NATIONAL STUDENT AID PROFILE: OVERVIEW OF 2014 FEDERAL PROGRAMS

Published July 15, 2014

NASFAA RESOURCES

NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

The National Association of Student Financial Aid Administrators (NASFAA) provides professional development for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues, and is committed to diversity throughout all activities.

NASFAA
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Overview

As college costs have soared and the U.S. economy struggles to move out of recession, an increasing number of Americans have relied on federal student financial assistance programs to help them pay for their postsecondary education. Data from the U.S. Department of Education (ED) show that the number of students applying for federal financial assistance rose from around 19.4 million in the 2007-2008 award year to nearly 31.4 million in the 2011-2012 award year, a 62 percent increase over five years.

From 2002-2003 to 2012-2013, the total amount of federal financial aid awarded to students under Title IV of the Higher Education Act (HEA) jumped from $82.7 billion to an estimated $169.7 billion, a 10-year increase of 105 percent. For 2012-2013, the Title IV programs accounted for 71 percent of the $238.5 billion in total financial aid received by college students.

Despite the demonstrable and continually increasing importance of federal student aid, the majority of Americans have little knowledge of the Title IV programs or the processes necessary to apply for these funds.

At the same time, members of Congress have been increasingly interested in and debating the best ways to reform and strengthen the federal aid programs.

It is important that Congress and the general public understand these programs and the students they serve. In an effort to increase knowledge of these vital programs, the National Association of Student Financial Aid Administrators (NASFAA) has produced a document entitled, *National Student Aid Profile: Overview of 2014 Federal Programs.* The *National Profile* provides detailed information about most of the programs authorized under Title IV of the HEA, including:

• Descriptions of the federal student aid programs;

• Recent trends in federal program appropriations;

• Income levels of students and families who receive aid; and

• A description of the federal student aid application process.

Table 1 provides a brief summary of the majority of the programs authorized by Title IV and information about recipients and federal funding trends.

The information used for the *National Profile* is the latest data available from ED and The College Board. In some instances, the most recent funding data were for the Fiscal Year (FY) 2013 (2013-2014 award year) and recipient data were for the 2011-2012 academic year.

In addition to the Title IV programs, college students and their families may qualify for financial assistance from other federal sources, such as Coverdell Education Savings Accounts, education tax credits, tax-advantaged education savings accounts, and grants and loans from other federal programs. While these other sources are important, they are not included in this report because the bulk of the federal funds provided to college students and their families is provided through programs authorized by Title IV of the HEA.

NASFAA hopes this information is helpful to you. In addition to the *National Profile* NASFAA has also produced other publications that help students and families find ways to pay for postsecondary education. One beneficial resource is the Students, Parents, and Counselors portion of our website [link: http://www.nasfaa.org/students/About_Financial_Aid.aspx].

Please contact us if we can provide any additional information to you. You may reach Megan McClean, NASFAA's Director of Policy & Federal Relations, at (202) 785-6942.

Table 1. Summary Descriptions of the Major Federal Student Aid Programs

Program Name	Program Description	Number of Recipients and Average Awards	Volume 2012-2013	Appropriations FY2014
Federal Pell Grants	Provides grants to low-income undergraduates with the greatest demonstrated financial need. The 2013-2014 maximum award was $5,645; minimum award was $564. For 2014-15, the maximum award is $5,730 and the statutory minimum is $573, but because mid-points are used for both the estimated family contribution (EFC) columns and the cost of attendance (COA) rows in constructing the schedules, the actual 2014-2015 Award Year minimum award amount for a full-time student is $587.	Approximately 9.4 million recipients in 2011-2012. Average award was $3,555. More than 74% of recipients had family income of less than $30,000.	The total volume for Pell Grants was $35.2 billion.	Federal appropriation of $28.9 billion (including both discretionary and mandatory funds).
Federal Supplemental Educational Opportunity Grants (FSEOG)	Provides grants to low-income undergraduates with the greatest demonstrated financial need. Maximum award is $4,000; minimum award is $100. Priority must be given to students who receive Federal Pell Grants, and awards must be made first to students who have the lowest expected family contributions. At least 25% of FSEOG awards must come from institutional resources.	Approximately 1.6 million recipients in 2011-2012. Average award was $588. 65% of dependent recipients came from families with an income of less than $30,000.	The total federal volume was $734 million.	Federal appropriation of $733.1 million.
Federal Work-Study (FWS)	Provides part-time jobs to financially needy undergraduate and graduate/ professional students. Jobs must, to the best extent possible, be related to students' academic or career goals. Institutions must generally contribute at least 25% of wages paid.	Approximately 704,000 recipients in 2011-2012. The average award was $1,670. Of dependent undergraduate recipients, 45% had family incomes below $42,000.	The total federal volume was $978 million.	Federal appropriation of $974.7 million.
Federal Perkins Loans	Distributes low-interest loans (5%) to undergraduate and graduate/ professional students with financial need; priority is given to those with exceptional need. Borrowing is subject to annual and aggregate loan limits. Borrowers usually repay the loans directly to their postsecondary institutions; repayments are used to make new loans. Institutions match at least 33% of their federal program allocations. Loan repayments may be cancelled for borrowers who perform certain volunteer, military, health care, or other services.	Approximately 484,656 recipients in 2011-2012. Average award was $2,013. 34% of dependent recipients came from families with an income of less than $30,000, and 75% of independent recipients had an income of less than $20,000.	New loans were made for a total of $956 million from institutions' revolving funds.	No federal appropriation since FY2006.

Table 1. Summary Descriptions of the Major Federal Student Aid Programs (Continued)

Program Name	Program Description	Number of Recipients and Average Awards	Volume 2012-2013	Appropriations FY2014
Direct Subsidized Stafford Loans	Provides low-interest loans to financially needy undergraduate students. Interest on the loans is paid by the government while borrowers are in school, in the grace period, and during deferment. Borrowing is subject to annual and aggregate loan limits. Borrowers begin repaying loans six months after ceasing at least half-time enrollment in postsecondary education, unless borrower qualifies for deferment. Cancellation of loans is available for employment in certain designated fields, under certain conditions.	Approximately 8.3 million borrowers in 2011-2012. Average loan of $3,468. 58% of recipients came from families with an income of less than $30,000.	The total loan volume was $27.4 billion.	Federal appropriation of $26.2 billion.
Direct Unsubsidized Stafford Loans	Provides low-interest loans to undergraduate and graduate/professional students. Loans are provided regardless of borrowers' income or financial need, as long as total aid does not exceed cost of attendance. Recipients are charged interest on the loans at all times. Borrowing is subject to annual and aggregate loan limits; limits are higher for independent students. Unless borrower qualifies for deferment, loan repayment begins six months after borrowers cease at least half-time enrollment in postsecondary education. Cancellation of loans is available for employment in certain designated fields, under certain conditions.	Approximately 7.7 million borrowers in 2011-2012. Average loan of $3,922 for undergraduate students and $11,432 for graduate students.	The total loan volume was $55.9 billion.	Federal appropriation of $54.7 billion.
Direct PLUS Loans	Provides loans to (1) the parents of dependent undergraduates, as defined by HEA, and (2) graduate and professional students. Borrowers may obtain loans up to the full amount of the cost of education, minus any aid students receive from other sources. Loans are provided regardless of income, but borrowers must pass a credit check or obtain an endorser.	Approximately 1 million parent borrowers in 2011-2012. Average loan of $12,089. In the same award year, an estimated 365,000 graduate/professional students borrowed an average $18,554 in Grad PLUS loans.	PLUS borrowers (parents and graduate/professional students) received $18.0 billion.	Federal appropriation of $18.8 billion.

The Federal Pell Grant Program

Program Description. The Federal Pell Grant Program provides grants to financially needy undergraduate students to help pay the costs of attending postsecondary institutions (in very limited circumstances, post-baccalaureate students in teacher education programs may also qualify for Pell Grants). Pell Grants are the "foundational" federal student aid program. Students must apply for a Federal Pell Grant before their eligibility for other federal student aid programs is determined. During the annual Congressional appropriations process, the minimum and maximum Pell Grant award level is established for the upcoming award year. In award year 2013-2014, grants ranged between $582 and $5,645. In award year 2014-2015 grants range from $587 to $5,730. The amounts students receive are based on their educational costs and the family's ability to contribute to college costs.

Two award rules dictate the amount each student receives. The first, the *need rule,* subtracts the estimated amount a student and his or her family can afford to pay for educational expenses (based on their income, assets, and other information collected when students apply for financial aid) from their total educational costs.

The second, the *entitlement rule,* subtracts the estimated amounts a student and his or her family can afford to pay from the Federal Pell Grant maximum award. Each eligible recipient receives the *lower* amount of the two awards based on these award rules.

Recipient Information. In award year 2011-2012[1], approximately 9.4 million undergraduates from low-income families received Federal Pell Grants, with an average award of $3,555. According to ED's *Pell Grant End of Year Report,* 74.3 percent of the Federal Pell Grant recipients in 2011-2012 came from families with annual income of $30,000 or less (see Table 2).

Federal Pell Grant recipients attend a wide variety of postsecondary institutions. In the 2011-2012 award year, 65 percent of the recipients attended two-year and four-year public colleges and universities; 13 percent were enrolled at private not-for-profit colleges and universities; and 22 percent attended proprietary (private, for-profit) institutions (see Figure 1).

Funding Information. In FY 2014[2], the appropriation for Federal Pell Grants was $28.9 billion—this included both discretionary and mandatory funding. According to the College Board, the total volume was $32.3 billion in 2012-2013[3]. From 2002-2003 to 2012-2013, total Federal Pell Grant funds awarded to students grew nearly 118 percent in inflation-adjusted value (see Figure 2). The maximum Pell Grant has risen from $4,050 to $5,645 from 2003-2004 to 2013-2014, which is an increase of $1,595 over 10 years (see Figure 3). The average award has grown by almost 10 percent in inflation-adjusted value. That increase in Pell Grant dollars has helped cover the cost of tuition and fees for students, although tuition and fee increases continue to outpace inflation. According to The College Board's *Trends in College Pricing,* 2013, tuition and fee charges grew 2.9 percent at four-year public institutions and 3.1 percent at private, nonprofit institutions from 2012-2013 to 2013-2014. The 2013 inflation rate was 1.5 percent.

Table 2. Number and Distribution of Pell Grant Recipients by Family Income Level, Award Year 2011-12

Family Income Level	Number	Percentage
$6,000 or less	2,310,738	24.5%
$6,001 to $15,000	2,052,865	21.7%
$15,001 to $20,000	1,089,859	11.5%
$20,001 to $30,000	1,564,744	16.6%
$30,001 to $40,000	995,288	10.5%
$40,001 and over	1,430,874	15.2%
Total	9,444,368	100%

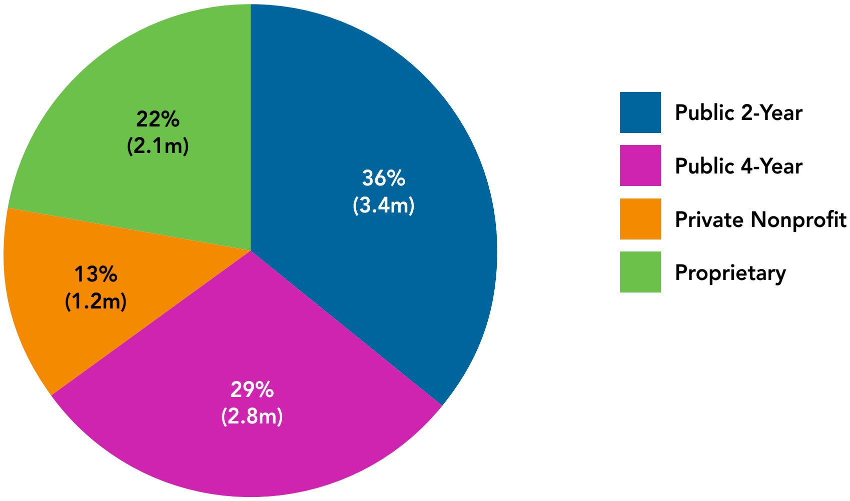
Source: U.S. Department of Education, Federal Pell Grant Program End-of-year Report, *2011-12.*

[1] 2011-12 data are from U.S. Department of Education, End-of-Year Pell Grant Report.

[2] U.S. Department of Education Fiscal Year 2014 Budget Summary.

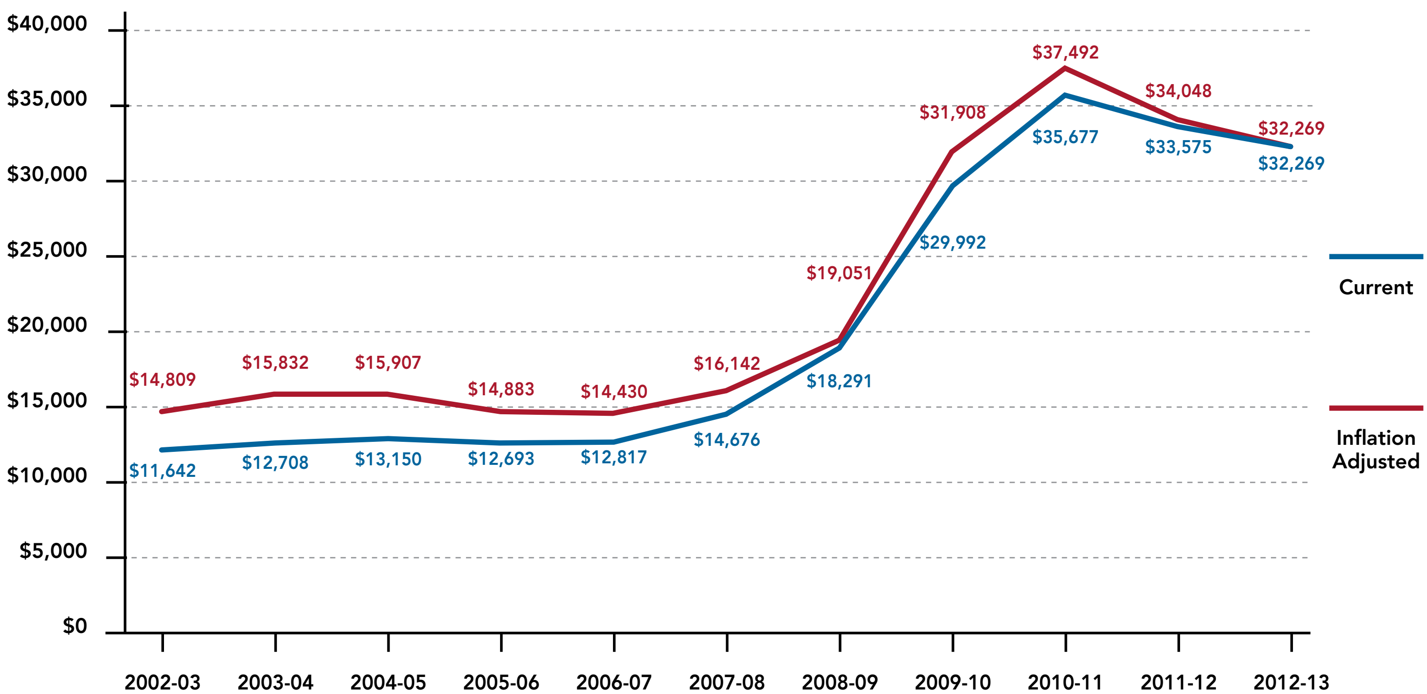
[3] The College Board Trends in Student Aid, 2013

Figure 1. Distribution of Pell Grant Recipients by Type of Institution, Award Year 2011-12



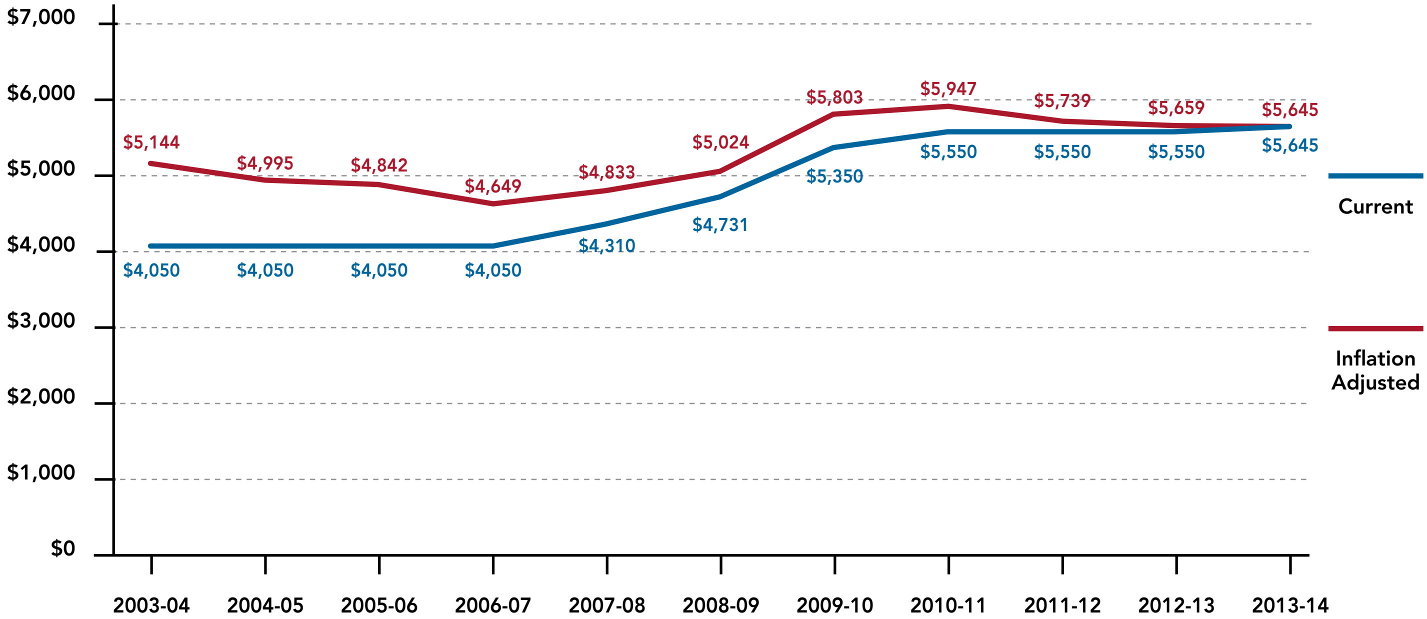
Source: U.S. Department of Education, Federal Pell Grant Program End-of-year Report, *2011-2012.*

Figure 2. Federal Pell Grant Appropriations in Current and Inflation Adjusted Dollars (in millions), 2002-03 to 2012-13



Source: The College Board, Trends in Student Aid, *2013.*

Figure 3: Maximum Pell Grant Award in Current and Inflation-Adjusted Dollars, 2003-04 to 2013-14



Source: U.S. Department of Education, Federal Pell Grant Program End-of-year Report, *2011-12; College Board,* Trends in Student Aid *2013. Inflation-adjusted to 2013 dollars calculated by NASFAA, using CPI-U for the July beginning the academic year.*

The Federal Supplemental Educational Opportunity Grant Program

Program Description. The Federal Supplemental Educational Opportunity Grant Program (FSEOG) provides grants to financially needy undergraduates at postsecondary institutions. The FSEOG Program is referred to as "campus-based" because financial aid administrators at each participating postsecondary institution must use federal program guidelines to determine which students will receive awards and how much they will receive.

Financial assistance from the FSEOG Program generally supplements the aid students receive from other sources. Students must have "exceptional" financial need to receive FSEOG awards: priority must be given to students who receive Federal Pell Grants, and awards must first be made to students with the lowest expected family contributions (EFC) - that is, starting with zero EFC and then moving upward. The minimum FSEOG award is $100, and the maximum is $4,000. Institutions that participate in the program receive federal allocations to distribute awards. These institutions must match their federal allocations with funds from their own resources, so that no more than 75 percent of FSEOG awards represent the federal share.

Recipient Information. In award year 2011-2012, approximately 1.6 million undergraduates received FSEOG awards. The average award was $588, and 3,761 postsecondary institutions participated in the program.

Most FSEOG awards are provided to students from low-income families. Data from the U.S. Department of Education's 2012 *Campus-Based Programs Data Book* show that, in 2011-2012 (the most recent year of available data), 67.8 percent of the dependent undergraduates (students who are financially dependent upon their parents to pay at least a portion of their postsecondary costs) who received FSEOG awards came from families with income of less than $30,000 (see Table 3). Additionally, 78 percent of independent students receiving FSEOG report an income of less than $20,000 (See Table 3b).

FSEOG recipients attend a wide variety of postsecondary institutions; in 2011-2012, 25 percent attended four-year public institutions; 21 percent of the awardees were enrolled at private nonprofit colleges and universities; and 24 percent attended two-year public colleges (see Figure 4).

Over the past decade, the FSEOG Program has seen a 21.4 percent increase in number of recipients, but the average award has fallen by 24.5 percent.

Funding Information. The FY 2014 appropriation for the FSEOG Program is $733 million. These funds, along with institutional matching funds of at least 25 percent, will be used to provide awards during the 2013-2014 academic year. In 2012-2013, the total volume was $734 million. Figure 5 shows a ten-year history of FSEOG federal appropriations. From 2002-2003 to 2012-2013, the amount of federal funds for the program increased by 1.24 percent in current dollars. When adjusted for inflation, however, federal funds fell 20.4 percent.

Table 3. Number of Dependent Undergraduates who Received Federal Supplemental Opportunity Grants by Family Income Level, Award Year 2011-12

Family Income Level	Recipients	Recipients Percentage	Total FSEOG Dollars*	Dollars Percentage	Average FSEOG Award
Less than $6,000	110,087	15.1%	$76,690,365	13.9%	$697
$6,000 to $11,999	70,610	9.7%	$50,710,242	9.2%	$718
$12,000 to $23,999	207,089	28.5%	$153,560,816	27.7%	$742
$24,000 to 29,999	105,660	14.5%	$81,043,526	14.6%	$767
$30,000 to $41,999	119,119	16.4%	$95,708,031	17.3%	$803
$42,000 to $59,999	84,372	11.6%	$69,739,379	12.6%	$827
$60,000 and over	30,924	4.2%	$25,938,160	4.7%	$839
Total*	727,861	100.0%	$553,390,519	100.0%	$760

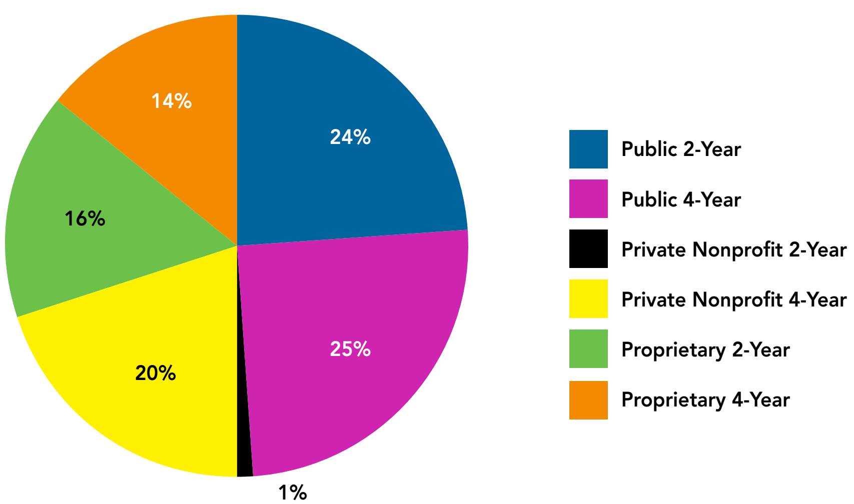
Table 3. Number of Independent Undergraduates who Received Federal Supplemental Opportunity Grants by Family Income Level, Award Year 2011-12

Family Income Level	Recipients	Recipients Percentage	Total FSEOG Dollars*	Dollars Percentage	Average FSEOG Award
Less than $2,000	249,677	27.2%	$116,952,934	28.2%	$468
$2,000 to $3,999	62,293	6.8%	$30,270,760	7.3%	$486
$4,000 to $7,999	126,628	13.8%	$58,691,609	14.2%	$463
$8,000 to $11,999	111,930	12.2%	$50,074,056	12.1%	$447
$12,000 to $15,999	92,463	10.1%	$39,453,379	9.5%	$427
$16,000 to $19,999	73,187	8.0%	$30,894,459	7.5%	$422
$20,000 and over	201,947	22.0%	$87,752,638	21.2%	$435
Total*	918,125	100.0%	$414,089,835	100.0%	$451

*Total dollar amounts include federal funds and institutional matching funds.

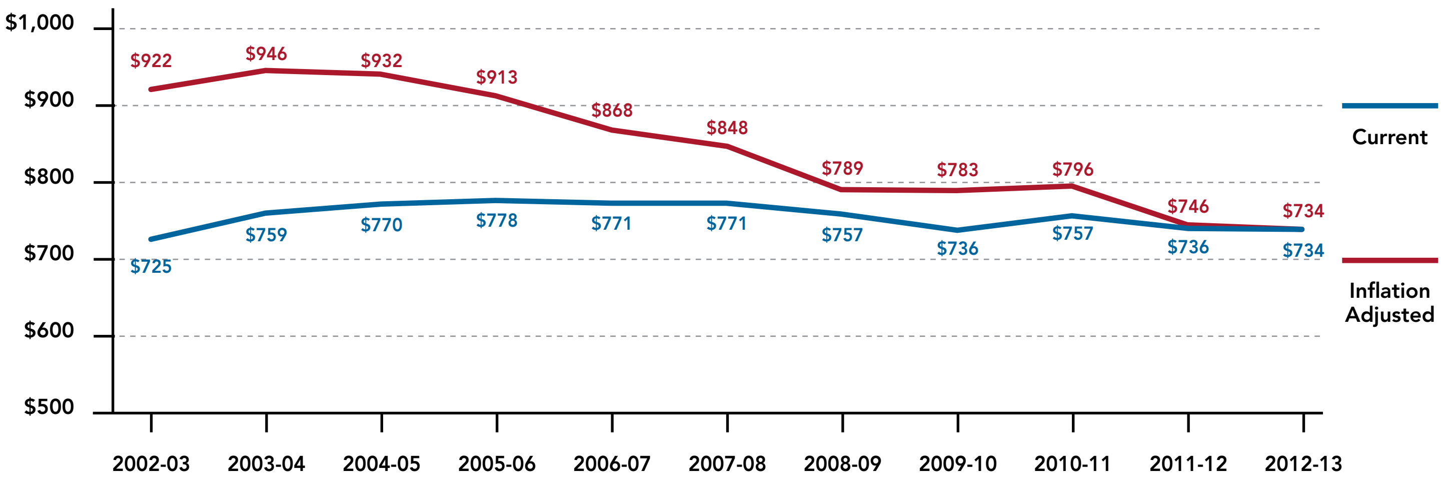
Source for Tables 3 and 3b: U.S. Department of Education, Federal Campus-Based Programs Data Book, *2013.*

Figure 4. Distribution of FSEOG Recipients by Type of Institution, Award Year 2011-12



Source: U.S. Department of Education, Federal Campus-Based Programs Data Book, *2013.*

Figure 5. Federal Appropriations for the FSEOG Program in Current and Inflation-Adjusted Dollars (in Millions), 2002-03 to 2012-13



Source: The College Board, Trends in Student Aid, *2013.*

The Federal Work-Study Program

Program Description. The Federal Work-Study Program (FWS) provides part-time jobs to undergraduate, graduate, and professional students at postsecondary institutions. This program is referred to as "campus-based" because financial aid administrators at each participating postsecondary institution must use federal program guidelines to determine which students will receive awards and how much they will receive. Generally, aid from the FWS Program supplements the assistance students receive from Federal Pell Grants and other sources. The FWS Program is a need-based program; that is, recipients must have demonstrated financial need.

Students may hold FWS jobs during the regular academic year or during the summer months between academic years. To the extent possible, jobs should relate to students' academic majors or career goals. FWS jobs may be on campus, in non-profit, non-partisan agencies, or, to a limited degree, in for-profit businesses. Institutions must use at least seven percent of their FWS funds for community service jobs; institutions are also required to place one or more students in at least one tutoring or family literacy project as part of the community service requirement.

FWS hourly wages are set by the school or in agreement with other employers, although all students must receive at least the federal minimum wage. Otherwise, there are no minimum or maximum FWS awards. Award amounts, however, must be based on demonstrated financial need, the number of hours students are expected to work each week, and the anticipated hourly wage.

Postsecondary institutions that participate in the FWS program receive federal program funds to provide jobs to students. For most FWS jobs, the federal program funds are used to pay 75 percent of the students' wages. The remaining 25 percent is provided by the institution or the students' employers. (Private for-profit businesses that employ FWS recipients must pay at least 50 percent of students' wages from their own resources.) A lower non-federal share is permitted under specific limited conditions.

Recipient Information. In award year 2011-2012, approximately 704,211 students received FWS awards. The average award was $1,670, and just over 3,300 postsecondary institutions participated in the FWS Program.

Students from low- and moderate-income families are the primary beneficiaries of FWS. In 2011-2012, 45.4 percent of dependent undergraduate FWS recipients came from families with income below $42,000 (see Table 4). In 2011-2012, four out of five FWS students were dependent undergraduates (Table 4). Almost 93 percent of the recipients were undergraduates. Eighty four percent of independent undergraduate FWS recipients came from families with income of less than $20,000 (See Table 4b). A large share (52 percent) of FWS recipients attended private nonprofit colleges and universities. Another third were enrolled at four-year public institutions; 11 percent attended community colleges; and 4 percent attended proprietary institutions (see Figure 6).

According to ED's *End-of-Year Campus-Based Aid Program Data Book,* the number of FWS recipients decreased by 4.9 percent, but the average award increased 19.8 percent from 2001-2002 to 2011-2012.

Funding Information. In FY 2014, the federal appropriation for the FWS Program was $974.7 million. For the 2012-2013 award year, the federal appropriation funds combined with non-federal shares provided approximately $1.1 billion in aid to undergraduate and graduate/ professional students. Figure 7 shows that from 2002-2003 to 2012-2013, federal FWS appropriations decreased 2.8 percent in current dollars, and dropped 24 percent when adjusted for inflation.

Table 4. Number of Dependent Undergraduates who Received Federal Work-Study Awards by Family Income Level, Award Year 2011-2012

Family Income Level	Recipients	Recipients Percentage	Total FWS Dollars*	Dollars Percentage	Average FWS Award
Less than $6,000	36,471	6.9%	$59,766,212	7.4%	$1,639
$6,000 to $11,999	24,388	4.6%	$41,723,642	5.2%	$1,711
$12,000 to $23,99	73,387	13.9%	$123,346,816	15.2%	$1,681
$24,000 to 29,999	39,524	7.5%	$64,926,359	8.0%	$1,643
$30,000 to $41,999	65,630	12.5%	$105,801,197	13.1%	$1,612
$42,000 to $59,999	84,823	16.1%	$132,646,084	16.4%	$1,564
$60,000 and over	202,845	38.5%	$281,273,435	34.7%	$1,387
Total*	527,068	100.0%	$809,483,745	100.0%	$1,536

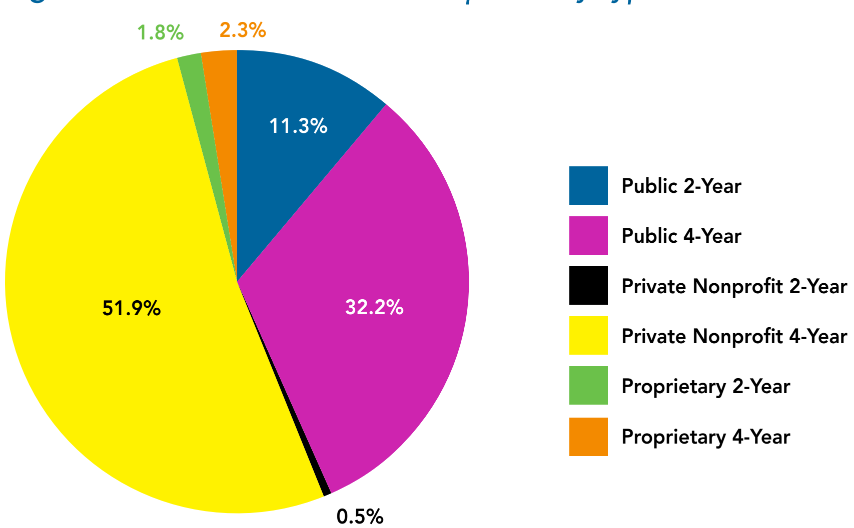
Table 4b. Number of Independent Undergraduates who Received Federal Work-Study Awards by Family Income Level, Award Year 2011-2012

Family Income Level	Recipients	Recipients Percentage	Total FWS Dollars*	Dollars Percentage	Average FWS Award
Less than $2,000	37,933	30.1%	$67,949,689	28.2%	$1,791
$2,000 to $3,999	12,278	9.7%	$23,019,228	9.6%	$1,875
$4,000 to $7,999	21,243	16.9%	$42,272,008	17.5%	$1,990
$8,000 to $11,999	15,997	12.7%	$32,939,419	13.7%	$2,059
$12,000 to $15,999	11,442	9.1%	$22,962,892	9.5%	$2,007
$16,000 to $19,999	7,402	5.9%	$14,631,709	6.1%	$1,977
$20,000 and over	19,774	15.7%	$37,150,990	15.4%	$1,879
Total*	126,069	100.0%	$240,925,935	100.0%	$1,911

*Total dollar amounts include federal funds and institutional matching funds.

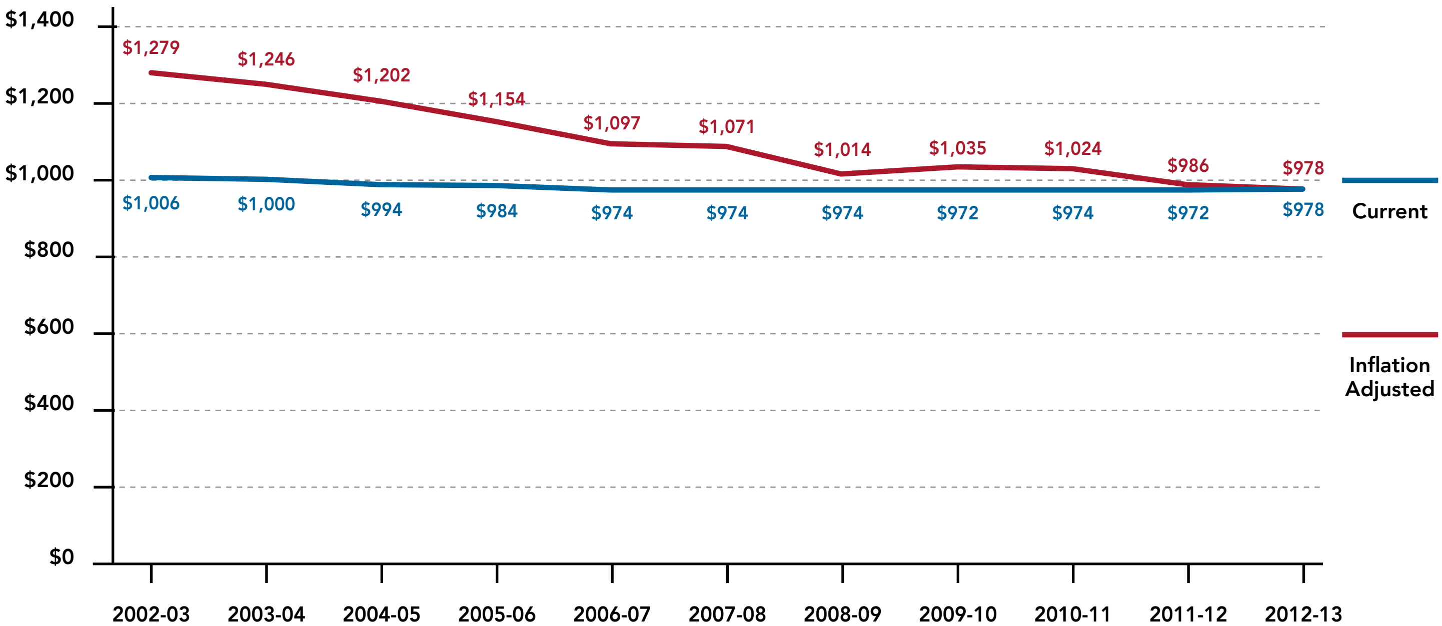
Source for Tables 4 and 4b: U.S. Department of Education, Federal Campus-Based Programs Data Book, *2013.*

Figure 6. Distribution of FWS recipients by type of institution, award year 2011-12



Source: U.S. Department of Education, Federal Campus-Based Programs Data Book, *2013.*

Figure 7. Federal Appropriations for the FWS Program in Current and Inflation-Adjusted Dollars (in Millions), 2002-03 to 2012-13



Source: The College Board, Trends in Student Aid, *2013.*

The Federal Perkins Loan Program

Program Description. The Federal Perkins Loan Program (formerly known as the National Direct Student Loan Program and originally authorized as National Defense Education Act – "Defense" – loans) provides low-interest loans to financially needy undergraduate, graduate, and professional students. This program is referred to as "campus-based" because financial aid administrators at each participating postsecondary institution must use federal program guidelines to determine which students will receive awards and how much they will receive. Aid from Federal Perkins Loans generally supplements the assistance students receive from Federal Pell Grants and other sources.

Unlike Federal Pell Grants, FSEOG, and FWS awards, students must repay Federal Perkins Loans after they graduate, leave, or fall below half-time attendance status at their postsecondary institutions (attendance status is determined at each institution). For most students, repayment must begin nine months after they leave their institutions, and be completed within 10 years or less unless certain extenuating circumstances apply. Loan repayments are usually made directly to the borrowers' lending institutions. Interest on the loan accrues at a rate of 5 percent per year. However, interest does not begin to accrue until borrowers enter repayment, which may be deferred for approved reasons. Students who perform certain types of military, health care, volunteer, or community service may have a portion of their loans forgiven. (See the *Loan Deferment and Forgiveness* section below)

The maximum amount students may borrow is based on their academic grade level. Undergraduate students may borrow up to $5,500 annually; graduate and professional students may borrow up to $8,000 annually. Aggregate limits are stepped: a student's borrowing is capped at $11,000 until successful completion of two years towards a bachelor's degree and $27,500 total for completion of a bachelor's degree. No student may borrow more than $60,000 cumulatively for undergraduate and graduate/professional education.

Funding for Perkins Loans comes from three sources: federal appropriations (known as the Federal Capital Contributions or FCC), matching funds from the institution equal to one-third of the FCC, and repayments of Perkins Loans from previous borrowers. FCC funds are allocated to participating postsecondary institutions based on a formula set in the HEA; however no new FCC has been provided since FY 2006. Repayments from previous borrowers are used to make new Perkins Loans to current and future borrowers. The *revolving loan fund* is comprised of the FCC allocations, institutional matching funds, and loan repayments from prior borrowers. The total amount of the revolving loan fund from all participating institutions is about $6 billion. In 2011-2012, institutions issued $962 million in new loans from their revolving funds only.

The Perkins Loan Program is authorized through September 30, 2014. If Congress does not enact legislation extending or repealing the authorization of the program before that date, the program would be eligible for an automatic one-year extension through September 30, 2015. Unless Congress enacts legislation that specifically repeals the authorization of the program, the Perkins Loan Program will continue at least through the 2014-15 award year.

For the past five years, budget requests from President Obama have proposed a new Perkins Loan Program. This proposal would increase the volume of the Perkins Loan Program significantly to allow more schools to participate in the program, would make these loans unsubsidized with market-based interest rates (with all other terms and conditions of an unsubsidized Stafford Loan) , and would provide postsecondary institutions authority to choose Perkins Loan recipients.

Loan Deferment and Cancellation. Loan repayments are *deferred* (delayed temporarily) for borrowers who re-enroll at least half-time as a regular (i.e., credential seeking) student at a postsecondary institution that is eligible to participate in the Title IV programs, or enroll as part of an approved graduate fellowship program, for graduate or post-graduate fellowship-supported study outside the U.S., or rehabilitation training. Deferment is also available for borrowers who are engaged in certain military service or in other activities that qualify them for loan cancellation (described below). Deferment may be obtained for limited periods of time while the borrower is seeking but unable to find employment, or if the borrower demonstrates economic hardship as defined in regulation. During loan deferment periods, interest on the loans does not accrue. Alternatively, borrowers who face documented financial or other hardships may be eligible for limited periods of *forbearance*. During forbearance, loan repayments are temporarily suspended or reduced, but interest continues to accrue; forbearance can also take the form of extended time to make a payment. Forbearance is also granted when authorized by the Department of Education due to a national military mobilization or other national emergencies.

Borrowers performing certain services may have their loans *cancelled*. Loan cancellation means that all or part of the unpaid principal balance and accrued interest of the borrowers' loans will be repaid by the federal government. Cancellation is available for borrowers who:

- Join the Peace Corps or ACTION;
- Teach in certain elementary or secondary schools serving low-income students (e.g., a Head Start program, special education, certain fields of expertise experiencing shortages of teachers, or Tribal colleges or universities);
- Work under certain conditions as a nurse, medical technician, firefighter, law enforcement or corrections officer, librarian, or speech pathologist;
- Find employment in certain agencies providing child or family service or early intervention; or
- Perform military service in areas of hostilities.

Loans are also cancelled for borrowers who die, become permanently and totally disabled, or declare bankruptcy. However, under the bankruptcy provision, borrowers' loans are cancelled only if the bankruptcy court rules that the loan repayment obligations would present an undue financial hardship for the borrowers.

The amount of loans cancelled for each eligible borrower is based on the length of qualifying service in the qualifying agencies. (Borrowers who die, become disabled, or declare bankruptcy have all of the principal balance and accrued interest of their Federal Perkins Loans cancelled). Each year, federal funds are provided to each participating institution to reimburse them for the costs of cancelled loans. This amount is in addition to the appropriations for FCC, if any, and is added to each qualifying institution's revolving loan fund. However, in recent years, and including for the award year 2012-2013 ED has stopped reimbursing schools for cancelled loans because Congress has not appropriated funds.

Recipient Information. In award year 2011-2012, 484,656 students received Federal Perkins Loans. The average loan was $1,956. About 87 percent of the recipients were undergraduates. Fort-eight percent of the dependent undergraduate students who received these loans came from families with income under $42,000 (see Table 5), and almost 74 percent of independent recipients had an income of less than $20,000 (See Table 5b).

More than 1,500 postsecondary institutions participated in the Federal Perkins Loan Program. Ninety-five percent of the total Perkins Loan recipients attended four-year public and private colleges and universities. Only one percent was enrolled at community colleges and four percent attended proprietary institutions (see Figure 8).

Funding Information. No new federal funds have been allocated for FCC since FY2006. In addition, in recent years there have been no cancellation reimbursements provided to schools. Despite this lack of federal funding, the revolving loan fund was large enough to provide new loans to undergraduate and graduate/professional students during 2012-2013 For Perkins Loans (FCCs and loan cancellations combined), the volume has decreased by twenty-two percent from 2002-2003 to 2012-2013 in current dollars. However, when adjusted for inflation over the same time period, the Perkins Loan volume has decreased by thirty-nine percent (see Figure 9).

Table 5. Number of Dependent Undergraduates who Received Perkins Loans by Family Income Level, Award Year 2011-2012

Family Income Level	Recipients	Recipients Percentage	Total Perkins Dollars*	Dollars Percentage	Average Perkins Award
Less than $6,000	21,457	6.6%	$39,613,867	6.8%	$1,846
$6,000 to $11,999	14,627	4.5%	$26,614,867	4.6%	$1,820
$12,000 to $23,999	46,392	14.4%	$83,662,730	14.4%	$1,803
$24,000 to $29,999	27,290	8.4%	$48,823,622	8.4%	$1,789
$30,000 to $41,999	46,649	14.4%	$82,262,837	14.2%	$1,763
$42,000 to $59,999	58,842	18.2%	$103,798,092	17.9%	$1,764
$60,000 and over	107,831	33.4%	$196,104,450	33.8%	$1,819
Total*	323,088	100.0%	$580,880,465	100.0%	$1,798

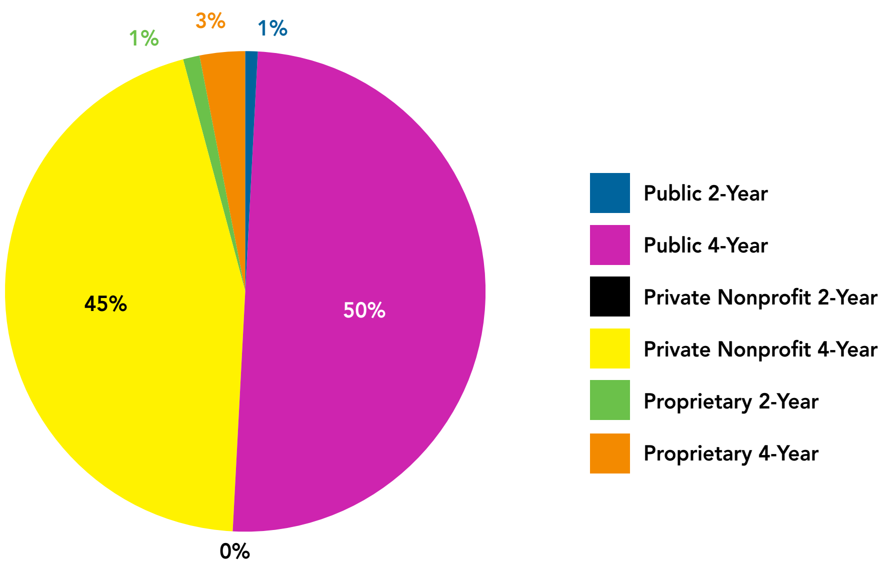
Table 5b. Number of Independent Undergraduates who Received Perkins Loans by Family Income Level, Award Year 2011-2012

Family Income Level	Recipients	Recipients Percentage	Total Perkins Dollars*	Dollars Percentage	Average Perkins Award
Less than $2,000	23,224	24.2%	$41,894,456	24.4%	$1,804
$2,000 to $3,999	7,148	7.5%	$12,963,524	7.6%	$1,814
$4,000 to $7,999	13,435	14.0%	$23,886,677	13.9%	$1,778
$8,000 to $11,999	11,284	11.8%	$20,056,445	11.7%	$1,777
$12,000 to $15,999	8,924	9.3%	$15,594,579	9.1%	$1,747
$16,000 to $19,999	6,801	7.1%	$12,144,847	7.1%	$1,786
$20,000 and over	25,074	26.1%	$44,979,453	26.2%	$1,794
Total*	95,890	100.0%	$171,519,981	100.0%	$1,789

*Total dollar amounts include federal funds and institutional matching funds.

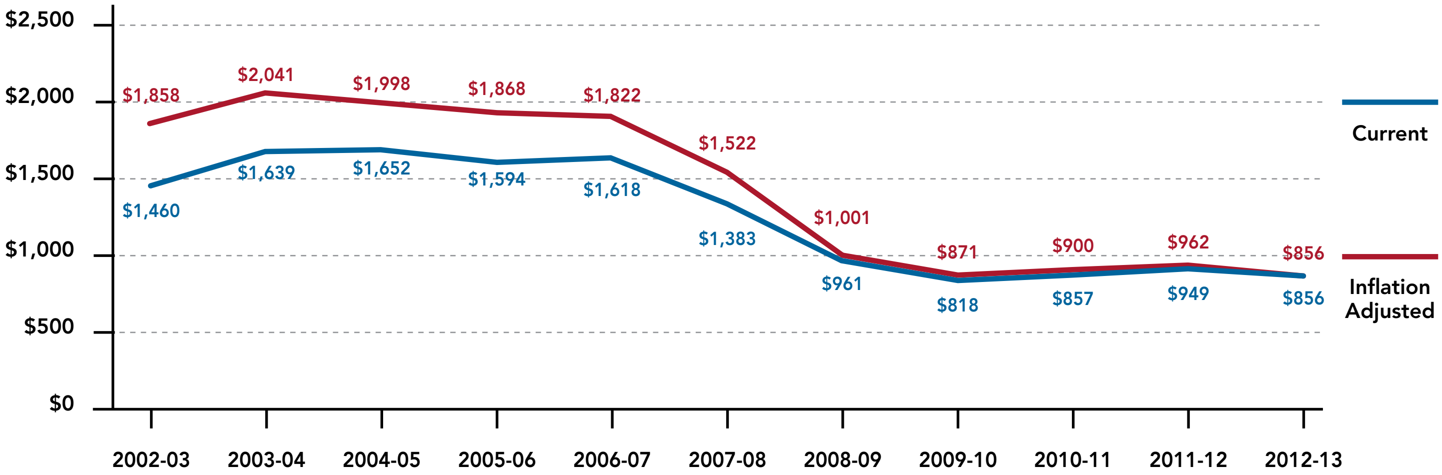
Source for Tables 5 and 5b: U.S. Department of Education, Federal Campus-Based Programs Data Book, *2013.*

Figure 8. Distribution of Perkins Recipients by Type of Institution, Award Year 2011-12



Source: U.S. Department of Education, Federal Campus-Based Programs Data Book, *2013.*

Figure 9. Federal Appropriations for the Perkins Program in Current and Inflation-Adjusted Dollars (in millions), 2002-03 to 2012-13



Source: The College Board, Trends in Student Aid, *2013.*

The Federal Family Education Loan Program and the William D. Ford Direct Student Loan Program

Program Description. Before July 1, 2010, Title IV of the HEA authorized two additional programs for distributing loans to students (undergraduate and graduate/professional) and their parents, with parallel loan terms. The difference was primarily the source of funding. The *Federal Family Education Loan (FFEL) Program*, formerly known as the Guaranteed Student Loan Program, utilized private and non-profit sector funding under a system of federal guarantees and support. The FFEL Program ceased operations in July 2010 (other than collection and servicing of outstanding loans) in favor of maintaining just one version, the *William D. Ford Direct Student Loan Program*, which is federally funded and administered by ED. The Direct Loan Program continues to provide low-interest loans to undergraduate and graduate/professional students and their parents to help pay the costs of attending postsecondary institutions. Loans are "entitlements," which means that all eligible and qualified borrowers may receive the program funds and benefits, subject to Congressionally-defined limits.

The Direct Loan Program (as was the FFEL Program) is an umbrella for four loans made for undergraduate and graduate study:

- Direct Subsidized Loans (also referred to as Subsidized Stafford Loans)
- Direct Unsubsidized Loans (also referred to as Unsubsidized Stafford Loans)
- PLUS Loans, which are made to parents of dependent students and to graduate and professional students
- Consolidation Loans, a repayment option rather than a loan made for attendance at an institution

Borrowers may be charged a fee to help pay a portion of the costs of administering the programs. Direct Loan fees were originally charged at 4 percent of loan principal, but have gradually been reduced and currently stand at 1.072 percent for Subsidized and Unsubsidized Direct Loans. PLUS Loan borrowers are charged 4.288 percent. For loans first disbursed on or after October 1, 2014 and until October 1, 2015, these fees will increase to 1.073 percent and 4.292 percent respectively, as a result of the ongoing sequestration reductions to mandatory programs. The fees are deducted from each borrower's loan disbursement.

Subsidized Stafford Loans: The Subsidized Stafford Loan is the most common Title IV loan. Subsidized Stafford Loans are provided to undergraduate students based on their demonstrated financial need. Students do not have to pay the accrued interest on subsidized loans while they are enrolled at their institutions at least half-time. (Interest on the loans begins to accrue as soon as borrowers receive the funds. However, a portion of the federal appropriation for Subsidized Stafford Loans is used to pay the accrued interest on the borrowers' behalf. This provision in the subsidized loan program is commonly referred to as the *in-school interest subsidy* and was also available to needy graduate students prior to July 1, 2012.)

Repayment begins following a six-month "grace period" after the student is no longer enrolled at least half-time. The interest subsidy extends through the grace period. However, that provision was temporarily suspended for new loans for which the first disbursement was made on or after July 1, 2012, and before July 1, 2014 . Borrowers are responsible for paying accruing interest once they enter the repayment period, beginning at the end of the grace period, except during authorized periods of deferment (see the *Loan Repayment Provisions and Options* section.)

Interest rate structures have varied greatly over the years, sometimes being variable with a maximum cap, sometimes fixed. As written in the Bipartisan Student Loan Certainty Act of 2013, all Direct Loans except for Direct Consolidation Loans with a first disbursement date on or after July 1, 2013 have variable fixed, market-based interest rates. Interest rates for new Direct Loans will change every July 1 based on market rates and then, remain fixed for the life of that loan. All interest rates will apply to loans disbursed on or after July 1 of a year to June 30 of the following year only. This new law will also provide protection to consumers from market spikes by placing rate caps of 8.25 percent on Direct Subsidized Loans and Direct Unsubsidized Loans for undergraduate students, 9.50 percent for Direct Unsubsidized Loans for Graduate/professional students, and 10.5 percent for Parent/Graduate PLUS Loans.

Rates for these loans are calculated using a base 10-year Treasury Note Index plus an add-on amount for each loan program. The add-on amount for Direct Subsidized Loans and Direct Unsubsidized Loans for undergraduate students is 2.05 percent, 3.6 percent for Direct Unsubsidized Loans for graduate/professional students, and 4.6 percent for Parent/Grad PLUS recipients.

During the first year of the new interest rate structure, award year 2013-2014, the base 10-year Treasury Note Index used to determine all loan amounts was 1.81 percent. The Direct Subsidized Loans and Direct Unsubsidized Loans rates for undergraduate students were 3.86 percent. Direct Unsubsidized Loans for graduate/professional students had an interest rate of 5.41 percent, while Parent PLUS Loans and Graduate PLUS Loans had a 6.41 percent interest rate.

For award year 2014-2015, the base 10-year Treasury Note Index used to determine loan amounts was 2.61 percent. Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed on or after July 1, 2014 have a rate of 4.66 percent, Direct Unsubsidized Loans for graduate/professional 6.21 percent, and Parent/Grad PLUS 7.21 percent.

Loan Limits. The amount a student may borrow in subsidized funds is the result of subtracting other aid and the EFC from the cost of attendance (COA), or the applicable annual loan limit, whichever is less. The annual maximum amount of subsidized loans students may borrow varies by academic grade level. As of July 1, 2007:

- First year undergraduates may borrow up to $3,500;

- Second year students, up to $4,500; and

- Third, fourth, and fifth year students, up to $5,500.

Prior to July 1, 2012, graduate and professional students could borrow up to $8,500 in subsidized loans per year. These students can still borrow that amount, but as an unsubsidized loan (see below).

The maximum cumulative amount of subsidized loans for undergraduate study is $23,000. The maximum amount for all levels of study (undergraduate and graduate/professional combined) is $65,500. These amounts are called "base" limits.

Unsubsidized Stafford Loans: The second type of Direct (or FFEL) student loan, the Unsubsidized Stafford Loan, works similarly to subsidized loans, but borrowers are responsible for all interest that accrues. The interest rate for unsubsidized loans is currently 4.66 percent for undergraduates and 6.21 percent for graduate and professional students. Eligibility for unsubsidized loans is not based on students' financial need. That is, students may receive these loans regardless of their incomes or assets, and may use them to replace the expected family contribution as long as annual loan limits are not exceeded.

Students who receive unsubsidized loans do not have an in-school interest subsidy. These borrowers are charged the accrued interest on these loans while they are enrolled. Accrued interest may be paid during periods of enrollment, or may be capitalized (added to the principal balance of the loans). Interest on these loans must also be paid or capitalized during any deferment periods (see the *Loan Deferments and Forbearance* section).

Loan Limits. The annual and cumulative maximum amounts of Unsubsidized Stafford Loans are higher than those for subsidized loans. The "base" limit is a combined subsidized and unsubsidized amount: a student may borrow an unsubsidized loan for the difference between the applicable subsidized limit described above and the amount of subsidized loan for which the student actually demonstrates need. Students may then borrow additional amounts of unsubsidized loans as long as they do not exceed the difference between COA and other aid. Dependent undergraduate students may borrow up to an additional $2,000 in unsubsidized loans. Independent undergraduate students (their parents are not expected to pay any portion of their college costs) or whose parents are ineligible for a PLUS loan (described below) may borrow additional unsubsidized loans up to $6,000 as first- or second-year students, and $7,000 for each remaining year of undergraduate study. Graduate and professional students may borrow up to $8,500 in "base" unsubsidized loans and $12,000 per year in additional unsubsidized loans. Certain health professions students in programs with high delivery costs may receive higher unsubsidized loan limits.

Total (Subsidized and Unsubsidized) Loan Limits. Total aggregate Stafford Loan borrowing (combined subsidized and all unsubsidized) is limited to $31,000 for dependent undergraduates, no more than $23,000 of which may be subsidized; $57,500 for independent undergraduates (or undergraduates whose parents cannot borrow PLUS), no more than $23,000 of which may be subsidized; and $138,500 for graduate or professional students (including amounts borrowed as an undergraduate), no more than $65,500 of which may be subsidized loans borrowed prior to July 1, 2012.

PLUS: The PLUS program provides loans to the parents of dependent undergraduates and to students who are in graduate or professional programs (who are, by definition, independent of their parents). Parents must use the loan funds to pay their children's higher education costs. To qualify for a PLUS loan, borrowers may not have an adverse credit history (credit history is not considered for Stafford Loans). Borrowers with adverse credit histories can obtain a loan if they provide an endorser.

PLUS loans are limited to the difference between the student's COA and other anticipated financial aid; there are no absolute annual or aggregate limits. The interest rate on Direct PLUS Loans is 7.21 percent for award year 2014-2015.

Loan Repayment Provisions and Options: For most borrowers, repayment of Stafford Loans, whether subsidized or unsubsidized, must begin six months after they graduate, leave, or fall below half-time attendance status at their postsecondary institutions. Stafford Loan borrowers and student PLUS borrowers have several repayment options within the FFEL and DL programs. They may choose from the following five repayment plans: standard, extended, graduated, income-contingent, or income-based. Features described here are for loans that enter repayment on or after July 1, 2006.

- The *standard repayment plan* requires a set loan repayment amount each month for up to 10 years. The monthly repayment amount is based on the total amount borrowed, with a minimum monthly payment of $50.

- Borrowers who owe $30,000 or more may choose the *extended repayment plan,* and repay either a fixed annual or graduate repayment amount (subject to a $50 monthly minimum) over no more than 25 years.

- Borrowers choosing the *graduated repayment plan* repay a loan by making payments at two or more levels over no more than 10 years; no single payment under this plan will be more than three times greater than any other payment.

- The monthly repayment under the *income-contingent repayment plan* is generally based on the total amount of the borrower's Direct Loans, family size and Adjusted Gross Income (AGI). A borrower must make payments on a loan until the loan is repaid in full or until the loan has been in repayment through the end of the income-contingent repayment period. As the borrowers' yearly income changes, the repayment amount may change (FFEL borrowers have an *income sensitive repayment plan* that works similarly to income contingent loans). Specific terms and conditions of income-contingent repayment are set by ED in regulation.

- Under the *income-based repayment plan* the required monthly payment for a borrower who has a partial financial hardship is limited to 10 percent for new borrowers on or after July 1, 2014 (for new borrowers prior to July 1, 2014, the required monthly payment is 15 percent) of the amount by which the borrower's AGI exceeds 150 percent of the poverty guideline applicable to the borrower's family size, divided by 12. ED determines annually whether the borrower continues to qualify for this reduced monthly payment based on the amount of the borrower's eligible loans, AGI, and poverty guidelines. Repayment may take longer than 10 years; the balance of the loan may be forgiven if certain qualifying conditions are met after 20 years for new borrowers on or after July 1, 2014, or after 25 years for new borrowers prior to July 1, 2014.

- Under the *pay as you earn repayment plan,* the required monthly payment for a borrower who has not borrowed prior to October 1, 2007, who has received a Direct Loan on or after October 1, 2011, and who has partial financial hardship is limited to 10 percent of the amount by which the borrower's AGI exceeds 150 percent of the poverty guideline applicable to the borrower's family size, divided by 12. ED determines annually whether the borrower continues to qualify for this reduced monthly payment based on the amount of the borrower's eligible loans, AGI, and poverty guidelines. Repayment may take longer than 10 years; after 20 years, the balance of the loan may be forgiven if certain qualifying conditions are met.

Borrowers with several loans may also use the *consolidation option.* Under this option, borrowers have all of their loans combined into one large loan. This lowers the monthly repayment, but lengthens the amount of time needed to repay the loan.

Parent PLUS borrowers are limited to the standard, extended, or graduated repayment plan.

Repayment of PLUS begins 60 days after borrowers receive the full amount of the loan.

Loan Deferment and Forbearance: Deferment provisions have varied over the years. Currently, FFEL and Direct Loan borrowers may defer repayment of principal (and not pay interest on subsidized loans) during certain active duty military service and, under certain conditions, for 13 months following the conclusion of active duty, or if borrowers re-enroll at least half-time at a postsecondary institution that is eligible to participate in the Title IV programs, or as part of an approved graduate fellowship program, or rehabilitation training. Deferment is also permitted for limited periods while the borrower is seeking but unable to find employment, or is experiencing economic hardship (which includes volunteer service in the Peace Corps). For subsidized loans made under the FFEL Program, federal funds are provided to lenders to pay the accrued interest on the loans on the borrowers' behalf during any deferment period. Interest on unsubsidized loans continues to accrue to borrowers during deferment. Repayment resumes after the deferment period is over. Borrowers who face financial or other hardships during the loan repayment period may receive loan *forbearance*. During forbearance periods, borrowers' repayments are reduced or temporarily ceased, but interest on the loans continues to accrue.

Loan Forgiveness and Discharge: Borrowers performing certain services may have their loans forgiven, whereby all or a part of the unpaid principal balance and accrued interest of the borrowers' loans will be repaid by the federal government. Forgiveness is available for borrowers who:

- Teach for five consecutive years in certain subject areas in certain elementary or secondary schools serving low-income students;
- Work full-time for a qualified public service organization for 10 years and make 120 on-time monthly payments under certain repayment plans on or after October 1, 2007 (only applies to Direct Loans);
- Work for a minimum of three years as civil legal assistance attorneys [program was created under the Higher Education Opportunity Act of 2008 (HEOA), but not implemented until Congress first appropriated program funds for FY 2010. Congress has not appropriated funds for subsequent fiscal years.]; or
- Work in areas of national need (program was created by the Higher Education Opportunity Act (HEOA), but it cannot be implemented until funds are appropriated by Congress.).

FFEL and Direct Loans made to students are discharged (cancelled) if the borrower dies, becomes permanently and totally disabled, or declares bankruptcy. Bankruptcy discharges, however, are allowed only if the bankruptcy court rules that the loan repayments would cause borrowers undue financial hardship. Borrowers also may have their loans discharged in whole or in part if their postsecondary institutions close before the loan recipients complete their educational programs, or if the loan was falsely certified by the school, or if the school failed to make refunds of loan proceeds on the borrower's behalf when required. Discharges are also available to survivors of victims of the 9-11-01 terrorist attacks and for certain public service activities.

Parent PLUS loans may be discharged if the borrower or the student for whom the parent receives the funds dies, or if the borrower becomes permanently or totally disabled. Parents who declare bankruptcy also may have their loan repayments forgiven if certain conditions are met. Parent PLUS loans are also eligible for the closed school, false certification, and unpaid refund discharges. Parent PLUS borrowers are not eligible for the teacher or public service loan forgiveness provisions.

Recipient Information. In 2012-2013, nearly 10 million recipients were issued loans under the Direct Loan Program, according to The College Board. This included 7.5 million Subsidized Stafford Loan recipients (average award of $3,690), 8.6 million Unsubsidized Stafford Loan borrowers (average award $6,450), and 1.06 million PLUS borrowers (parents and graduate students). The 2011-2012 average loan amounts for undergraduates were $3,468 (subsidized), $3,922 (unsubsidized), and $12,089 (parent PLUS). For graduate students in 2011-2012, the average amounts were $17,845 (subsidized and unsubsidized combined) and $18,554 (PLUS).

Many of the students who receive Subsidized Stafford Loans come from low- and moderate-income families. Data from the U.S. Department of Education, National Center for Education Statistics most recent National Postsecondary Student Aid Study show that, in 2011-2012, 58 percent of the undergraduate students, who received subsidized loans, came from families with annual incomes of less than $40,000.

For undergraduates, PLUS borrowers generally come from higher-income families due to the program's credit check. As Table 8 illustrates, in 2011-2012, 62 percent of the undergraduates who received PLUS came from families with incomes of $60,000 or more. Approximately 790,600 parents received a PLUS loan. However, graduate and professional students who are PLUS borrowers are not similar to parent PLUS borrowers. Around 360,000 graduate students borrowed a PLUS loan in 2011-2012, with 80 percent of them reporting and income of less than $40,000.

Table 6. Undergraduates who Received Federal Subsidized Stafford Loans by Family Income Level, 2011-12

Adjusted Gross Income (AGI)	Recipients (Estimated)	Percent	Average Award
Less than $20,000	2,919,603	35.3%	$3,333
$20,000 to $39,999	1,900,367	23.0%	$3,498
$40,000 to $59,999	964,669	11.7%	$3,621
$60,000 to $79,999	739,863	8.9%	$3,649
$80,000 to $99,999	599,997	7.2%	$3,621
$100,000 and over	1,152,390	13.9%	$3,516
Total	8,276,889	100.0%	$3,468

Table 7. Undergraduates who Received Federal Unsubsidized Stafford Loans by Family Income Level, 2011-12

Adjusted Gross Income (AGI)	Recipients (Estimated)	Percent	Average Award
Less than $20,000	2,830,145	36.6%	$4,025
$20,000 to $39,999	1,566,876	20.3%	$3,793
$40,000 to $59,999	886,743	11.5%	$3,504
$60,000 to $79,999	748,107	9.7%	$3,345
$80,000 to $99,999	593,312	7.7%	$3,738
$100,000 and over	1,104,240	14.3%	$4,665
Total	7,723,559	100.1%	$3,922

Table 8. Undergraduates who Received Federal PLUS Loans by Family Income Level, 2011-12

Adjusted Gross Income (AGI)	Recipients (Estimated)	Percent	Average Award
Less than $20,000	113,856	11.0%	$8,129
$20,000 to $39,999	137,631	13.3%	$8,968
$40,000 to $59,999	142,416	13.7%	$11,011
$60,000 to $79,999	154,568	14.9%	$11,650
$80,000 to $99,999	150,417	14.5%	$12,219
$100,000 and over	340,260	32.8%	$15,279
Total	1,037,493	100.2%	$12,089

Table 9. Graduate/Professional Students who Received Federal PLUS Loans by Family Income Level, 2011-12

Adjusted Gross Income (AGI)	Recipients (Estimated)	Percent	Average Award
Less than $20,000	229,286	62.9%	$19,267
$20,000 to $39,999	62,381	17.1%	$18,674
$40,000 to $59,999	35,671	9.8%	$14,983
$60,000 to $79,999	15,026	4.1%	$16,199
$80,000 to $99,999	9,067	2.5%	$17,813
$100,000 and over	12,116	3.3%	$18,449
Total	364,538	99.7%	$18,554

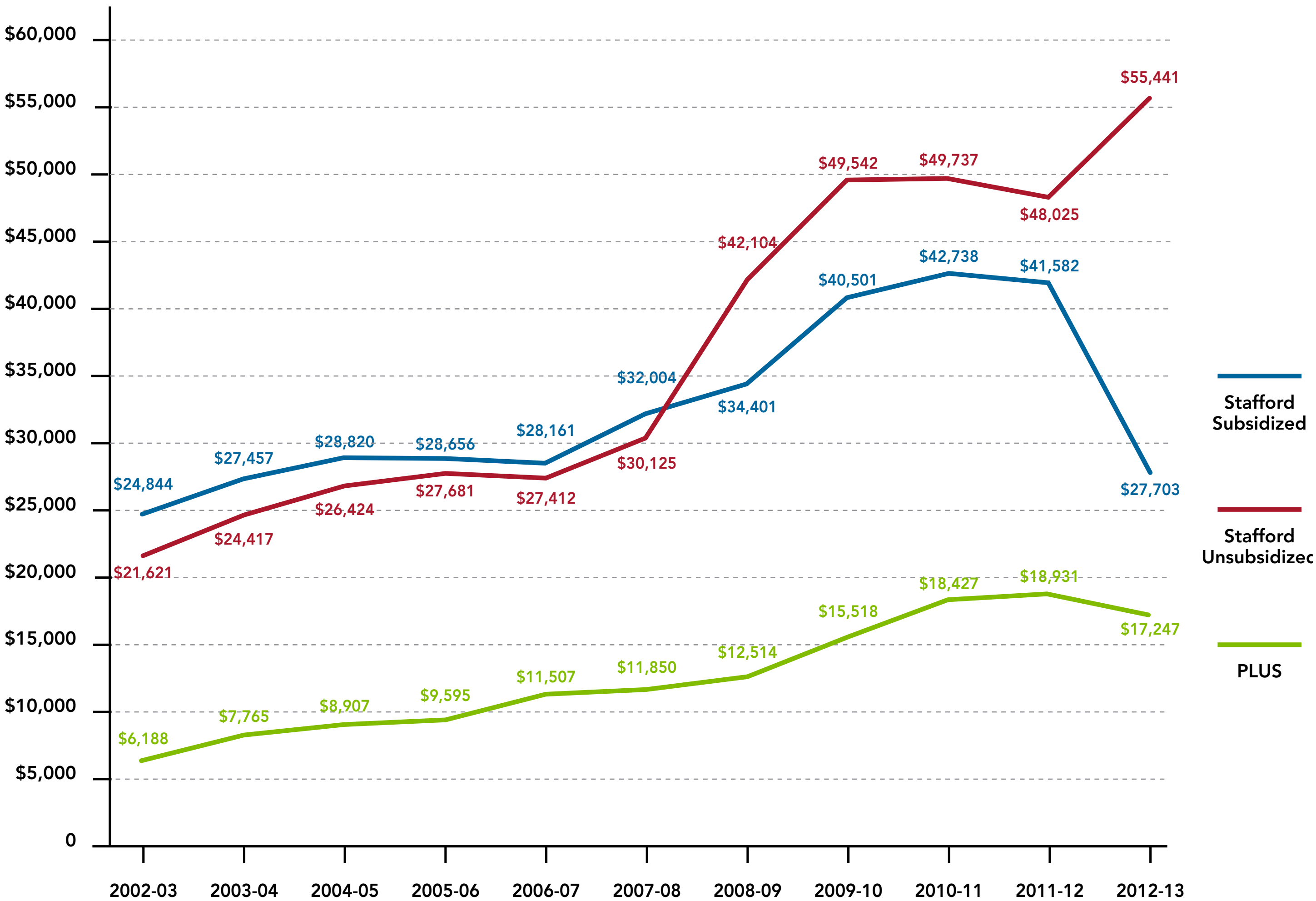
Source for Tables 6-9: Source: U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12)

Funding Information: In FY 2014, the final new loan volume for the Direct Loan Program was $99.6 billion. For the same fiscal year, the new loan volume was $26.2 billion for Subsidized Stafford, $54.7 billion for Unsubsidized Stafford, and $18.8 billion for PLUS.

In 2012-2013, undergraduate and graduate/professional students borrowed an estimated $100.3 billion through the FFEL and DL programs, according to The College Board (see Figure 10). Fifty-five billion dollars was provided to Federal Unsubsidized Stafford Loan recipients. Subsidized loan borrowers received about $27.7 billion, and PLUS borrowers received more than $17.2 billion.

The last ten years have witnessed huge increases in the amounts borrowed through the federal student loan programs, particularly for Unsubsidized Stafford and PLUS loans. Data from The College Board show that the total volume of federal loans borrowed grew 86 percent since 2002-2003.

Figure 10. Federal Student Loan Volume (Inflation-Adjusted Dollars, in Millions), 2002-03 to 2012-13



Source: The College Board, Trends in Student Aid, *2013.*

Federal Need Analysis

Description: In order to receive any aid from the Federal Pell Grant, FWS, FSEOG, and Federal Perkins Loans programs as well as subsidized loans under the Direct Loan (and FFEL before it ended) programs, students must first establish their financial eligibility. The entire application process is often referred to as *need analysis* because program administrators are trying to determine each applicant's financial need for federal student aid.

The application form used for this purpose is called the Free Application for Federal Student Aid (FAFSA). The FAFSA collects demographic, income, and asset information from aid applicants and their families. This information is used to estimate the amount, called the Expected Family Contribution (EFC) that students and their families can reasonably be expected to pay for postsecondary expenses for a given award year.

The EFC is determined by a need analysis formula established in Title IV of the Higher Education Act; the formula is called the Federal Methodology (FM). The first step under FM is to determine the student's dependency status. This step identifies the scope of information required to be provided on the FAFSA. If students are considered independent, their parents are not expected to pay any portion of their postsecondary expenses and no parental information is required on the FAFSA. Students are automatically considered independent if they are 24 years old or older; are married; have legal dependents; are orphans; are or were wards of the court, emancipated minors, in foster care, or in legal guardianship; meet certain conditions related to homelessness or unaccompanied minor status; are currently serving on active duty in, or are veterans of, the Armed Forces; or if they are in graduate or professional school. All other students are considered dependent, unless the financial aid administrator determines other unusual and extenuating circumstances exist that justify independent status. Parents are expected to provide financial information on the FAFSA and to contribute some amount—as calculated by the FM—to the financing of their dependent child's education.

Regardless of whose information is included, not all of the family's income and assets are considered, as FM includes several income and asset protection allowances. These allowances protect a certain portion of an applicant's income and assets from the need analysis calculations. For example, all applicants exclude the home equity of their primary residence from the FAFSA. Families who live on farms that they operate also exclude the net worth of the farm. Small business owners exclude the net worth of those businesses. The FM also excludes other types of financial assets, such as retirement savings and a portion of education savings. Similarly, various allowances for taxes and certain non-education-related living costs protect portions of the family income.

In addition, the need analysis formula takes into consideration the number of financially dependent children enrolled at least half time in postsecondary education during the academic year, and other financial and non-financial circumstances.

Finally, there are two statute-based variations in the FM. For the 2013-2014 award year, families with AGIs of $24,000 or less and who meet certain tax-filing or other requirements are automatically assigned a zero EFC. Families with less than $50,000 in adjusted gross income who meet certain tax-filing or other requirements may qualify for the simplified needs test, which excludes all assets from consideration.

The purpose of the FM is to ensure that each applicant's eligibility is evaluated in a uniform way as compared with applicants in similar situations. To address students with unusual circumstances, federal law authorizes financial aid administrators to make adjustments—if such a change is warranted—to applicants' cost of attendance (COA), dependency status, or FM data elements for students in unique circumstances. These adjustments to the standard FM are commonly called professional judgment decisions.

A family's EFC is determined after all of these adjustments to income and assets are made. The EFC is based on a proportion of the income and assets deemed available for postsecondary expenses. The exact proportion available depends on the student's dependency status, family size, number in college, and other factors.

Use: Financial aid administrators use the EFC and other information to determine which students will receive federal student aid authorized under Title IV of the HEA and the amounts they will receive from these programs. Students are eligible to receive need-based federal student aid only if the EFC is less than the total COA. The COA includes tuition and fees charges, the estimated living expenses (or room and board charges for students who plan to live in on-campus housing), books and educational supplies, transportation to and from the postsecondary institution, and other miscellaneous expenses.

Conclusion

Since the enactment of the HEA (1965), federal financial aid has been a central and critical pathway for college access. Given the importance of federal financial aid, this booklet serves as a resource describing seven prominent Title IV programs. While these financial aid programs may have changed over time, the general principles of each program have stayed the same.

NASFAA hopes the information in this booklet is helpful to you. We also have produced other publications that help students and families find ways to pay for postsecondary education. Please contact us if we can provide any additional information to you. You may reach Megan McClean, NASFAA's Director of Policy and Federal Relations at (202) 785-6942.

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