

AMERICA'S STUDENT LOAN PROVIDERS

www.studentloanfacts.org

**The Federal Direct Student
Loan Program**

The government-run Direct Student Loan Program has not delivered on its promise of taxpayer savings

In 1993, when the Direct Loan Program was created, its advocates claimed that having the federal government make loans directly to students would save taxpayers billions. After 10 years, *this program has not saved taxpayers money.*

- **Rather than saving money, the Direct Loan Program has spent nearly \$11 billion more than it has collected.** According to the non-partisan U.S. Government Accountability Office, the Direct Loan program has spent \$10.7 billion more on interest payments to the government than it has received in interest and fees from student loan borrowers since it was created in 1993.
- **Taxpayers have paid an additional \$7 billion to the Direct Loan Program to make up for its budget shortfalls.** In FY 2003 and FY 2004, taxpayers paid an additional \$7 billion to the Direct Loan program because the government had significantly underestimated the true cost of the program.
- **The Direct Loan Program cannot repay all the money it has borrowed from taxpayers.** According to the Department of Education, the Direct Loan Program owes the government \$92 billion but has only \$82 billion in performing loans to pay off this debt. In fact, almost \$6 billion of loans made by the Direct Loan program are in default.

As the record demonstrates, the government-run Direct Loan program has not lived up to its promise of savings to the taxpayer. In fact, the opposite occurred - the Direct Lending program has a negative cash flow of almost \$11 billion since its inception.

- These losses occurred even though the Direct Loan program could borrow money at the lowest possible interest rate.
- These losses continue to occur even though direct loan borrowers are entering repayment at the same rate as the established Federal Family Education Loan Program.
- These losses occur at the same time that the private sector Federal Family Education Loan program's costs have dramatically declined, so that in fiscal 2003, there was no net cost to the taxpayer to support the more than \$200 billion in outstanding loans.

For more information, contact America's Student Loan Providers, www.studentloanfacts.org

1 GAO-04-567R FDLP Cost Estimates measured on a cash basis

2 Appendix, Budget of the U.S. Government, Fiscal Year 2005.

3 FY 2003 Department of Education Performance and Accountability Report