

Financial Highlights

This section provides summarized information and analyses about the Department's assets, liabilities, net position, sources and uses of funds, program costs, and related trend data. It also provides a high-level perspective of the detailed information contained in the financial statements and related notes. A summary of significant changes in financial statement line-item balances is provided in Table 1.

The Department's financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States for federal agencies issued by the Federal Accounting Standards Advisory Board and the format and content specified by Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The Consolidated Balance Sheet, related notes, and underlying business processes, systems, and controls are audited by an independent accounting firm with audit oversight provided by the Office of Inspector General (OIG). The Consolidated Balance Sheet and related notes for FY 2024 are presented in the Financial Section. The Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, the Combined Statement of Budgetary Resources, and related notes are presented in the Other Information section. The Consolidated Balance Sheet and related notes for FY 2024

Table 1. Key Financial Statement Changes

(Dollars in Billions)

| Financial Statement Lines with Significant Changes | Amount | | Total Changes | | Changes Due to COVID-19 | |
|---|----------|----------|---------------|------------|-------------------------|------------|
| | FY 2024 | FY 2023 | Amount | Percentage | Amount | Percentage |
| Balance Sheets | | | | | | |
| Fund Balance with Treasury | \$ 199.7 | \$ 244.0 | \$ (44.3) ↓ | -18.2% | \$ (55.7) ↓ | -22.8% |
| Subsidy Due to Treasury | 14.9 | 1.6 | 13.3 ↑ | 831.3% | - → | 0.0% |
| Loan Guarantee Liabilities | 9.9 | 11.2 | (1.3) ↓ | -11.6% | - → | 0.0% |
| Accrued Grant Liabilities | 9.4 | 5.1 | 4.3 ↑ | 84.3% | - → | 0.0% |
| Statements of Net Cost (Net Program Costs) | | | | | | |
| Increase Postsecondary Value by Focusing on Equity Strategies to Address Access to Affordability, Completion, and Post-Enrollment Success | 117.2 | (58.6) | 175.8 ↓ | -300.0% | 294.5 ↓ | -502.6% |
| Statements of Budgetary Resources | | | | | | |
| Appropriations (Discretionary and Mandatory) | 218.3 | 254.7 | (36.4) ↓ | -14.3% | (38.1) ↓ | -15.0% |
| Borrowing Authority (Discretionary and Mandatory) | 136.2 | 472.7 | (336.5) ↓ | -71.2% | - → | 0.0% |
| Spending Authority from Offsetting Collections (Discretionary and Mandatory) | 106.0 | 70.5 | 35.5 ↑ | 50.4% | - → | 0.0% |
| New Obligations and Upward Adjustments (Total) | 451.1 | 776.9 | (325.8) ↓ | -41.9% | (38.2) ↓ | -4.9% |
| Unobligated Balance, End of Year (Total) | 62.5 | 73.3 | (10.8) ↓ | -14.7% | 0.1 ↑ | 0.1% |
| Outlays, Net | 273.1 | 306.5 | (33.4) ↓ | -10.9% | (47.9) ↓ | -15.6% |
| Distributed Offsetting Receipts | (5.2) | (347.6) | 342.4 ↓ | -98.5% | - → | 0.0% |

are on pages 70–89, the Independent Auditors' Report begins on page 90, and the Other Information section begins on page 105.

The financial statements are prepared to report the financial position and results of operations of the reporting entity, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the Department's books and records in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the understanding that they are for a component of the U.S. government.

Financial Statement Impacts of Debt Relief Actions

During FYs 2022, 2023, and 2024, the Department announced significant actions to provide relief to federal student loan borrowers, including the student loan repayment pause (which ended August 31, 2023), and several targeted debt forgiveness actions. Targeted debt relief actions announced or taken during FY 2024 include:

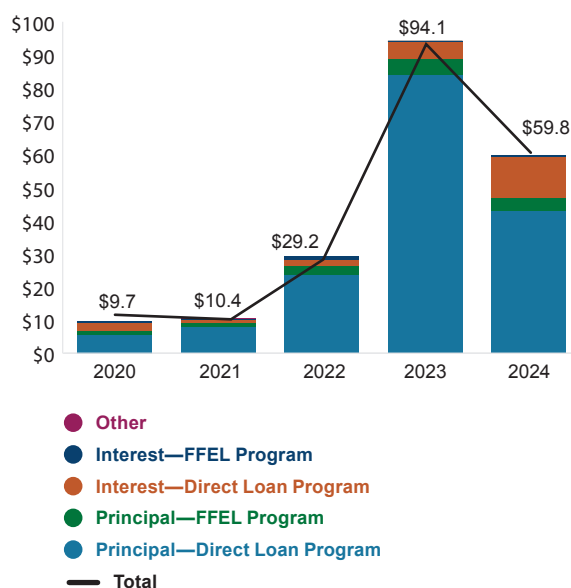
- Fixing historical inaccuracies in the Income-Driven Repayment (IDR) count system for borrowers who earned forgiveness. These fixes, which were first **announced** by the Biden-Harris Administration in April 2022, are part of the Department's commitment to address historical failures in the federal student loan program. These adjustments have brought borrowers closer to forgiveness and address longstanding concerns with the misuse of forbearance by loan servicers.
- Creating the most affordable payment plan ever for low- and middle-income borrowers—the Saving on a Valuable Education (SAVE) plan. Borrowers can receive relief after at least 10 years of payments if they originally borrowed \$12,000 or less. Each additional \$1,000 in borrowing adds 12 more months until forgiveness. Single borrowers who earn less than \$32,800 per year or those in a family of four making less than \$67,500 have a \$0 payment. The SAVE plan also ensures that a borrower's balance will never grow due to unpaid interest as long as they are making their monthly payments. The benefit is based upon the original principal balance of all Federal loans borrowed to attend school, not what a borrower currently owes or the amount of an individual loan.
- Making improvements to the Public Service Loan Forgiveness (PSLF) program, including helping borrowers earn progress toward PSLF, simplifying criteria to help borrowers certify qualifying employment, and providing opportunities for borrowers to get help correcting PSLF account problems. As of July 1, 2024, the PSLF program is now fully managed by the Department through StudentAid.gov, rather than by a single, specialty loan servicer. This means that, for the first time, borrowers can now manage all aspects of their PSLF journey on StudentAid.gov, including submitting their PSLF form and tracking their progress toward forgiveness. These updates will simplify the process for borrowers and allow for faster processing of PSLF forms.
- Approving borrower defense discharges for borrowers whose institutions took advantage of them, including borrowers who enrolled at any Art Institute campus on or after January 1, 2004, through October 16, 2017.
- Instituting a 12-month “on-ramp” to repayment, running from October 1, 2023, to September 30, 2024, so that financially vulnerable borrowers who miss monthly payments during this period are not considered delinquent, reported to credit bureaus, placed in default, or referred to debt collection agencies.

- Providing additional pathways for borrowers who have a total and permanent disability to receive a discharge. This includes allowing borrowers who receive additional types of disability review codes from the Social Security Administration (SSA) to qualify for a discharge. This also includes borrowers who later aged into retirement benefits and are no longer classified by one of these codes. Borrowers who have an established onset date of their disability determined by SSA to be at least 5 years in the past can also establish eligibility.

Although forgiveness of loan principal and interest associated with some of these actions will not occur until future fiscal years, these actions have already resulted in significant increases in cancellations of loan principal and interest for loans held by the Department.

As shown in Figure 1, cancellations of loan principal and interest decreased 36.5 percent during FY 2024, primarily for the Direct Loan Program. A large portion of cancellations of loan principal and interest during FY 2024 were associated with the PSLF and IDR programs, as they made up 29.8 percent and 44.4 percent of total cancellations, respectively. Other notable types of cancellation activity include borrower defense discharges, cancellations of loan principal and interest for loans in default status, and discharges for total and permanent disability.

Figure 1. Loan Cancellations (Dollars in Billions)



FY 2024 Loan Cancellations (Dollars in Millions)

| Loan Cancellation Type | FY 2024 | | | | | Total |
|---|---------------------|-----------------|-----------------|---------------|--------------|-----------------|
| | Direct Loan Program | | FFEL Program | | Other | |
| | Principal | Interest | Principal | Interest | | |
| Discharges for closed schools | \$ 32 | \$ 1 | \$ 1 | \$ 0 | \$ 0 | \$ 34 |
| Discharges due to death of the borrower | 941 | 94 | 78 | 11 | 0 | 1,124 |
| Discharges for total and permanent disability | 4,448 | 493 | 743 | 165 | 1 | 5,850 |
| Public service loan forgiveness | 16,907 | 928 | 0 | 0 | 2 | 17,837 |
| Borrower defense discharges | 4,697 | 2 | 748 | 20 | 0 | 5,467 |
| Discharges for income-driven repayment plans | 14,181 | 11,031 | 1,267 | 82 | 2 | 26,563 |
| Cancellations of defaulted loans held by guaranty agencies or the defaulted loan servicer | 1,387 | 33 | 1,074 | 88 | 0 | 2,582 |
| Other | 223 | 11 | 5 | 0 | 79 | 318 |
| Total Loan Cancellations | \$42,816 | \$12,593 | \$ 3,916 | \$ 366 | \$ 84 | \$59,775 |

Financial Statement Impacts of COVID-19 Activities

The Department's financial statements continue to be impacted by the coronavirus disease 2019 (COVID-19) activities. Congress passed multiple COVID-19 relief bills in FY 2020 and FY 2021, including the following that provided a total of \$282.5 billion of direct appropriation funding for educational purposes:

- *Coronavirus Aid, Relief, and Economic Security Act of 2020* (CARES Act) \$31.0 billion
- *Coronavirus Response and Relief Supplemental Appropriations Act of 2021* (CRRSAA) \$82.0 billion
- *American Rescue Plan Act of 2021* (ARP) \$169.5 billion

These appropriations funded a variety of programs administered primarily through grant programs. The largest component of the education funding provided by the COVID-19 relief appropriations established the Education Stabilization Fund which included (1) the Elementary and Secondary School Emergency Relief Fund, (2) the Higher Education Emergency Relief Fund, (3) the Governor's Emergency Education Relief Fund, and (4) funds for outlying areas.

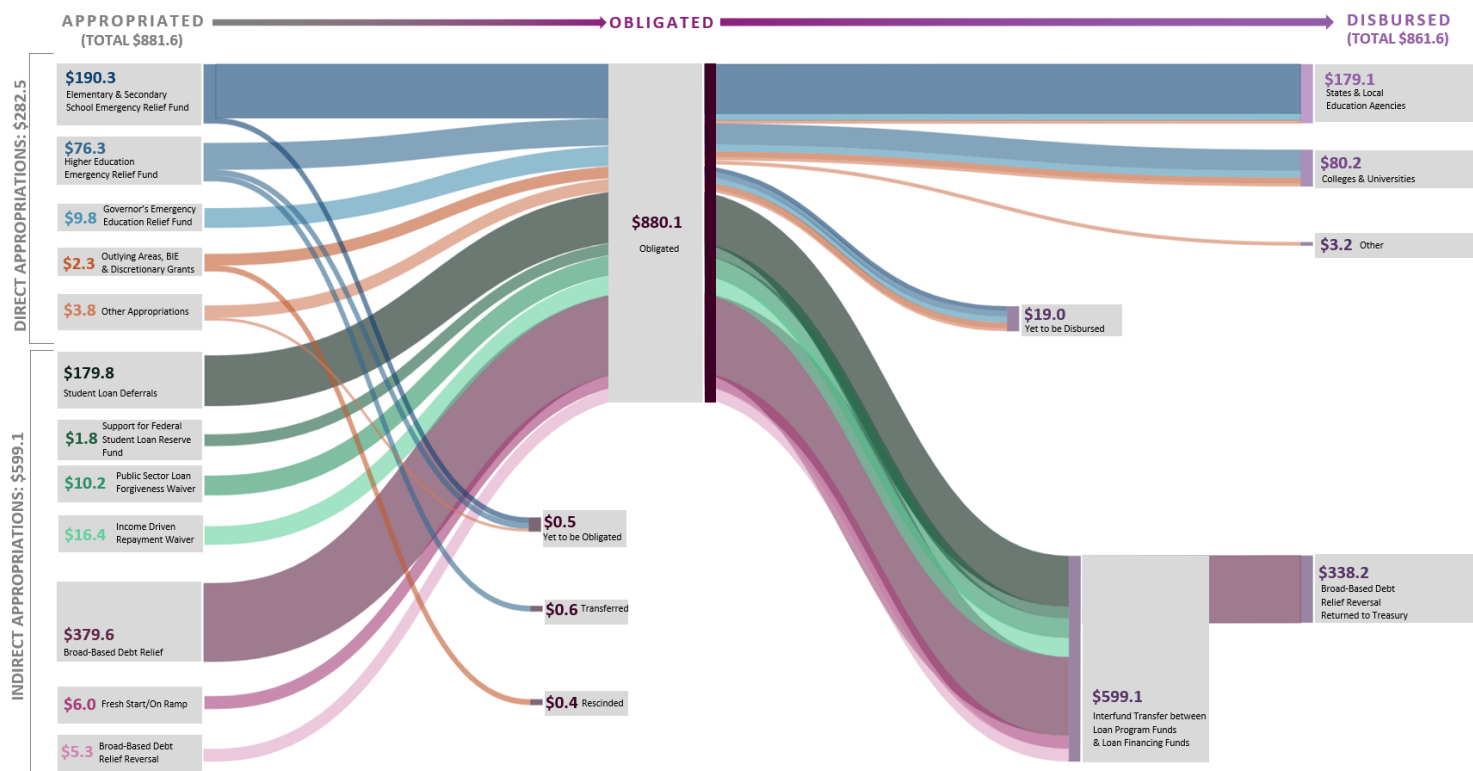
The COVID-19 relief legislation and administrative actions also provided support during FYs 2020 through 2023 for student loan borrowers by suspending nearly all federal student loan payments through August 31, 2023, interest free. Additionally, support for student loan borrowers was provided in FYs 2020 through 2023 by the following COVID-19 relief legislation and administrative actions:

- Authorizing Guaranty Agencies to reimburse themselves from the Federal Student Loan Reserve Fund for lost revenue that resulted from student loan repayment deferrals. This reimbursement covers the share of what a guaranty agency might have reasonably collected during the pandemic, but for the suspension.
- Making temporary changes to the PSLF program through a Limited PSLF Waiver to allow student borrowers to get credit for payments made while working for a qualifying employer, regardless of loan type or repayment plan.
- Addressing issues with IDR payment counting by allowing any borrower who made IDR-qualifying payments to count toward IDR, regardless of repayment plan.

Funding for each of these actions was provided through indefinite appropriations, and the cost impacts were recorded as loan modifications.

The direct and indirect funding stemming from the combined COVID-19 relief legislation and administrative actions is summarized in Figure 2. Obligated and unobligated COVID-19 funds remaining to be disbursed as of September 30, 2024, totaled \$19.5 billion. Most of the undisbursed funds are for the ESSER Fund. While states may have made subawards for all of their ESSER funding, subawardees may still be in the process of requesting reimbursement from the states who will then in turn draw down the remaining undisbursed funds.

Figure 2. COVID-19 Funding Flow
(Dollars in Billions)



Elementary and Secondary School Emergency Relief (ESSER) Fund—Funds provided for SEAs and LEAs to support continued learning for K-12 students whose educations have been disrupted by COVID-19, and grants for the specific needs of homeless children and youth to address the challenges of COVID-19.

Higher Education Emergency Relief Fund (HEERF)—Funds provided for institutions of higher education (IHEs) to address needs directly related to COVID-19, including transitioning courses to distance education and granting aid to students for educational costs such as food, housing, course materials, health care, and childcare.

Governor's Emergency Education Relief (GEER) Fund—Grants provided to state governors to ensure education continues for students of all ages impacted by the COVID-19 national emergency.

Outlying Areas, Bureau of Indian Education (BIE), and Discretionary Grants—Funds provided for outlying areas and discretionary grants to states with the highest COVID-19 burdens.

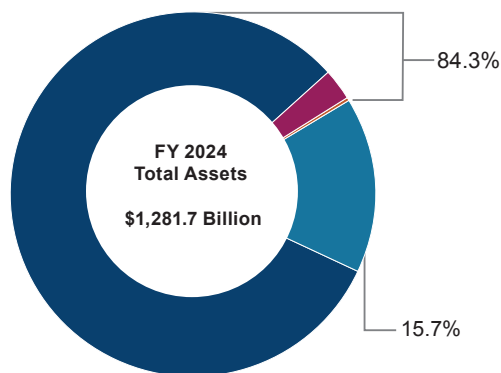
Balance Sheet

The consolidated balance sheet presents, as of a specific point in time (the end of the fiscal year), the Department's total assets, total liabilities, and net position.

The Department's assets totaled \$1,281.7 billion as of September 30, 2024. As shown in Figure 3, most assets relate to loans receivables, \$1,081.1 billion, which comprised 84.3 percent of all assets. Direct loans comprise the largest share of these receivables. Analysis of the net change in Direct Loan Program receivable balances begins on page 30. All other assets totaled \$200.6 billion, most of which was Fund Balance with Treasury, \$199.7 billion, which decreased by \$44.3 billion during FY 2024, largely as a result of the disbursement of \$55.5 billion of COVID-19 related funding that was provided to the Education Stabilization Fund in previous fiscal years.

The Department's liabilities totaled \$1,197.3 billion as of September 30, 2024. As shown in Figure 4, most of the Department's liabilities are also associated with loan programs, \$1,155.9 billion, which are primarily amounts borrowed from the U.S. Treasury to fund student loans. Debt associated with the Direct Loan Program totaled \$1,098.6 billion as of September 30, 2024. Analysis of debt associated with the Direct Loan Program begins on page 33.

Figure 3. Assets by Type



Loans Receivable, Net

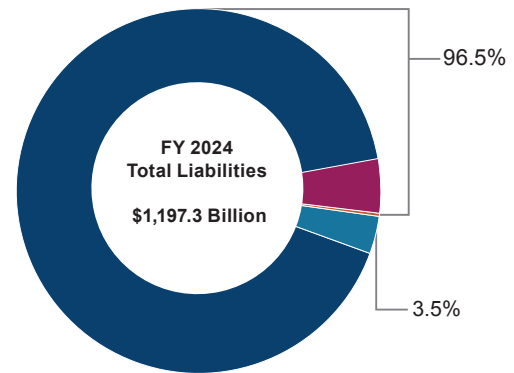
● Direct Loans

● FFEL Loans

● Other Loans

● All Other Assets

Figure 4. Liabilities by Type



Debt Associated with Loans

● Direct Loans

● FFEL Loans

● Other Loans

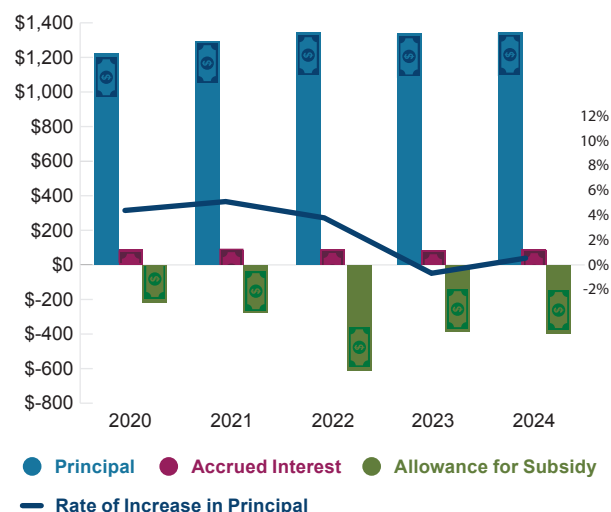
● All Other Liabilities

Analysis of Direct Loan Program Receivables, Net

Figure 5 shows the changes in the Direct Loan Program receivable components over the past five years. The principal amount grew each year since 2020, except 2023 which saw a slight decrease. Although total principal has increased during these years, the rate of increase in principal slowed as enrollment stagnated and sometimes declined. Even so, new loan disbursements continue to exceed overall loan principal repayments—student loan borrowers have many options to stretch out their repayment terms and reduce their monthly payments, and student loan repayment deferrals were implemented in response to COVID-19. Accrued interest amounts decreased during FYs 2020 through 2023 due to COVID-19 relief actions that temporarily set borrower interest rates to zero percent. However, that temporary relief action ended August 31, 2023, which is the primary reason that accrued interest increased during FY 2024.

Figure 5. Components of Direct Loan Receivables, Net

(Dollars in Billions)



| Direct Loan Component (Dollars in Billions) | Fiscal Year | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Principal | \$ 1,224.8 | \$ 1,292.2 | \$ 1,341.8 | \$ 1,336.2 | \$ 1,368.9 |
| Rate of Increase in Principal | 5.1% | 5.5% | 3.8% | -0.4% | 2.4% |
| Accrued Interest | \$ 92.1 | \$ 86.5 | \$ 86.7 | \$ 83.4 | \$ 104.4 |
| Allowance for Subsidy | \$ (216.4) | \$ (273.9) | \$ (611.9) | \$ (388.7) | \$ (432.0) |
| Total No. of Direct Loan Recipients (in Millions) | 35.9 | 37.0 | 37.1 | 38.1 | 38.2 |

In accordance with the *Federal Credit Reform Act of 1990*, the Department's financial statements report the value of direct loans (credit program receivables) at the net present value of their future cash flows, discounted at a fixed rate based on Treasury securities. The difference between the recorded principal and interest balance and the net present value of the loans is referred to as the "allowance for subsidy," which can be positive or negative.

A negative amount for the allowance for subsidy balance means that the present value of funds expected to be recovered is less than the principal outstanding. The increase in the allowance from FY 2020 through FY 2022 was largely due to higher subsidy costs, with the main causes being high participation in IDR plans and the COVID-19 deferrals of student loan repayments. In addition to these factors, the increase during FY 2022 was also due to higher subsidy costs due to debt relief actions announced during the FY. The decrease in the allowance for subsidy during FY 2023 was largely the result of a downward modification to reverse the inclusion of student loan debt relief from the baseline subsidy cost as a result of the Supreme Court's ruling on *Biden vs. Nebraska* on June 30, 2023. During FY 2024, the allowance for subsidy increased by \$43.3 billion, largely because of the recognition of the subsidy cost of Direct Loans disbursed during the fiscal year (see discussion in the Analysis of Direct Loan Program Subsidy Expense section on page 36).

Table 2. Payment Status of Direct Loan Principal and Interest Balance

(Dollars in Billions)

| Loan Status | Fiscal Year | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | FY 2020** | FY 2021** | FY 2022** | FY 2023** | FY 2024 |
| Total No. of Direct Loan Recipients (in Millions) | 35.9 | 37.0 | 37.1 | 38.1 | 38.2 |
| Total Dollar Amount of Direct Loans Outstanding | \$ 1,316.9 | \$ 1,378.7 | \$ 1,428.5 | \$ 1,419.6 | \$ 1,473.3 |
| Current Repayment ¹ | \$ 14.2 | \$ 16.2 | \$ 11.8 | \$ 999.4 | \$ 409.8 |
| % Current Repayment | 1.1% | 1.2% | 0.8% | 70.4% | 27.8% |
| In School, Grace Period, and Education Deferments | \$ 282.8 | \$ 271.9 | \$ 259.5 | \$ 255.4 | \$ 269.9 |
| % In School, Grace Period, and Education Deferments | 21.5% | 19.7% | 18.2% | 18.0% | 18.3% |
| Forbearance and Noneducation Deferments | \$ 887.5 | \$ 967.8 | \$ 1,039.7 | \$ 57.4 | \$ 506.4 |
| % Forbearance and Noneducation Deferments | 67.4% | 70.2% | 72.8% | 4.0% | 34.4% |
| Delinquent (Past Due 31–360 Days) | \$ 0.5 | \$ 0.0 | \$ 0.0 | \$ 0.0 | \$ 189.2 |
| % Delinquent (Past Due 31–360 Days) | 0.0% | 0.0% | 0.0% | 0.0% | 12.8% |
| Default/Bankruptcy/ Other* | \$ 131.9 | \$ 122.8 | \$ 117.5 | \$ 107.4 | \$ 98.0 |
| % Default/Bankruptcy/Other* | 10.0% | 8.9% | 8.2% | 7.6% | 6.7% |

¹ Loans in Current Repayment status include loans that are being repaid on-time. However, these on-time loans can include loans for which the amount of interest accruing is higher than payments that are being made, which can occur in the case of loans on income-driven repayment plans.

*Adjusted to eliminate differences between NSLDS and FSA Total Reported DL Portfolio (principal and interest).

**Student loan payment pause in effect from March 2020 through August 2023.

Table 2 shows the payment status of the direct loan principal and interest balances outstanding over the past five years. The Current Repayment category consists of loans that are being paid back on time, including the current portion of loans being repaid pursuant to IDR plans. Loans in the Delinquent category are past due anywhere from 31 to 360 days. Default/Bankruptcy/Other includes loans that are more than 360 days delinquent (default status), loans in a nondefaulted bankruptcy status, and loans in disability status.

While a technical default is 271 days delinquent, default is defined as 361 days delinquent for reporting purposes.

The balances reported for Current Repayment in FY 2020, FY 2021, and FY 2022 were significantly lower than other years, primarily due to the COVID-19 student loan repayment deferrals that placed loans in forbearance and subsequently cured delinquencies. As a result of the COVID-19 student loan repayment deferrals, the delinquent balances were zero during FYs 2021, 2022, and 2023.

While the COVID-19 student loan repayment deferrals suspended payments for federally owned student loans, some borrowers elected to continue to make student loan payments. In addition to improving borrowers' overall financial health, factors that may have influenced borrowers to continue making payments on their student loans during forbearance include the following:

- Borrower flexibility to make payments or suspend payments as their financial circumstances permitted without notification to the loan servicer.
- Potential earlier loan payoff.

- Lower total cost of a loan over time to the borrower due to the zero percent interest rate. (Before the pause, an average of two-thirds of each dollar paid went to principal. During the pause, this quickly increased to above 90 percent, and now an average of 95 percent of each dollar goes toward principal.)
- Potentially improving the borrower's credit rating by reducing the student debt balance. The relative strength of FSA borrower payment activity has been driven, in part, by efforts of borrowers to improve their credit stance to purchase homes during the period of forbearance. During the pandemic, the U.S. Department of Housing and Urban Development and Federal Housing Authority implemented non temporary policy changes to improve the underwriting stance of federal student loan borrowers.
- Potentially improved borrower's overall financial health and reduced financial stress by reducing student debt.

Analysis of Debt Associated with Loans, Direct Loan Program

The Department borrows funds to disburse new loans and pay credit program outlays and related costs. The Department repays Treasury after consideration of cash position and the liability for future cash outflows.

The Department's total debt associated with the Direct Loan Program was \$1,098.6 billion as of September 30, 2024, which was a \$28.4 billion decrease from FY 2023. Total debt decreased because the Department's repayments of debt (\$155.6 billion) during the FY exceeded new borrowings from Treasury to fund the disbursement of new loans (\$127.2 billion).

Figure 6. Direct Loan Program Cumulative Financing Activity

(Dollars in Billions)

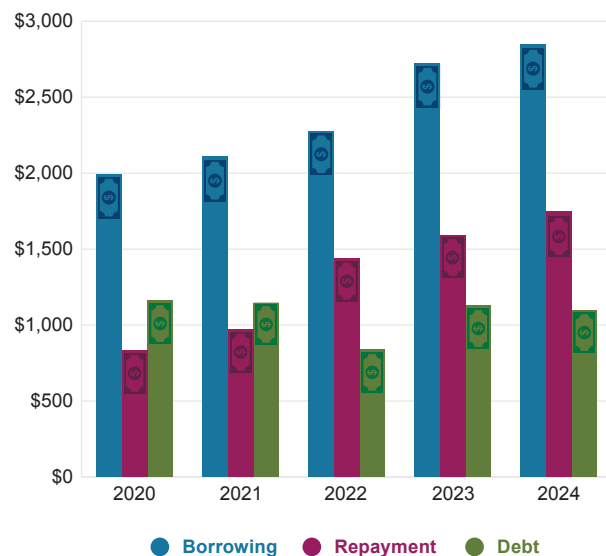
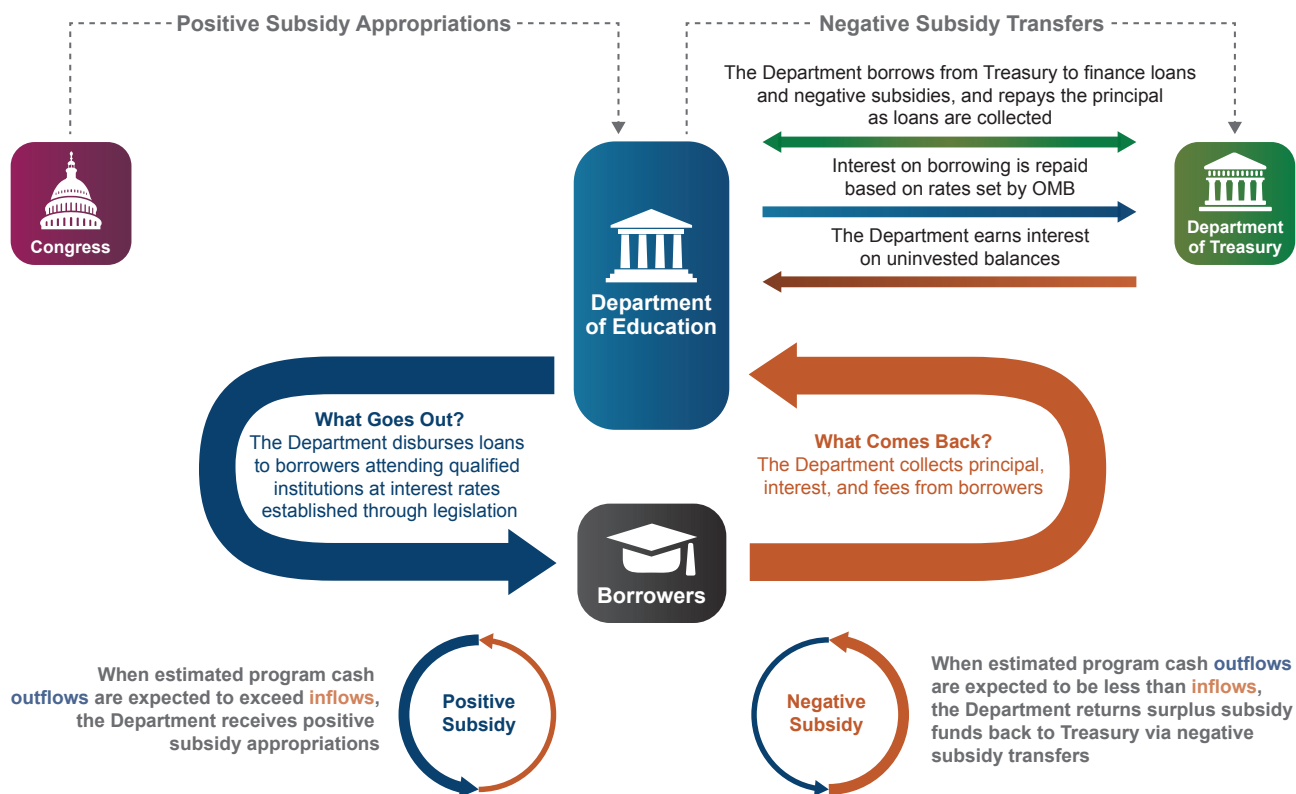


Figure 6 shows the Direct Loan Program cumulative borrowing and repayment activity that resulted in the debt amount on the balance sheet. A diagram depicting the Direct Loan Program financing process is displayed with related trend data as Figure 7 on page 34 of this report.

Figure 7. William D. Ford Federal Direct Loan Program: *Follow the Funding*

| Treasury Financing and Subsidy Cost of Direct Loans (Dollars in Billions)* | | | | | |
|--|------------------|------------------|-------------------|-----------------|------------------|
| Fiscal Year | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Borrowing | \$ (32.0) | \$ (17.9) | \$ (304.8) | \$ 289.5 | \$ (28.4) |
| Borrowing from Treasury | 116.9 | 120.0 | 162.8 | 445.0 | 127.2 |
| Debt Repayments to Treasury | (148.9) | (137.9) | (467.6) | (155.5) | (155.6) |
| Interest Expense to Treasury | (34.7) | (33.0) | (30.6) | (28.2) | (31.2) |
| Interest Earned from Treasury | 4.8 | 4.2 | 7.6 | 6.3 | 5.4 |
| Cumulative Taxpayer Cost / (Savings) | 216.4 | 273.9 | 611.9 | 388.7 | 432.0 |
| Current Subsidy Expense / (Revenue) | 100.9 | 93.9 | 385.4 | (116.5) | 60.7 |

| Direct Loan Program Cash Transactions with Borrowers (Dollars in Billions)* | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fiscal Year | 2020** | 2021** | 2022** | 2023** | 2024 |
| Loan Disbursements | \$ 117.4 | \$ 104.8 | \$ 120.4 | \$ 122.3 | \$ 147.7 |
| Stafford Subsidized | 19.1 | 18.3 | 15.7 | 15.7 | 15.7 |
| Stafford Unsubsidized | 46.1 | 44.1 | 45.5 | 44.9 | 44.1 |
| Parent Loan for Undergraduate Students (PLUS) | 21.7 | 20.8 | 22.2 | 23.9 | 25.7 |
| Consolidation ¹ | 30.4 | 21.5 | 36.9 | 37.8 | 62.2 |
| Loan Collections² | 69.9 | 37.2 | 45.5 | 45.9 | 103.2 |
| Principal | 55.3 | 33.3 | 41.3 | 42.1 | 79.9 |
| Interest | 12.9 | 2.3 | 2.6 | 2.1 | 21.6 |
| Fees | 1.7 | 1.6 | 1.6 | 1.7 | 1.7 |

* Numbers may not add due to rounding.

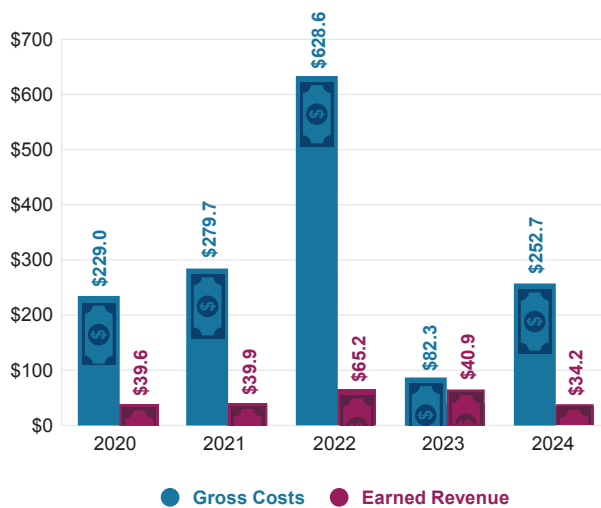
** Student loan payment pause in effect from March 2020 through August 2023.

¹ Consolidation amounts stem from a number of loan programs, including most notably the FFEL program, in addition to Direct Loans.

² Loan collections include prepayments, including prepayments in full due to consolidation of underlying Direct Loans.

Figure 8. Gross Costs & Earned Revenue

(Dollars in Billions)

**Statements of Net Cost**

The consolidated statements of net cost report the Department's components of the net cost of operations for a given fiscal year. Net cost of operations consists of the gross costs incurred less any exchange (i.e., earned) revenue from activities. Gross costs are composed of the cost of credit and grant programs, and operating costs. Exchange revenue is primarily interest earned on credit program loans. Figure 8 shows the Department's gross costs and earned revenue over the past five years. As shown in Figure 9 below, the most significant changes in the Department's net costs for FY 2024 were a large increase in subsidy expenses for the Department's student loan programs. This increase was largely a result of differences in the amounts of loan modifications and subsidy re-estimates that occurred during FYs 2023 and 2024.

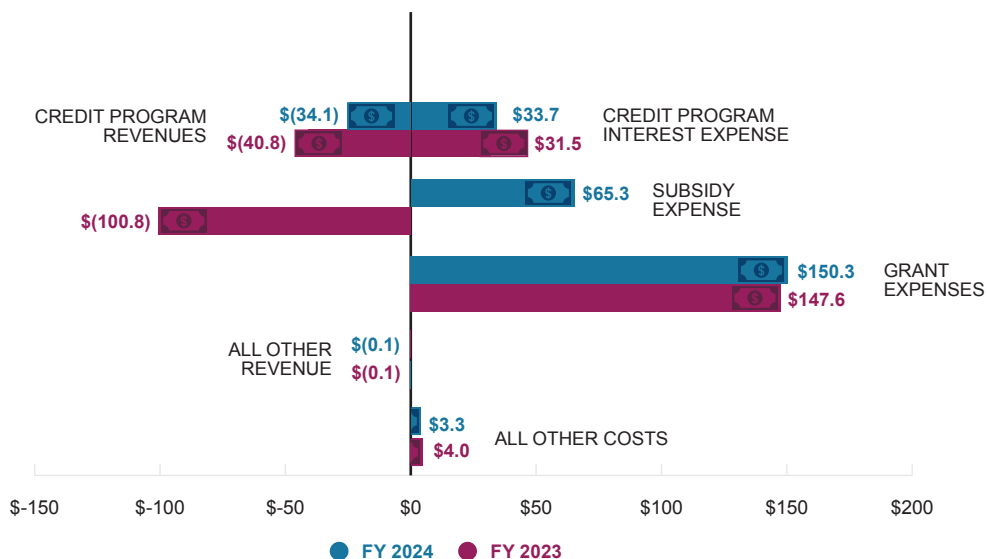
Gross Costs and Earned Revenue by Type

As shown in Figure 9, the Department's gross costs and earned revenue include three primary components:

- Credit program interest expense offset by credit program interest revenue and administrative fees as the result of subsidy amortization.
- Credit program subsidy expense (see Analysis of Direct Loan Program Subsidy Expense below).
- Grant expenses (see Figure 11).

Figure 9. Primary Components of Gross Costs and Earned Revenue

(Dollars in Billions)



Analysis of Direct Loan Program Subsidy Expense

The Department's gross costs can fluctuate significantly each year as a result of changes in estimated subsidy expenses—primarily subsidy expenses for direct loans. The primary components of subsidy expenses include year-end subsidy re-estimates and loan modifications.

Subsidy expenses are estimates of the present value cost of providing direct loans but exclude the administrative costs of issuing and servicing the loans. The Department estimates subsidy expenses using a set of econometric and financial models as well as cash flow models.

The Department estimates subsidy expenses annually for new loans disbursed in the current year and updates the previous cost estimates for outstanding loans disbursed in prior years based on various updated assumptions (subsidy re-estimates). The Department also updates subsidy expenses due to changes to terms of existing loans (subsidy modifications). Figure 10 shows these three components of the Direct Loan Program subsidy expense for the past five years. Factors such as interest rates charged to the borrower, interest rates on Treasury debt, default rates, fees and other costs, and assumptions concerning borrowers' selection of repayment plans impact the estimated cost calculation and determine whether the individual components and overall subsidy expense are positive or negative.

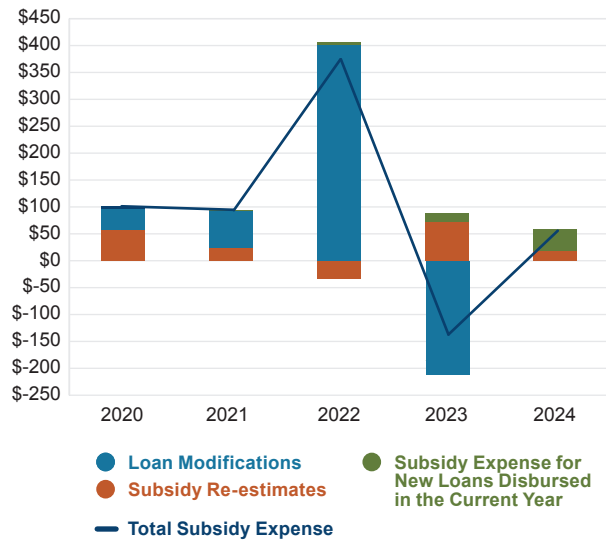
The Direct Loan Program subsidy expense for new loans disbursed since FY 2020 has been positive due in large part to rising enrollment in IDR plans, which contributes to a higher expected cost to the government for issuing student loans by reducing the amount that many borrowers will repay over the life of their loans and/or creating a student loan forgiveness benefit for amounts remaining after 20 or 25 years, particularly common among high-debt borrowers.

The Department updates its subsidy cost estimates each year for outstanding loans disbursed in prior years using a process referred to as a subsidy re-estimate. The total of Direct Loan subsidy re-estimates during FY 2024 was a net \$16.9 billion upward subsidy re-estimate. The components of the Direct Loan Program subsidy re-estimates are summarized in Figure 10 below.

The Department also updates previous cost estimates based on any new legislation or other government actions that change the terms of existing loans and alter the estimated subsidy cost. This process is referred to as a modification. During FY 2024, the Department recorded a total of \$2.1 billion net upward modifications. The modifications that were recorded in FY 2024 are summarized in Figure 10 below. More detail about these modifications and components of re-estimated subsidy cost can be found in the notes to the financial statements in the Other Information section beginning on page 112.

The FY 2024 year-end subsidy re-estimates also resulted in a \$13.3 billion increase in the Subsidy Due to Treasury shown in Table 1 on page 24 of this report. This represents the amount of accrued downward re-estimates of subsidy expense that will be transferred to Treasury in the succeeding fiscal year upon receipt of authority from OMB. More detail on Subsidy Due to Treasury can be found in the notes to the Consolidated Balance Sheet beginning on page 71.

Figure 10. Direct Loan Program Subsidy
(Dollars in Billions)



| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|-----------------|----------------|-----------------|-------------------|----------------|
| Subsidy Expense for New Loans Disbursed in the Current Year | \$ 5.1 | \$ 1.6 | \$ 7.3 | \$ 16.3 | \$ 41.7 |
| Subsidy Re-Estimates | 56.1 | 24.0 | (21.9) | 71.4 | 16.9 |
| Loan Modifications | 39.7 | 68.3 | 400.0 | (204.2) | 2.1 |
| Total Subsidy Expense | \$ 100.9 | \$ 93.9 | \$ 385.4 | \$ (116.5) | \$ 60.7 |

| Loan Modification Components | Modification Costs | |
|---|--------------------|-------------------|
| | FY 2024 | FY 2023 |
| Debt Management and Collection System (DMCS) | \$ 2.1 | \$ - |
| Student Loan Repayment Deferrals | - | 23.3 |
| PSLF Waiver | - | 4.1 |
| Total and Permanent Disability Discharges | - | 4.4 |
| Interest Capitalization | - | 3.5 |
| Closed School Discharges | - | 3.7 |
| IDR SAVE Regulation | - | 70.4 |
| Broad-Based Debt Relief Reversal | - | (319.9) |
| Fresh Start/On Ramp | - | 2.2 |
| Borrower Defense to Repayment and Arbitration | - | 4.1 |
| Total Direct Loan Program Loan Modifications | \$ 2.1 | \$ (204.2) |

| Subsidy Re-estimate Components | FY 2024 | FY 2023 |
|---|----------------|----------------|
| Student Loan Model (SLM) Changes | \$(30.2) | \$ - |
| Income-Driven Repayment (IDR) Model Changes | 12.8 | 26.5 |
| Prior Year's Cohort Assumption Changes | (5.0) | 0.2 |
| Interest on the Re-estimate | 7.4 | 16.8 |
| Default | 0.3 | (0.6) |
| Repayment Plan Selection | - | 4.2 |
| Discount Rates | 12.6 | 0.8 |
| Non-IDR Discharges | 6.0 | 29.9 |
| Deferment And Forbearance | 3.9 | (2.3) |
| Collections | (1.3) | 16.4 |
| Interactive Effects | 7.8 | (18.2) |
| Other Assumptions | 2.6 | (2.3) |
| Total Direct Loan Program Subsidy Re-estimates | \$ 16.9 | \$ 71.4 |

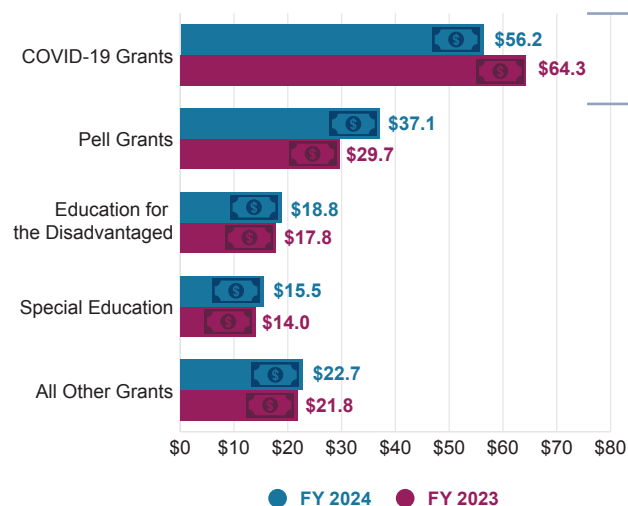
Grant Expenses

As shown in Figure 11, overall grant expenses changed primarily because of COVID-19 grants. More detail concerning COVID-19 grants can be found in Note 16 to the financial statements in the Other Information section beginning on page 105. In addition to COVID-19 funded grants, the Department has more than 100 other grant and loan programs. The three largest of these grant program areas are:

- **Pell Grants**—Provides need-based grants to students to promote access to postsecondary education. Grant amounts are dependent on the student's expected family contribution, the cost of attendance (as determined by the institution), the student's enrollment status (full-time or part-time), and whether the student attends for a full academic year or less. Pell Grants are the single largest source of grant aid for postsecondary education.
- **Education for the Disadvantaged**—Primarily consists of Title I, Part A grants which provide financial assistance through SEAs to LEAs and public schools with high numbers or percentages of poor children to help ensure that all children meet challenging state academic content and student academic achievement standards. This appropriations account also provides funds to states to support educational services to children of migratory farmworkers and fishers and to neglected or delinquent children and youth in state-run institutions, attending community day programs, or in correctional facilities.
- **Special Education**—Primarily consists of *Individuals with Disabilities Education Act* grants that provide funds by formula to states to assist them in providing a free appropriate public education in the least restrictive environment for children with disabilities ages 3 through 21 and assists states in providing early intervention services for infants and toddlers from birth through age 2 and their families. Also provides discretionary grants to IHEs and other nonprofit organizations to support research, demonstrations, technical assistance and dissemination, technology, personnel development and parent training, and information centers.

In addition to student loans and grants, the Department offers other discretionary grants under a variety of authorizing legislation, with approximately 90 percent of nonstudent aid funds awarded by formula and 10 percent through competitive processes.

Figure 11. Grant Expenses by Program Areas
(Dollars in Billions)



COVID-19 Grant Expenses (Dollars in Millions)

| COVID-19 Grants | FY 2024 | FY 2023 |
|---|------------------|------------------|
| Education Stabilization Fund: | | |
| Elementary and Secondary School Emergency Relief Fund | \$ 52,566 | \$ 52,832 |
| Higher Education Emergency Relief Fund | 1,012 | 7,238 |
| Governor's Emergency Education Relief Fund | 1,550 | 2,354 |
| Outlying Areas & Discretionary Grants | 339 | 406 |
| Total Education Stabilization Fund | 55,467 | 62,830 |
| Other COVID-19 Grants | 767 | 1,451 |
| Total COVID-19 Grants | \$ 56,234 | \$ 64,281 |

Statements of Changes in Net Position

The consolidated statements of changes in net position report the beginning net position, the summary effect of transactions that affect net position during the fiscal year, and the ending net position. Net position is the residual difference between assets and liabilities and consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances for grant and administrative operations. Cumulative results of operations represent the net difference since inception between (1) expenses and (2) revenues and financing sources.

Statements of Budgetary Resources

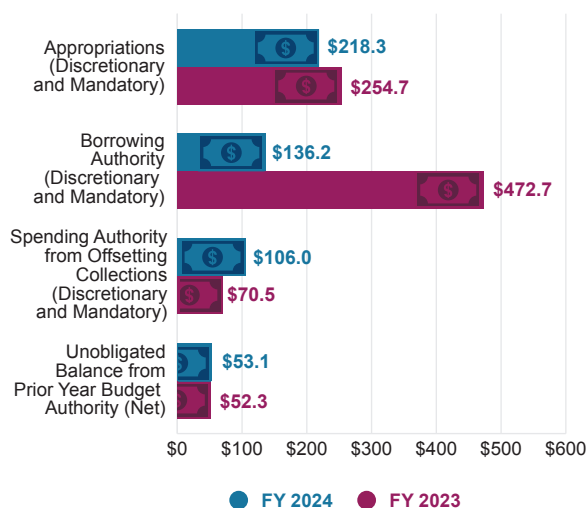
The combined statements of budgetary resources present information on how budgetary resources were made available and their status at the end of the fiscal year. Information in the statements is based on budgetary transactions as prescribed by OMB and Treasury.

Figure 12 shows the components of the Department's budgetary resources, which totaled \$513.6 billion for FY 2024, decreasing from \$850.2 billion, or 39.6 percent, from the prior year. The net decrease was a result of the following significant changes in budget authority.

- Borrowing authority decreased \$336.5 billion (71.2 percent), primarily for the Direct Loan Program (\$322.5 billion), as a result of higher borrowing activity that occurred during FY 2023 to fund downward loan modifications.
- There was a net \$36.4 billion (14.3 percent) decrease in appropriations received, primarily due to a \$38.0 billion decrease in Direct Loan Program appropriations for subsidy re-estimates and modifications.
- Spending authority from offsetting collections increased by \$35.5 billion (50.3 percent), due primarily to increased Direct Loan program principal and interest collections from the public (\$57.2 billion), offset by a decrease in Direct Loan program subsidy transfers (\$33.2 billion).

Other significant changes to the Department's combined statements of budgetary resources include the following:

Figure 12. Components of Budgetary Resources
(Dollars in Billions)



- New Obligations and Upward Adjustments (Total) decreased by \$325.8 billion, or 42 percent, primarily due to a net \$318.0 billion decrease in Direct Loan program obligations. The change in the Direct Loan program includes the combined effect of differences in subsidy cost re-estimates and modifications that were executed during the two fiscal years.
- Unobligated Balance, End of Year decreased by \$10.8 billion, or 14.7 percent. This decrease was largely due to a decrease in unobligated amounts for the Pell Grant program (\$7.0 billion decrease) and the Direct Loan program (\$7.3 billion decrease).

The combined statements of budgetary resources also present the Department's summary disbursement and collection amounts shown in Table 3.

Table 3. Outlays, Distributed Offsetting Receipts, and Disbursements, Net
(Dollars in Billions)

| | FY 2024 | FY 2023 |
|---|------------------|-------------------|
| Outlays, Net | | |
| Credit Programs | \$ 123.5 | \$ 155.6 |
| Grants | 146.2 | 147.6 |
| Contractual Services | 2.6 | 2.5 |
| Personnel Compensation and Benefits | 0.8 | 0.8 |
| Total Outlays, Net | \$ 273.1 | \$ 306.5 |
| Distributed Offsetting Receipts | | |
| Negative Subsidies and Downward Re-estimates of Subsidies | (5.0) | (346.7) |
| Repayment of Perkins Loans and Capital Contributions | (0.5) | (0.5) |
| Other | 0.3 | (0.4) |
| Total Distributed Offsetting Receipts | \$ (5.2) | \$ (347.6) |
| Disbursements, Net | | |
| Direct Loan Program | | |
| Gross Disbursements | \$ 181.5 | \$ 483.0 |
| Offsetting Collections | (218.8) | (195.5) |
| Total Direct Loan Program Disbursements, Net | (37.3) | 287.5 |
| FFEL Program | | |
| Gross Disbursements | 12.9 | 26.0 |
| Offsetting Collections | (20.4) | (16.9) |
| Total FFEL Program Disbursements, Net | (7.5) | 9.1 |
| Other Loan Programs | | |
| Gross Disbursements | 0.4 | 0.3 |
| Offsetting Collections | (0.2) | (0.2) |
| Total Other Loan Program Disbursements, Net | 0.2 | 0.1 |
| Total Disbursements, Net | \$ (44.6) | \$ 296.7 |

Outlays, Net is comprised of gross outlays and offsetting collections in the Department's budgetary funds. Outlays, Net decreased \$33.4 billion (10.9 percent) due primarily to a decrease of \$33.2 billion in Direct Loan Program outlays, including upward loan modifications and re-estimates.

Distributed Offsetting Receipts primarily represents amounts paid from the Direct Loan Program and FFEL Program financing accounts to Treasury General Fund receipt accounts for downward current fiscal year executed subsidy re-estimates and modifications, and negative subsidies. Of the \$342.4 billion net decrease in FY 2024 versus FY 2023, \$329.5 billion was attributed to the Direct Loan Program.

Disbursements, Net is comprised of gross outlays and offsetting collections in the Department's credit program nonbudgetary financing funds. Of the \$341.3 billion net decrease in FY 2024 versus FY 2023, \$324.8 billion was attributed to the Direct Loan Program and largely due to changes in the amount of subsidy re-estimates and modifications during the fiscal years, along with an increase in the amount of principal and interest collected from borrowers.