28,093	29,060	30,089	31,186
Net Number of Loans (Thousands)	6,729	6,884	7,061	7,214	7,352	7,526	7,719	7,934	8,126	8,330	8,548
Average Loan Amount	\$3,303	\$3,336	\$3,369	\$3,403	\$3,437	\$3,471	\$3,506	\$3,541	\$3,576	\$3,612	\$3,648
Subsidy Rate <sup>b, c, d</sup>	3.63%	5.63%	7.78%	8.86%	9.52%	10.03%	10.13%	10.11%	10.10%	10.09%	10.08%
<b>Unsubsidized Student Loans: Undergraduate</b>											
Net Annual Loan Volume (Millions of dollars)	23,307	24,071	24,864	25,593	26,293	27,141	28,089	29,147	30,150	31,233	32,403
Net Number of Loans (Thousands)	6,729	6,881	7,037	7,172	7,295	7,456	7,639	7,849	8,039	8,245	8,469
Average Loan Amount	\$3,464	\$3,498	\$3,533	\$3,569	\$3,604	\$3,640	\$3,677	\$3,714	\$3,751	\$3,788	\$3,826
Subsidy Rate <sup>b, c, d</sup>	-5.56%	-4.43%	-2.85%	-2.23%	-1.75%	-1.34%	-1.29%	-1.33%	-1.35%	-1.37%	-1.39%
<b>Unsubsidized Student Loans: Graduate</b>											
Net Annual Loan Volume (Millions of dollars)	28,103	29,177	30,129	31,049	32,158	33,418	34,758	35,868	37,256	38,736	40,314
Net Number of Loans (Thousands)	1,971	2,022	2,063	2,101	2,150	2,208	2,269	2,314	2,375	2,440	2,509
Average Loan Amount	\$14,260	\$14,431	\$14,604	\$14,780	\$14,957	\$15,137	\$15,318	\$15,502	\$15,688	\$15,876	\$16,067
Subsidy Rate <sup>b, c, d</sup>	-14.35%	-12.05%	-9.45%	-7.78%	-6.93%	-6.29%	-6.16%	-6.21%	-6.22%	-6.25%	-6.26%
<b>GradPLUS Student Loans</b>											
Net Annual Loan Volume (Millions of dollars)	10,041	10,653	11,231	11,804	12,456	13,174	13,932	14,602	15,389	16,218	17,091
Net Number of Loans (Thousands)	578	595	609	622	637	654	672	683	699	716	732
Average Loan Amount	\$17,371	\$17,892	\$18,429	\$18,982	\$19,552	\$20,138	\$20,742	\$21,365	\$22,005	\$22,666	\$23,346
Subsidy Rate <sup>b, c, d</sup>	-16.34%	-13.82%	-10.81%	-9.23%	-8.35%	-7.69%	-7.56%	-7.60%	-7.61%	-7.63%	-7.65%
<b>Parent Loans</b>											
Net Annual Loan Volume (Millions of dollars)	13,612	14,044	14,450	14,816	15,242	15,697	16,186	16,612	17,050	17,499	17,960
Net Number of Loans (Thousands)	1,025	1,042	1,056	1,067	1,081	1,097	1,114	1,127	1,139	1,152	1,165
Average Loan Amount	\$13,285	\$13,484	\$13,686	\$13,892	\$14,100	\$14,312	\$14,526	\$14,744	\$14,965	\$15,190	\$15,418
Subsidy Rate <sup>b, c, d</sup>	-30.21%	-30.03%	-29.08%	-28.71%	-28.39%	-28.18%	-28.18%	-28.25%	-28.27%	-28.31%	-28.33%

Components may not add up to totals because of rounding.

a. Totals exclude consolidation loans stemming from loans issued prior to 2017.

b. The subsidy rate is the net present value of the future federal cash flows divided by the loan dollars disbursed to borrowers each year. For example, the 2018 federal cost associated with the \$100,910 million in new loan volume would be -\$8,981 million or -8.90% of the new loan volume [ $\$100,910 \times -0.0890 = -\$8,981$ ]. In other words, the federal government will save on average about 9 cents for each new dollar loaned in 2018.

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 3).

d. Subsidy rates were calculated using CBO's June 2017 interest rate forecast.

**Table 3.**  
**Student Aid Administration—CBO's June 2017 Baseline**

(Millions of dollars, by fiscal year)

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2027
<b>Mandatory Administrative Costs</b>													
<b>Outstanding Guaranteed Loans</b>													
Administrative Account	Budget Authority	596	596	594	592	587	580	571	558	543	529	512	6,257
	Outlays	569	596	595	592	588	582	573	561	547	532	516	6,252
Default Prevention Fee Paid to Guaranty Agencies <sup>a</sup>	Budget Authority	100	97	94	91	89	86	83	81	78	76	74	949
	Outlays	100	97	94	91	89	86	83	81	78	76	74	949
Loan Collection Costs on Pre-1992 loans <sup>a</sup>	Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
	Outlays	12	8	7	6	5	5	4	3	3	3	2	57
<b>Subtotal, Mandatory</b>	<b>Budget Authority</b>	<b>696</b>	<b>693</b>	<b>688</b>	<b>683</b>	<b>676</b>	<b>666</b>	<b>654</b>	<b>639</b>	<b>621</b>	<b>605</b>	<b>586</b>	<b>7,206</b>
	<b>Outlays</b>	<b>681</b>	<b>700</b>	<b>695</b>	<b>690</b>	<b>682</b>	<b>672</b>	<b>660</b>	<b>645</b>	<b>628</b>	<b>611</b>	<b>592</b>	<b>7,258</b>
<b>Direct Loans</b>													
Administrative Account	Budget Authority	1,261	1,326	1,393	1,460	1,533	1,613	1,702	1,790	1,867	1,930	1,993	17,868
	Outlays	1,120	1,310	1,376	1,443	1,514	1,593	1,680	1,768	1,848	1,914	1,977	17,544
<b>Subtotal, Mandatory</b>	<b>Budget Authority</b>	<b>1,261</b>	<b>1,326</b>	<b>1,393</b>	<b>1,460</b>	<b>1,533</b>	<b>1,613</b>	<b>1,702</b>	<b>1,790</b>	<b>1,867</b>	<b>1,930</b>	<b>1,993</b>	<b>17,868</b>
	<b>Outlays</b>	<b>1,120</b>	<b>1,310</b>	<b>1,376</b>	<b>1,443</b>	<b>1,514</b>	<b>1,593</b>	<b>1,680</b>	<b>1,768</b>	<b>1,848</b>	<b>1,914</b>	<b>1,977</b>	<b>17,544</b>
<b>Total Mandatory</b>	<b>Budget Authority</b>	<b>1,956</b>	<b>2,019</b>	<b>2,081</b>	<b>2,143</b>	<b>2,208</b>	<b>2,279</b>	<b>2,356</b>	<b>2,429</b>	<b>2,489</b>	<b>2,534</b>	<b>2,579</b>	<b>25,074</b>
	<b>Outlays</b>	<b>1,802</b>	<b>2,010</b>	<b>2,072</b>	<b>2,133</b>	<b>2,196</b>	<b>2,265</b>	<b>2,340</b>	<b>2,413</b>	<b>2,476</b>	<b>2,525</b>	<b>2,570</b>	<b>24,802</b>
<b>Discretionary Administrative Costs<sup>b</sup></b>													
	<b>Budget Authority</b>	<b>1,575</b>	<b>1,610</b>	<b>1,645</b>	<b>1,680</b>	<b>1,717</b>	<b>1,757</b>	<b>1,796</b>	<b>1,836</b>	<b>1,879</b>	<b>1,923</b>	<b>1,967</b>	<b>19,386</b>
	<b>Outlays</b>	<b>1,535</b>	<b>1,584</b>	<b>1,623</b>	<b>1,657</b>	<b>1,694</b>	<b>1,732</b>	<b>1,771</b>	<b>1,811</b>	<b>1,852</b>	<b>1,895</b>	<b>1,939</b>	<b>19,094</b>
<b>Total Administrative Costs<sup>a</sup></b>													
	<b>Budget Authority</b>	<b>3,531</b>	<b>3,629</b>	<b>3,726</b>	<b>3,822</b>	<b>3,926</b>	<b>4,036</b>	<b>4,152</b>	<b>4,265</b>	<b>4,368</b>	<b>4,458</b>	<b>4,546</b>	<b>44,459</b>
	<b>Outlays</b>	<b>3,337</b>	<b>3,595</b>	<b>3,695</b>	<b>3,790</b>	<b>3,890</b>	<b>3,997</b>	<b>4,111</b>	<b>4,224</b>	<b>4,328</b>	<b>4,420</b>	<b>4,508</b>	<b>43,896</b>

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

a. 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. For purposes of this table, both 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 4.**  
**Projection of Borrower Interest Rates—CBO's June 2017 Baseline**

<b>Award Year</b>	<b>Actual 2016-17</b>	<b>Actual 2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
Subsidized and Unsubsidized Loans to Undergraduate Students												
10-year Treasury + 2.05% Capped 8.25%	3.76%	4.45%	4.81%	5.25%	5.51%	5.65%	5.74%	5.75%	5.75%	5.75%	5.75%	5.75%
Unsubsidized Loans to Graduate Students												
10-year Treasury + 3.60% Capped 9.50%	5.31%	6.00%	6.36%	6.80%	7.06%	7.20%	7.29%	7.30%	7.30%	7.30%	7.30%	7.30%
PLUS Loans to Graduate Students and Parents												
10-year Treasury + 4.60% Capped 10.50%	6.31%	7.00%	7.36%	7.80%	8.06%	8.20%	8.29%	8.30%	8.30%	8.30%	8.30%	8.30%

Notes:  
 Borrower interest rates are fixed for the life of the loan. 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 having a cap on interest rates under current law.

**Table 5.**  
**Student Loan Program Budget Account Totals, Fair Value Estimating Procedures—CBO's June 2017 Baseline**

(Millions of dollars, by fiscal year)

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2017-2027
Guaranteed Loans <sup>1</sup>	Budget Authority	10,265	-468	-426	-412	-363	-322	-263	-214	-176	-145	-119	7,357
	Outlays	10,022	-683	-617	-581	-512	-452	-376	-312	-262	-220	-184	5,823
Direct Loans <sup>1</sup>	Budget Authority	42,305	14,647	15,689	15,033	16,116	16,516	17,248	17,869	18,541	19,242	20,012	213,218
	Outlays	40,575	12,466	13,401	13,305	13,772	14,314	14,868	15,445	16,017	16,623	17,279	188,064
Student Aid Administration	Budget Authority	3,432	3,532	3,632	3,732	3,837	3,950	4,069	4,185	4,290	4,382	4,472	43,513
	Outlays	3,224	3,490	3,594	3,693	3,796	3,907	4,024	4,140	4,247	4,342	4,432	42,889
<b>Total Student Loans</b>	<b>Budget Authority</b>	<b>56,002</b>	<b>17,711</b>	<b>18,895</b>	<b>18,353</b>	<b>19,591</b>	<b>20,145</b>	<b>21,054</b>	<b>21,839</b>	<b>22,655</b>	<b>23,479</b>	<b>24,365</b>	<b>264,088</b>
	<b>Outlays</b>	<b>53,821</b>	<b>15,273</b>	<b>16,378</b>	<b>16,418</b>	<b>17,056</b>	<b>17,769</b>	<b>18,515</b>	<b>19,273</b>	<b>20,002</b>	<b>20,745</b>	<b>21,527</b>	<b>236,776</b>

Components may not add up to totals because of rounding.

<sup>1</sup> Fiscal year 2017 totals include the costs of credit reestimates and loan modifications. These totals are changes to the estimated costs of outstanding loans originated in years prior to 2017. Those totals are:

Guaranteed Loan Program Account:		Direct Student Loan Program Account	
Budget Authority:	10,786	Budget Authority:	28,794
Outlays:	10,786	Outlays:	28,794

**Table 6.**  
**Federal Subsidy Rates, Fair Value Estimating Procedures—CBO's June 2017 Baseline**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
All Loans	12.12%	12.67%	13.12%	12.17%	12.63%	12.48%	12.55%	12.56%	12.57%	12.57%	12.59%
Subsidized Loans	26.08%	26.77%	26.95%	25.76%	26.25%	25.94%	26.02%	26.00%	25.99%	25.98%	25.97%
Unsubsidized Loans: Undergraduate	18.49%	18.43%	18.06%	16.33%	16.66%	16.21%	16.25%	16.21%	16.20%	16.17%	16.16%
Unsubsidized Loans: Graduate	9.13%	10.32%	11.49%	11.23%	11.85%	11.99%	12.08%	12.04%	12.03%	12.00%	11.99%
GradPLUS Loans for Students	7.06%	8.38%	9.84%	9.45%	10.10%	10.23%	10.31%	10.28%	10.27%	10.25%	10.24%
Parent Loans	-11.67%	-12.10%	-12.19%	-13.38%	-13.16%	-13.41%	-13.42%	-13.47%	-13.49%	-13.53%	-13.54%

The subsidy rate is the net present value of the future federal cash flows divided by the loan dollars disbursed to borrowers each year. For example, the 2018 federal cost associated with the \$100,910 million in new loan volume would be \$12,230 million or 12.12% of the new loan volume [ $\$100,910 \times .1212 = \$12,230$ ]. In other words, the federal government will spend on average about 12 cents for each new dollar loaned in 2018.

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 5).