



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 and 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 direct loan 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 the amount that can be borrowed each year is determined 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 the amount that can be borrowed each year is determined by a student's class level and dependency status, as well as degree type for graduate students.
- **Parent PLUS loans** are non-need-based loans for parents of dependent undergraduates. Interest accrues from origination, and, prior to July 1, 2026, borrowing is limited only by the cost of attendance. For loans that originate after that date, borrowing is limited to \$20,000 per student per year, and a lifetime limit of \$65,000 per student.
- **Grad PLUS loans** are non-need-based loans for graduate students. Interest accrues from origination, and borrowing is limited only by the cost of attendance. Grad PLUS loans will be phased out beginning July 1, 2026.

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

- **Table 1** shows CBO's 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 the Office of Management and Budget (OMB) expects to record or has already recorded in fiscal year 2026. Additionally, it shows the expected fiscal year 2026 cohort subsidy costs, as estimated by OMB.
- **Table 3** shows CBO's projections of loan volume for new direct student loans.
- **Table 4** shows CBO's projections of subsidy rates for new direct student loans, by loan type and by repayment plan type, estimated using FCRA procedures.
- **Table 5** shows CBO's projections of interest rates for new direct student loans.
- **Table 6** shows CBO's cost projections for the federal student loan programs, estimated using fair-value procedures.
- **Table 7** shows CBO's projections of subsidy rates for new direct student loans, by loan type and by repayment plan type, estimated using fair-value procedures.



Federal Student Loan Programs

FCRA and fair-value estimating procedures require 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.

FCRA and fair-value estimating procedures differ in how they treat risk: 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 accounts 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 some of the funds are disbursed to borrowers during the fiscal year in which the loan is approved; 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 Programs: Budget Account Totals—Federal Credit Reform Act Estimating Procedures

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027- 2031	2027- 2036
BUDGET INFORMATION												
Millions of dollars, by fiscal year												
Direct Student Loans												
Program Account (Subsidy costs)												
Budget Authority	4,150	3,380	3,399	3,686	3,942	4,259	4,632	4,804	4,988	5,155	18,557	42,395
Outlays	3,673	3,059	2,849	3,025	3,255	3,517	3,832	4,031	4,187	4,336	15,861	35,764
Guaranteed Student Loans												
Program Liquidating Account and Federal Student Loan Reserve Fund												
Budget Authority	7	7	7	6	6	5	5	5	5	5	33	58
Outlays	-141	-128	-116	-106	-97	-89	-82	-74	-66	-63	-588	-962
Student Aid Administration												
Discretionary Account ^a												
Budget Authority	2,115	2,167	2,218	2,268	2,319	2,371	2,424	2,478	2,533	2,591	11,087	23,484
Outlays	2,098	2,136	2,185	2,236	2,287	2,338	2,390	2,444	2,498	2,554	10,942	23,166
Mandatory Account ^b												
Budget Authority	708	695	699	705	709	711	713	716	720	724	3,516	7,100
Outlays	<u>1,025</u>	<u>748</u>	<u>698</u>	<u>703</u>	<u>707</u>	<u>710</u>	<u>713</u>	<u>715</u>	<u>719</u>	<u>723</u>	<u>3,881</u>	<u>7,461</u>
Subtotal, Student Aid Administration												
Budget Authority	2,823	2,862	2,917	2,973	3,028	3,082	3,137	3,194	3,253	3,315	14,603	30,584
Outlays	3,123	2,884	2,883	2,939	2,994	3,048	3,103	3,159	3,217	3,277	14,823	30,627
Total, Student Loans												
Budget Authority	6,980	6,249	6,323	6,665	6,976	7,346	7,774	8,003	8,246	8,475	33,193	73,037
Outlays	6,655	5,815	5,616	5,858	6,152	6,476	6,853	7,116	7,338	7,550	30,096	65,429

Note: In prior years, Table 1 included CBO's estimates for the current fiscal year. Because CBO's February 2026 baseline was published before data on credit reestimates and modifications were available from the Office and Management and Budget, those costs are now shown in Table 2. Table 2 shows 2026 outlays for the major components of the student loan programs: direct loan subsidy costs, reestimates of outstanding direct and guaranteed loans, and modifications to the terms of outstanding direct loans. All amounts in Table 2 are estimated by the Office of Management and Budget.

- 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 federal loan programs.
- Projections of mandatory spending for administering student aid are based on the estimated future costs of administering federal loan programs.

Table 2.
Federal Student Loan Programs: Fiscal Year 2026 Subsidy Costs, Credit Reestimates, and Modification Costs, as Estimated by the Office of Management and Budget—Federal Credit Reform Act Estimating Procedures

	2026
BUDGET INFORMATION	
Millions of dollars	
Direct Student Loans	
Program Account (Subsidy costs)	15,604
Credit Reestimates ^a	-50,478
Modifications ^b	2,659
Subtotal, Direct Student Loans	-32,215
Guaranteed Student Loans	
Credit Reestimates ^a	-2,478
Modifications ^b	0
Subtotal, Guaranteed Student Loans	-2,478
Total	
Program Account (Subsidy costs)	15,604
Credit Reestimates ^a	-52,956
Modifications ^b	2,659
Student Loan Outlays	-34,692

Source: Office of Management and Budget.

Components may not sum to totals because of rounding.

The estimates in this table include only information from the President's budget request for fiscal year 2027 and spending already recorded by the Department of the Treasury for fiscal year 2026.

a. A credit reestimate is a revision in the estimated cost of an outstanding group of loans (called a cohort) arising from changes in assumptions about future cash flows associated with those loans. Credit reestimates are made annually and are based on new economic assumptions (concerning interest rates, for example) and new technical assumptions (for default rates, for example). The totals in this table are based on the amounts that the Office of Management and Budget (OMB) expects to record in fiscal year 2026. According to the Department of Education's budget justification documents for fiscal year 2027, the 2026 direct loan reestimates are attributable mainly to fully integrating the Repayment Assistance Plan, routinely updating underlying economic assumptions, and using federal tax information to update borrower incomes and generate estimated repayments in income-driven repayment plans.

See Office of Management and Budget, "Detailed Budget Estimates by Agency: Department of Education," *Budget of the U.S. Government, Fiscal Year 2027: Budget Appendix* (April 2026),

<https://tinyurl.com/4nr7bsny>.

See also Department of Education, "Student Loans Overview," *Fiscal Year 2027 Budget Proposal* (April 2026), <https://tinyurl.com/576s3tbx>.

b. A modification is a change in the estimated cost of an outstanding cohort of loans that arises from legislation or federal administrative actions that result in a difference in the future cash flows for those loans. The totals in this table are based on the amounts that OMB expects to record or has already recorded in fiscal year 2026. OMB's totals in the President's budget request for fiscal year 2027 did not include modification costs for outstanding direct student loans related to the Department of Education's delay of collections, which OMB estimated to total around \$3.5 billion. Because those modification costs were recorded in January 2026, CBO includes them in the total modification costs for direct student loans.



Table 3.
Direct Loan Program: Projected Volume of New Loans

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027-2031	2027-2036
PROGRAM INFORMATION												
By fiscal year												
All New Loans^a												
Net Annual Loan Volume (Millions of dollars) ^b	79,710	74,905	74,642	75,861	77,142	78,446	79,748	81,036	82,319	83,654	382,260	787,463
Net Number of Loans (Thousands) ^c	13,002	12,876	12,858	12,893	12,926	12,948	12,969	12,991	13,011	13,021	64,555	129,495
Average Loan Amount (Dollars)	6,130	5,817	5,805	5,884	5,968	6,059	6,149	6,238	6,327	6,425	n.a.	n.a.
Net Annual Loan Volume, By Loan Type (Millions of dollars)												
Subsidized	16,051	16,099	16,198	16,266	16,307	16,307	16,303	16,309	16,312	16,280	80,921	162,432
Undergraduate Unsubsidized	18,090	17,627	17,747	17,869	17,991	18,115	18,239	18,364	18,489	18,616	89,324	181,147
Graduate Unsubsidized	30,843	31,881	33,305	34,213	35,208	36,268	37,328	38,366	39,400	40,521	165,450	357,333
Parent PLUS	8,136	7,692	7,391	7,513	7,635	7,756	7,877	7,998	8,118	8,237	38,367	78,353
Grad PLUS ^d	6,590	1,607	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8,197	8,197
Average Loan Amount, By Loan Type (Dollars)												
Subsidized	3,208	3,224	3,240	3,256	3,272	3,288	3,304	3,320	3,336	3,353	n.a.	n.a.
Undergraduate Unsubsidized	3,416	3,295	3,315	3,334	3,353	3,373	3,393	3,412	3,432	3,452	n.a.	n.a.
Graduate Unsubsidized	16,732	17,074	17,575	17,740	17,904	18,068	18,232	18,396	18,560	18,757	n.a.	n.a.
Parent PLUS	13,424	12,659	12,145	12,332	12,519	12,706	12,891	13,076	13,258	13,439	n.a.	n.a.
Grad PLUS ^d	25,926	27,170	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: In prior years, Table 3 included CBO's estimates for the current fiscal year.

- a. Totals exclude consolidation loans stemming from loans issued before 2026.
- b. "Net Annual Loan Volume" does not equal the product of the net number of loans and average loan amounts because of rounding. It also does not equal the sum of loan volume for each loan type because of rounding.
- c. "Net Number of Loans" does not represent the number of unique borrowers because borrowers may take out multiple loans and different types of loans in a single year.
- d. Grad PLUS loans will be phased out beginning July 1, 2026.



Table 4.
Direct Loan Program: Projected Subsidy Rates—Federal Credit Reform Act Estimating Procedures

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
PROGRAM INFORMATION										
Percent, by fiscal year										
All Loans	4.6	3.9	3.9	4.2	4.4	4.7	4.9	5.1	5.2	5.3
By Loan Type										
Subsidized	17.3	17.3	17.5	17.7	17.8	17.9	18.2	18.3	18.3	18.4
Undergraduate Unsubsidized	2.9	2.9	3.4	4.0	4.4	5.0	5.6	6.1	6.5	7.0
Graduate Unsubsidized	2.6	2.3	2.3	2.4	2.7	2.9	3.1	3.2	3.2	3.2
Parent PLUS	-17.8	-17.6	-17.2	-16.7	-16.4	-15.8	-15.4	-15.2	-15.0	-14.8
Grad PLUS ^a	14.9	14.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By Repayment Plan Type^b										
Fixed-Term Repayment Plans										
Subsidized	12.4	12.5	12.8	13.1	13.4	13.8	14.1	14.2	14.4	14.6
Undergraduate Unsubsidized	1.9	2.0	2.5	2.9	3.3	3.8	4.3	4.6	4.8	5.0
Graduate Unsubsidized	-10.7	-10.7	-10.2	-9.7	-9.3	-8.8	-8.3	-8.1	-7.8	-7.6
Parent PLUS ^c	-17.8	-17.6	-17.2	-16.7	-16.4	-15.8	-15.4	-15.2	-15.0	-14.8
Grad PLUS ^a	-25.5	-25.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Income-Driven Repayment Plans										
Subsidized	29.3	29.1	29.0	29.0	28.7	28.5	28.5	28.2	27.9	27.7
Undergraduate Unsubsidized	5.1	4.9	5.4	6.2	6.8	7.5	8.5	9.5	10.2	11.2
Graduate Unsubsidized	9.3	8.7	8.4	8.4	8.6	8.7	8.7	8.7	8.7	8.6
Grad PLUS ^a	21.9	21.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Memorandum:

Estimated percent of loan volume that will be repaid by students enrolled in an income-driven repayment plan in 2027, by loan type:

Subsidized	29
Undergraduate Unsubsidized	32
Graduate Unsubsidized	67
Grad PLUS ^a	85

n.a. = not applicable.

See next page for notes.



Table 4.

Direct Loan Program: Projected Subsidy Rates—Federal Credit Reform Act Estimating Procedures

The subsidy rate is the net present value cost of loans disbursed in a given year, divided by the amount of loans disbursed. For example, the 2027 federal cost associated with the \$79,710 million in new loan volume would be \$3,666 million, or 4.6 percent of that volume [$\$79,710 * 0.046 = \$3,666$]. CBO estimates that the federal government will, on average, record an outlay of about 5 cents for each new dollar it lends in 2027.

Subsidy rates do not include administrative costs associated with disbursing and servicing loans. Those costs are included in the budget on a cash basis (see Table 1).

- a. Grad PLUS loans will be phased out beginning July 1, 2026.
- b. Moving loan volume between the two types of repayment plans would not necessarily result in the change in subsidy rates shown. Borrowers with certain characteristics and debt amounts are more likely to enroll in income-driven repayment plans than in fixed-term repayment plans.
- c. In general, borrowers with Parent PLUS loans are ineligible for income-driven repayment plans.



Table 5.
Direct Loan Program: Projected Interest Rates

	Actual, 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37
PROGRAM INFORMATION												
Percent, by award year												
Subsidized and Undergraduate Unsubsidized												
10-year Treasury + 2.05% (Capped at 8.25%)	6.39	6.14	6.30	6.35	6.38	6.39	6.40	6.41	6.42	6.42	6.43	6.44
Graduate Unsubsidized												
10-year Treasury + 3.60% (Capped at 9.50%)	7.94	7.69	7.85	7.90	7.93	7.94	7.95	7.96	7.97	7.97	7.98	7.99
Parent PLUS and Grad PLUS ^a												
10-year Treasury + 4.60% (Capped at 10.50%)	8.94	8.69	8.85	8.90	8.93	8.94	8.95	8.96	8.97	8.97	8.98	8.99

Borrower interest rates are fixed for the life of the loan. Rates for new loans are adjusted each year based on the final auction in May for 10-year Treasury notes and apply to loans issued from July 1 through the following June 30. On May 30, 2025, the Department of Education announced the interest rates for direct loans disbursed between July 1, 2025, and June 30, 2026. See Federal Student Aid, "Interest Rates for Direct Loans First Disbursed Between July 1, 2025 and June 30, 2026," DL-25-03 (May 30, 2025) <https://tinyurl.com/2r3fyrf7>.

The borrower interest rates used for estimating the cost of the direct student loan program are different from the rates shown. 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.

a. Grad PLUS loans will be phased out beginning July 1, 2026.

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

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027- 2031	2027- 2036
BUDGET INFORMATION												
Millions of dollars, by fiscal year												
Direct Student Loans												
Program Account (Subsidy costs)												
Budget Authority	15,598	14,251	14,220	14,609	14,980	15,384	15,861	16,094	16,396	16,639	73,658	154,032
Outlays	13,997	12,801	12,383	12,601	12,928	13,274	13,676	13,940	14,187	14,412	64,710	134,199
Guaranteed Student Loans												
Program Liquidating Account and Federal Student Loan Reserve Fund												
Budget Authority	7	7	7	6	6	5	5	5	5	5	33	58
Outlays	-141	-128	-116	-106	-97	-89	-82	-74	-66	-63	-588	-962
Student Aid Administration												
Discretionary Account ^a												
Budget Authority	2,115	2,167	2,218	2,268	2,319	2,371	2,424	2,478	2,533	2,591	11,087	23,484
Outlays	2,098	2,136	2,185	2,236	2,287	2,338	2,390	2,444	2,498	2,554	10,942	23,166
Mandatory Account ^b												
Budget Authority	708	695	699	705	709	711	713	716	720	724	3,516	7,100
Outlays	<u>1,025</u>	<u>748</u>	<u>698</u>	<u>703</u>	<u>707</u>	<u>710</u>	<u>713</u>	<u>715</u>	<u>719</u>	<u>723</u>	<u>3,881</u>	<u>7,461</u>
Subtotal, Student Aid Administration												
Budget Authority	2,823	2,862	2,917	2,973	3,028	3,082	3,137	3,194	3,253	3,315	14,603	30,584
Outlays	3,123	2,884	2,883	2,939	2,994	3,048	3,103	3,159	3,217	3,277	14,823	30,627
Total, Student Loans												
Budget Authority	18,428	17,120	17,144	17,588	18,014	18,471	19,003	19,293	19,654	19,959	88,294	184,674
Outlays	16,979	15,557	15,150	15,434	15,825	16,233	16,697	17,025	17,338	17,626	78,945	163,864

Note: In prior years, Table 6 included CBO's estimates for the current fiscal year.

- a. 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 federal loan programs.
- b. Projections of mandatory spending for administering student aid are based on the estimated future costs of administering federal loan programs.



Table 7.
Direct Loan Program: Projected Subsidy Rates—Fair-Value Estimating Procedures

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
PROGRAM INFORMATION										
Percent, by fiscal year										
All Loans	17.2	16.7	16.7	16.8	17.0	17.1	17.3	17.3	17.3	17.3
By Loan Type										
Subsidized	29.7	29.7	29.9	30.1	30.2	30.3	30.7	30.7	30.8	30.9
Undergraduate Unsubsidized	17.1	17.3	17.7	18.2	18.7	19.2	19.7	20.0	20.3	20.6
Graduate Unsubsidized	15.4	15.0	14.9	14.9	15.0	15.1	15.1	15.0	15.0	14.9
Parent PLUS	-7.6	-7.3	-6.9	-6.6	-6.3	-5.8	-5.4	-5.3	-5.1	-5.0
Grad PLUS ^a	26.7	26.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By Repayment Plan Type^b										
Fixed-Term Repayment Plans										
Subsidized	22.5	22.6	23.0	23.3	23.5	23.8	24.2	24.4	24.6	24.8
Undergraduate Unsubsidized	13.6	13.8	14.3	14.7	15.1	15.6	16.1	16.5	16.5	16.7
Graduate Unsubsidized	-1.3	-1.2	-0.8	-0.3	0.0	0.4	0.8	1.0	1.2	1.5
Parent PLUS ^c	-7.6	-7.3	-6.9	-6.6	-6.3	-5.8	-5.4	-5.3	-5.1	-5.0
Grad PLUS ^a	-15.1	-15.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Income-Driven Repayment Plans										
Subsidized	47.5	47.2	47.1	47.0	46.9	46.7	46.6	46.4	46.1	45.9
Undergraduate Unsubsidized	24.7	24.5	24.9	25.6	26.1	26.6	27.3	28.1	28.3	28.8
Graduate Unsubsidized	23.7	23.1	22.6	22.5	22.4	22.3	22.2	22.0	21.8	21.5
Grad PLUS ^a	34.1	34.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a. = not applicable.

The subsidy rate is the net present value cost of loans disbursed in a given year, divided by the amount of loans disbursed. For example, the 2027 federal cost associated with the \$79,710 million in new loan volume would be \$13,710 million, or 17.2 percent of that volume [$\$79,710 \times 0.172 = \$13,710$]. Under fair-value estimating procedures, CBO estimates that the federal government would, on average, record an outlay of about 17 cents for each new dollar it lends in 2027.

Subsidy rates do not include administrative costs associated with disbursing and servicing loans. Those costs are included in the budget on a cash basis (see Table 1).

- a. Grad PLUS loans will be phased out beginning July 1, 2026.
- b. Moving loan volume between the two types of repayment plans would not necessarily result in the change in subsidy rates shown. Borrowers with certain characteristics and debt amounts are more likely to enroll in income-driven repayment plans than in fixed-term repayment plans.
- c. In general, borrowers with Parent PLUS loans are ineligible for income-driven repayment plans.