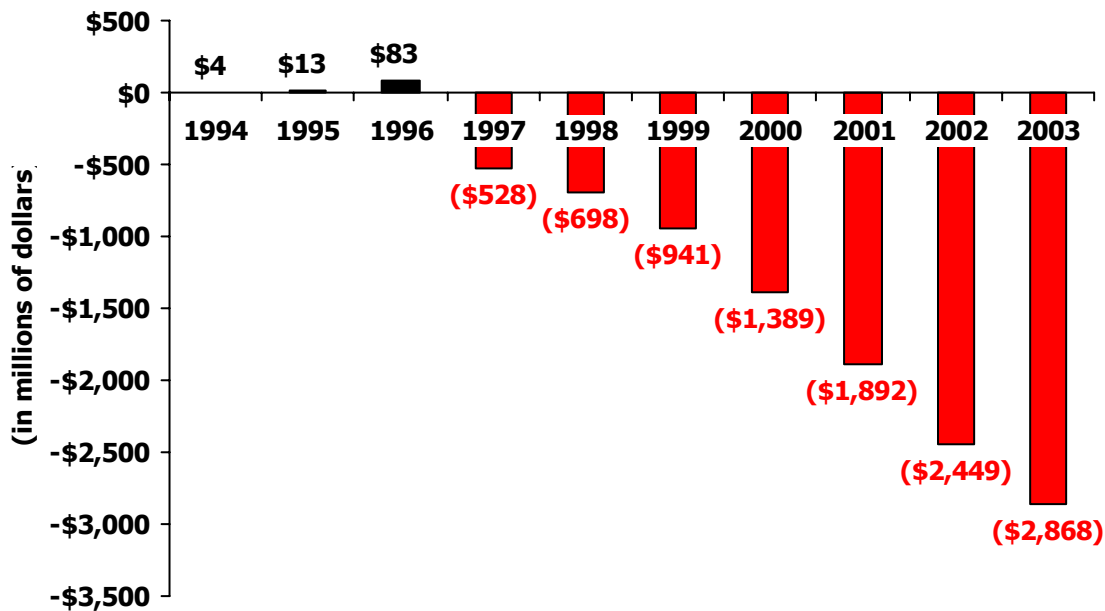


When the Federal Direct Loan Program was created in 1994, its supporters claimed it would save money for taxpayers. Has this program lived up to this promise? Not according to the [Government Accounting Office](#) (GAO) which concluded that the Federal Direct Loan Program has a cumulative negative cash flow of \$10.7 billion. In fact, the Direct Loan Program lending has paid more in interest to Treasury than it has collected in borrower interest and fees in every year since 1997. The promise of savings is based on overly optimistic forecasts of the amount of interest income the Direct Loan Program will make on loans it makes. GAO found that the Department of Education had overestimated the Direct Loan Program interest income by 67 percent. Because the Department of Education has overestimated how much interest it will make on direct loans, it has retroactively added \$7 billion total to the baseline of the Federal Direct Loan Program budget.

FDLP Performance: FY 1994 - FY 2003



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

For more information, contact America's Student Loan Providers,
<http://www.studentloanfacts.org>