

Archived Information

Student Aid Policies Included in the FY 2006 President's Budget (Mandatory outlays in millions of dollars)

These policies comprise a comprehensive approach to improving and modernizing student aid programs. Taken separately, individual policies may have different costs. Removing policies from the proposed package may change the costs of remaining proposals.

	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 05-10</u>	<u>FY 05-15</u>
BASELINE													
FFEL	\$10,085	\$6,543	\$5,345	\$5,468	\$5,578	\$5,846	\$5,973	\$6,112	\$6,413	\$6,731	\$7,070	\$38,865	\$71,163
Direct Loans	972	-616	-1,317	-1,565	-1,760	-1,933	-2,093	-2,266	-2,462	-2,684	-2,684	-6,219	-18,408
Pell Grants (\$4,050 Max Only)	12,602	12,990	13,171	13,179	13,156	13,123	13,081	13,123	13,331	13,312	13,218	78,221	144,286
Perkins Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	23,659	18,917	17,200	17,082	16,974	17,036	16,961	16,969	17,282	17,359	17,604	110,867	197,042
STUDENT LOAN POLICIES													
Contributions													
Eliminate Rollover of Tax-Exempt Special Allowance (Effective Date: January 1, 2006)													
FFEL	0	-261	-429	-479	-503	-537	-565	-598	-637	-674	-714	-2,210	-5,398
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	-261	-429	-479	-503	-537	-565	-598	-637	-674	-714	-2,210	-5,398
Reduce Lender Insurance from 98% to 95% (Effective Date: October 1, 2006)													
FFEL	0	0	-122	-171	-184	-204	-217	-234	-250	-251	-261	-680	-1,894
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	-122	-171	-184	-204	-217	-234	-250	-251	-261	-680	-1,894
Reduce Reinsurance to 92%/82%/72% (Effective Date: October 1, 2006)													
FFEL	0	0	-68	-97	-107	-118	-125	-133	-144	-151	-161	-390	-1,104
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	-68	-97	-107	-118	-125	-133	-144	-151	-161	-390	-1,104
Set Exceptional Performer Insurance to 97% and Tighten Eligibility Criteria (Effective Date: October 1, 2006)													
FFEL	0	0	-20	-29	-31	-37	-39	-40	-43	-43	-51	-116	-332
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	-20	-29	-31	-37	-39	-40	-43	-43	-51	-116	-332
Universal Application of Statutory Guaranty Agency Insurance Fee (Effective Date: July 1, 2006)													
FFEL	0	-163	-255	-257	-267	-285	-304	-324	-347	-371	-397	-1,228	-2,970
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	-163	-255	-257	-267	-285	-304	-324	-347	-371	-397	-1,228	-2,970

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	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 05-10</u>	<u>FY 05-15</u>
Variable Interest Rates for New Consolidation Loans (Effective Date: July 1, 2006)													
FFEL	0	-166	-451	-403	-361	-373	-297	-186	-161	-88	-100	-1,754	-2,586
Direct Loans	<u>0</u>	<u>-71</u>	<u>-76</u>	<u>-46</u>	<u>-16</u>	<u>-12</u>	<u>18</u>	<u>45</u>	<u>48</u>	<u>55</u>	<u>57</u>	<u>-222</u>	<u>2</u>
	0	-238	-527	-449	-377	-384	-279	-141	-113	-33	-43	-1,976	-2,584
Standardize Extended Repayment Plans on the Direct Loan Model (Effective Date: July 1, 2006)													
FFEL	0	182	-374	-314	-241	-242	-183	-133	-146	-159	-174	-988	-1,783
Direct Loans	<u>0</u>	<u>-134</u>	<u>-100</u>	<u>-80</u>	<u>-57</u>	<u>-38</u>	<u>-23</u>	<u>-21</u>	<u>-18</u>	<u>-19</u>	<u>-18</u>	<u>-408</u>	<u>-508</u>
	0	49	-474	-394	-298	-280	-206	-154	-165	-178	-191	-1,396	-2,290
Reduce Guaranty Agency Retention on All Collections from Default to 16 Percent with Phase-in (20/18/16) (Effective Date: 20%--July 1, 2006; 18%--July 1, 2008; 16%--July 1, 2010)													
FFEL	0	-43	-48	-55	-61	-69	-71	-79	-82	-84	-92	-275	-683
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	-43	-48	-55	-61	-69	-71	-79	-82	-84	-92	-275	-683
Increase Lender Fee .5 Percent (to 1 Percent) on Consolidation Loans (Effective Date: July 1, 2006)													
FFEL	0	-32	-82	-95	-107	-119	-129	-139	-150	-160	-172	-435	-1,186
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	-32	-82	-95	-107	-119	-129	-139	-150	-160	-172	-435	-1,186
Create New .25 Percent Annual Loan Holder Fee on Non-Consolidation Loans (Effective Date: July 1, 2006)													
FFEL	0	-171	-459	-586	-623	-662	-704	-751	-801	-855	-911	-2,500	-6,522
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	-171	-459	-586	-623	-662	-704	-751	-801	-855	-911	-2,500	-6,522
Total Contributions													
FFEL	0	-653	-2,309	-2,485	-2,485	-2,644	-2,634	-2,618	-2,760	-2,836	-3,034	-10,576	-24,458
Direct Loans	<u>0</u>	<u>-205</u>	<u>-176</u>	<u>-126</u>	<u>-73</u>	<u>-50</u>	<u>-5</u>	<u>24</u>	<u>30</u>	<u>36</u>	<u>39</u>	<u>-630</u>	<u>-505</u>
	0	-858	-2,485	-2,611	-2,559	-2,694	-2,639	-2,594	-2,730	-2,800	-2,995	-11,206	-24,964

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	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 05-10</u>	<u>FY 05-15</u>
Uses													
Extend Expansion of Teacher Loan Forgiveness to \$17,500 for Math/Science/Special Ed (Effective Date: January 1, 2006)													
FFEL	0	5	14	23	33	39	41	44	47	49	54	114	349
Direct Loans	<u>0</u>	<u>2</u>	<u>5</u>	<u>8</u>	<u>11</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>17</u>	<u>12</u>	<u>10</u>	<u>39</u>	<u>105</u>
	0	7	18	31	44	53	54	58	63	62	64	153	454
Reestablish Low-Default Waiver of 30-Day Delayed Disbursement (Effective Date: July 1, 2006)													
FFEL	0	0	1	1	1	1	1	1	1	1	1	4	10
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>4</u>
	0	1	1	1	1	1	2	2	2	2	2	6	15
Reestablish Low-Default Waiver of Multiple Disbursement (Effective Date: July 1, 2006)													
FFEL	0	0	1	1	1	1	1	1	1	2	2	5	12
Direct Loans	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>7</u>
	0	1	2	2	2	2	2	2	2	2	2	8	20
Increase Loan Limits to \$3,500 for First-Year; \$4,500 for Second-Year Students; and \$12,000 for Unsubsidized Loans for Graduate and First-Professional Students (Effective Date: July 1, 2006)													
FFEL	0	96	266	345	368	393	414	433	457	482	510	1,469	3,764
Direct Loans	<u>0</u>	<u>-14</u>	<u>-34</u>	<u>-44</u>	<u>-52</u>	<u>-61</u>	<u>-70</u>	<u>-79</u>	<u>-87</u>	<u>-97</u>	<u>-107</u>	<u>-204</u>	<u>-644</u>
	0	82	232	301	316	333	344	354	369	386	403	1,264	3,120
Retain Variable Interest Rates for Non-Consolidation Loans (Effective Date: July 1, 2006)													
FFEL	0	-23	161	193	245	278	286	258	242	182	200	854	2,021
Direct Loans	<u>0</u>	<u>162</u>	<u>267</u>	<u>265</u>	<u>243</u>	<u>247</u>	<u>236</u>	<u>224</u>	<u>242</u>	<u>258</u>	<u>279</u>	<u>1,184</u>	<u>2,422</u>
	0	139	428	458	488	524	522	482	483	439	478	2,038	4,443
Distance Education Changes (50% rule elimination) (Effective Date: July 1, 2006)													
FFEL	0	0	0	3	8	11	14	17	21	23	26	22	122
Direct Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1</u>	<u>-2</u>	<u>-2</u>	<u>-3</u>	<u>-4</u>	<u>-5</u>	<u>-5</u>	<u>-6</u>	<u>-5</u>	<u>-28</u>
	0	0	0	2	6	9	11	13	16	17	19	17	94

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Total Uses													
FFEL	0	79	442	566	656	724	757	754	769	739	792	2,467	6,278
Direct Loans	<u>0</u>	<u>150</u>	<u>239</u>	<u>229</u>	<u>203</u>	<u>198</u>	<u>177</u>	<u>157</u>	<u>167</u>	<u>169</u>	<u>177</u>	<u>1,019</u>	<u>1,867</u>
	0	229	681	795	858	922	935	911	936	908	969	3,486	8,145
Total Interactives													
FFEL	0	-66	-70	-183	-230	-259	-317	-358	-414	-506	-538	-809	-2,942
Direct Loans	<u>0</u>	<u>2</u>	<u>6</u>	<u>7</u>	<u>9</u>	<u>10</u>	<u>12</u>	<u>14</u>	<u>15</u>	<u>23</u>	<u>28</u>	<u>33</u>	<u>126</u>
	0	-65	-64	-176	-222	-250	-305	-344	-399	-483	-510	-776	-2,816
Total Modification of Existing Loans													
FFEL	892	0	0	0	0	0	0	0	0	0	0	892	892
Direct Loans	<u>-335</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-335</u>	<u>-335</u>
	557	0	0	0	0	0	0	0	0	0	0	557	557
Net Student Loan Contributions/Uses													
FFEL	892	-640	-1,936	-2,102	-2,060	-2,180	-2,194	-2,222	-2,405	-2,603	-2,780	-8,026	-20,230
Direct Loans	<u>-335</u>	<u>-53</u>	<u>68</u>	<u>111</u>	<u>138</u>	<u>158</u>	<u>185</u>	<u>195</u>	<u>213</u>	<u>228</u>	<u>244</u>	<u>86</u>	<u>1,152</u>
	557	-693	-1,867	-1,992	-1,922	-2,022	-2,009	-2,027	-2,192	-2,374	-2,536	-7,940	-19,078

PERKINS LOAN POLICIES

Recall Federal Portion of Perkins Loan Institutional Revolving Funds (Effective Date: July 1, 2006)

Perkins Loans	0	-580	-642	-675	-735	-697	-651	-600	-553	-484	-370	-3,329	-5,987
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PELL GRANT POLICIES													
Non-Add FY 2006 President's Budget Policies Funded through Passback Discretionary Funding (Assumes Adoption of Higher Maximum Grant Proposal)													
Create an 8-Year "Medium" Cap (16 Semester Equivalents) on Pell Grant Eligibility	0	-24	-96	-98	-98	-98	-98	-98	-99	-99	-99	-414	-907
Allow Year-Round Pell Grants for Students Attending Two- and Four-Year Degree-Granting Institutions	0	17	69	38	-68	-38	68	37	-69	-36	34	18	52
Eliminate the Tuition Sensitivity Award Rule	0	2	8	5	4	3	3	2	2	2	4	22	35
Grant Active-Duty Military Personnel Automatic Independent Status for Need Analysis	0	1	4	5	5	5	5	5	6	6	6	20	48
State Scholars (\$33 m in FY 2006, inflated outyears)	0	8	34	44	54	68	85	106	133	166	208	208	907
Distance Education Changes (50% rule elimination)	<u>0</u>	<u>10</u>	<u>39</u>	<u>42</u>	<u>47</u>	<u>54</u>	<u>61</u>	<u>70</u>	<u>82</u>	<u>93</u>	<u>105</u>	<u>192</u>	<u>603</u>
Pell Grants Non-Add Total	0	14	58	35	-55	-6	124	124	54	131	257	46	737
FY 2006 Shortfall Retirement													
Pell Grants	0	4,301	0	0	0	0	0	0	0	0	0	4,301	4,301
Mandatory Policies Funded through Mandatory Savings													
Increase the Pell Grant Maximum in \$100 increments from 2006 through 2010, then straightline at \$4,550													
Index Pell Grant Minimum Award to Increases in the Maximum Award (Index min. award; bump eliminated after indexing reaches \$400)													
Pell Grants	0	101	509	915	1,321	1,734	2,059	2,069	2,075	2,083	2,094	4,579	14,958
Net Mandatory Pell Grant Contributions/Uses													
Pell Grants	0	4,402	509	915	1,321	1,734	2,059	2,069	2,075	2,083	2,094	8,880	19,259

TOTAL POLICIES

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Net Contributions/Uses													
FFEL	892	-640	-1,936	-2,102	-2,060	-2,180	-2,194	-2,222	-2,405	-2,603	-2,780	-8,026	-20,230
Direct Loans	-335	-53	68	111	138	158	185	195	213	228	244	86	1,152
Perkins Loans	0	-580	-642	-675	-735	-697	-651	-600	-553	-484	-370	-3,329	-5,987
Pell Grants	<u>0</u>	<u>4,402</u>	<u>509</u>	<u>915</u>	<u>1,321</u>	<u>1,734</u>	<u>2,059</u>	<u>2,069</u>	<u>2,075</u>	<u>2,083</u>	<u>2,094</u>	<u>8,880</u>	<u>19,259</u>
	557	3,128	-2,001	-1,752	-1,336	-985	-601	-559	-670	-776	-811	-2,389	-5,806

Notes:

A) The Administration's Higher Education Act reauthorization proposals include a number of policies that have no scorable cost impact. These include creating a 1 percent borrower origination fee on re-consolidations; eliminating the single holder rule, which limits the flexibility of FFEL borrowers to choose a consolidation lender; more narrowly targeting the loss of student aid eligibility related to drug convictions; and eliminating the rule that requires institutions participating in the student aid programs to earn at least 10 percent of their revenue from non-federal sources.

B) The retirement of the Pell Grant shortfall requires budget authority but no additional outlays. The outlay effect here is for illustrative purposes. The Pell discretionary baseline (current services) is the cost of a \$4,050 max award (current policies) in AY 2006-07.

Pell Grant amounts													
Baseline (discretionary)		12,990	13,171	13,179	13,156	13,123	13,081	13,123	13,331	13,312	13,218		131,684
HEA Policies (discretionary)		<u>14</u>	<u>58</u>	<u>35</u>	<u>-55</u>	<u>-6</u>	<u>124</u>	<u>124</u>	<u>54</u>	<u>131</u>	<u>257</u>		<u>737</u>
Total Discretionary		13,004	13,230	13,213	13,101	13,117	13,205	13,247	13,385	13,444	13,475		132,421
Increased Pell Max Award (mandatory)		101	509	915	1,321	1,734	2,059	2,069	2,075	2,083	2,094		14,958

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Retire Pell Grant Shortfall (mandatory)		<u>4,301</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>4,301</u>
Total Mandatory		4,402	509	915	1,321	1,734	2,059	2,069	2,075	2,083	2,094		19,259
Total Pell Grants		17,405	13,738	14,128	14,422	14,851	15,264	15,315	15,460	15,526	15,570		151,680

C) Certain policies affect existing loans directly (expanded teacher loan forgiveness, lower default retention) and other policies affect existing loans indirectly through changes in assumed prepayment (changes to variable rate for consolidated and non-consolidation loans, standardizing extended repayment options). Modification costs total \$557 million in FY 2005; these costs must be recognized in the year legislation is passed. This table assumes passage in FY 2005; if passage occurs in FY 2006, modification cost will be recognized in that year (the amount will also change.)

D) The Perkins Loan recall is of the federal portion of outstanding loans less future cancellations.

Federal portion of outstandings (based on a \$8 billion current portfolio)	6,378
Estimated future cancellation based on NSLDS reported data	<u>391</u>
Total recall	5,987