

# Financial Highlights

## INTRODUCTION

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.

The Department consistently produces complete, accurate, and timely financial information. 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 financial statements, 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). This year, the Department received a disclaimer of opinion on its FY 2022 financial statements. The financial statements and notes for FY 2022 are on pages 52–99, and the Independent Auditors' Report begins on page 104.

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

**Table 1. Key Financial Statement Changes**  
(Dollars in Billions)

Financial Statement Lines with Significant Changes	Amount		Total Changes		Changes Due to COVID-19	
	FY 2022	FY 2021	Amount	Percentage	Amount	Percentage
<b>Balance Sheets</b>						
Fund Balance with Treasury	\$ 317.0	\$ 351.9	\$ (34.9)	-9.9%	\$ (80.7)	-22.9%
Loan Receivables, Net - Direct Loan Program	816.5	1,104.9	(288.4)	-26.1%	(409.2)	-37.0%
Loan Receivables, Net - Federal Family Education Loan (FFEL) Program	39.8	58.2	(18.4)	-31.6%	(23.0)	-39.5%
Cash and Other Monetary Assets	0.7	1.9	(1.2)	-63.2%	-	0.0%
Debt Associated with Loans - Direct Loan Program	837.4	1,142.2	(304.8)	-26.7%	(437.4)	-38.3%
Debt Associated with Loans - FFEL Program	67.0	78.3	(11.3)	-14.4%	(26.1)	-33.3%
Subsidy Due to Treasury	27.0	1.5	25.5	1,700.0%	-	0.0%
Guaranty Agency Funds Due to Treasury	0.7	1.9	(1.2)	-63.2%	-	0.0%
Loan Guarantee Liabilities	10.7	7.5	3.2	42.7%	-	0.0%
Accrued Grant Liabilities	5.1	7.6	(2.5)	-32.9%	(1.5)	-19.7%
<b>Statements of Net Cost</b>						
Total Program Gross Costs	628.6	279.7	348.9	124.7%	431.8	123.8%
Total Program Earned Revenue	(65.2)	(40.0)	(25.2)	63.0%	(27.3)	108.3%
<b>Statements of Budgetary Resources</b>						
Unobligated Balance from Prior Year Budget Authority (Net)	65.3	41.4	23.9	57.7%	17.9	43.2%
Appropriations (Discretionary and Mandatory)	597.2	476.8	120.4	25.3%	154.9	32.5%
New Obligations and Upward Adjustments (Total)	813.7	627.5	186.2	29.7%	190.8	30.4%
Unobligated Balance, End of Year (Total)	88.3	62.1	26.2	42.2%	(17.9)	-28.8%
Outlays, Net	668.5	267.1	401.4	150.3%	437.9	163.9%
Distributed Offsetting Receipts	(29.1)	(6.6)	(22.5)	340.9%	-	0.0%

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 FY 2022, the Department announced significant actions to provide relief to federal student loan borrowers, including extensions to the student loan repayment pause, and several additional debt relief actions. Debt relief actions that occurred or were announced during FY 2022 include:

- Providing one-time broad-based student loan debt relief of up to \$20,000 in debt cancellation for Pell Grant recipients with loans held by the Department and up to \$10,000 in debt cancellation to non-Pell Grant recipients. Applications for this debt relief launched on October 17, 2022.
- Revamping the Public Service Loan Forgiveness (PSLF) program, including temporary changes that allow student borrowers to get credit for past periods of repayment on loans that would not otherwise qualify for PSLF, including payments made on loans from FFEL Program, Perkins Loan Program, and other federal student loans. Additionally, the temporary changes allow past periods of repayment to count for certain types of deferment or forbearance periods, or if the borrowers were not on a qualified repayment plan. The changes also eliminate barriers for military service members to receive PSLF. The temporary changes expired on October 31, 2022.
- Approving borrower defense and closed school discharges for borrowers whose institutions took advantage of them, including borrowers who attended Corinthian Colleges Inc., the ITT Technical Institute, Marinello Schools of Beauty, Westwood College, DeVry University, Minnesota School of Business and/or Globe University.
- Providing relief for borrowers who have a total and permanent disability.

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.

The broad-based debt relief announced on August 24, 2022, is expected to impact up to **43 million borrowers**. Nearly 8 million borrowers may be eligible to receive one-time broad-based debt relief automatically because relevant income data is already available to the Department. If all borrowers claim relief they are entitled to, this action will provide relief to up to 43 million borrowers.

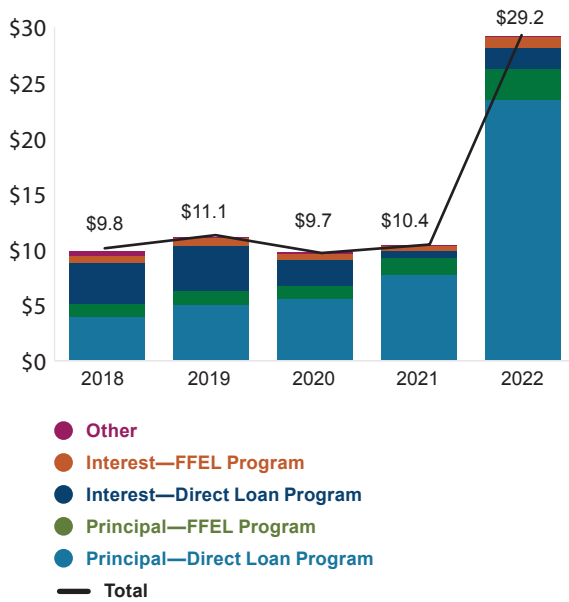
In addition, because of the other debt relief actions taken by the Department:

- **1.1 million borrowers** have already received discharges related to borrower defense or school closures.
- More than **1 million borrowers** have already received additional credit toward forgiveness through the temporary changes to the PSLF program.
- More than **425,000 borrowers** received loan relief due to a total and permanent disability.

As shown in Figure 1, cancellations of loan principal and interest increased 181% during FY 2022, primarily for the Direct Loan Program. A large portion of cancellations of loan principal and interest during FY 2022 were associated with the PSLF program and discharges for total and permanent disability, as they made up 46.7% and 40.8%

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 due to death of the borrower.

**Figure 1. Loan Cancellations**  
(Dollars in Billions)



**FY 2022 Loan Cancellations**  
(Dollars in Millions)

Loan Cancellation Type	FY 2022					Total
	Direct Loan Program		FFEL Program		Other	
	Principal	Interest	Principal	Interest	Other	
Discharges for closed schools	\$ 443	\$ 56	\$ 36	\$ 7	\$ 0	\$ 542
Discharges due to death of the borrower	766	60	34	6	0	866
Discharges for total and permanent disability	7,537	1,129	2,363	877	2	11,908
Public service loan forgiveness	13,036	594	0	0	0	13,630
Borrower defense discharges	877	0	146	3	0	1,026
Cancellation of loans in default status	447	72	172	134	6	831
Other	310	(25)	9	(2)	69	361
<b>Total Loan Cancellations</b>	<b>\$ 23,416</b>	<b>\$ 1,886</b>	<b>\$ 2,760</b>	<b>\$ 1,025</b>	<b>\$ 77</b>	<b>\$ 29,164</b>

## FINANCIAL STATEMENT IMPACTS OF COVID-19 ACTIVITIES

Many of the significant changes to the Department's financial statements resulted from the impacts due to 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 for student loan borrowers by:

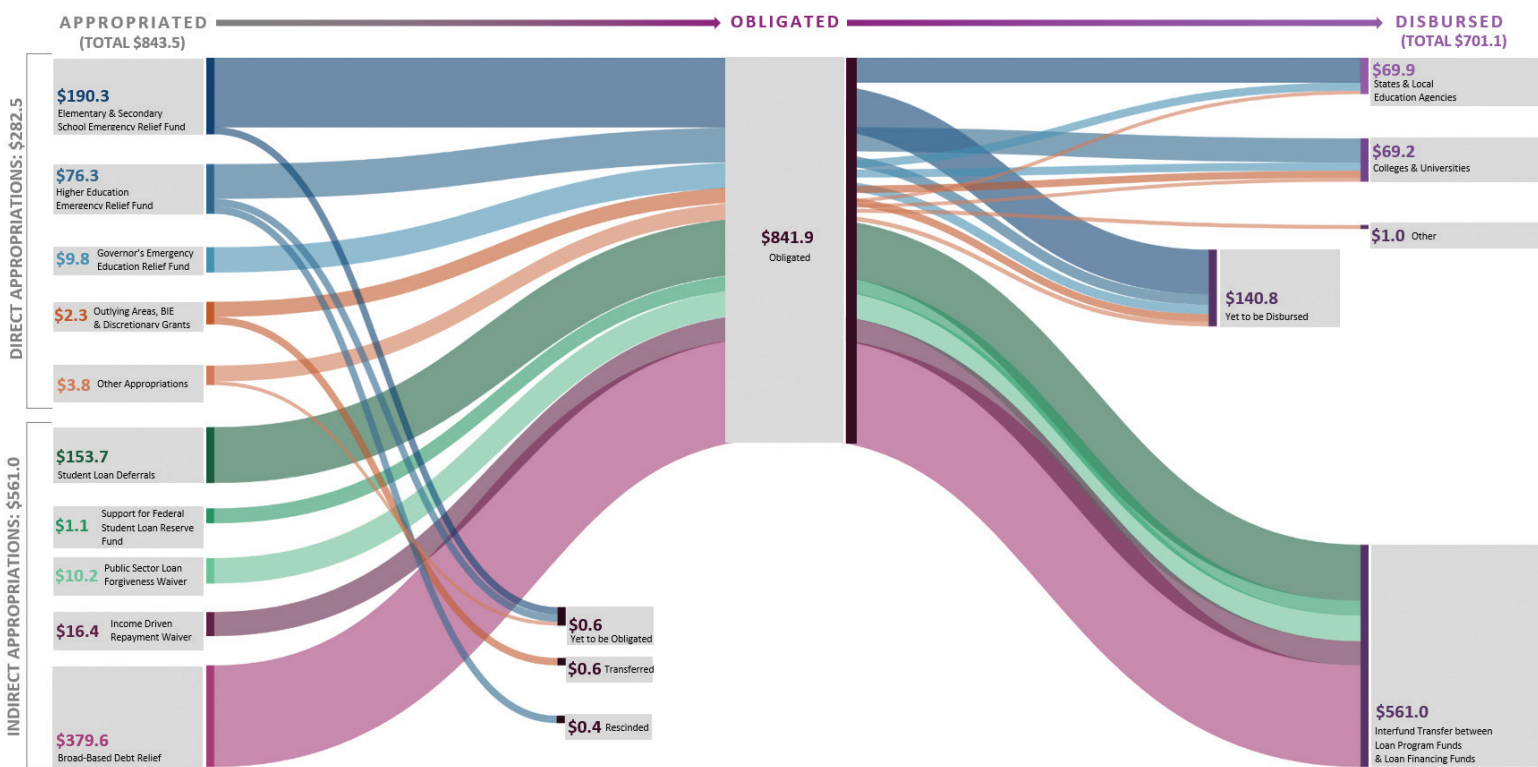
- Providing broad-based debt relief to address the financial harms of the pandemic by smoothing the transition back to repayment and helping borrowers at the highest risk of delinquencies or default once payments resume. Applications for this debt relief launched on October 17, 2022.
- Temporarily suspending nearly all federal student loan payments, interest free.

- 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 income-driven repayment (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. Cost impacts of the COVID-19 loan modifications were recorded as loan modifications and are a component of subsidy expense, which reduced the overall loan receivable balances for the student loan programs. Detailed explanations of the COVID-19 Direct Loan Program loan modifications are provided in the Analysis of Direct Loan Program Subsidy Expense section beginning on page 21 and in Note 5 of the financial statements beginning on page 66.

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, 2022, totaled \$142.1 billion. Most of the undisbursed funds are for the Elementary and Secondary School Emergency Relief (ESSER) Fund. While states may have made subawards for all of their ESSER funding, subawardees may still be in the process of completing their obligations and requesting reimbursement from the states who will then in turn drawdown the remaining undisbursed funds.

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



**Elementary and Secondary School Emergency Relief (ESSER) Fund**—Funds provided for state educational agencies (SEAs) and local educational agencies (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 child care.

**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 SHEETS

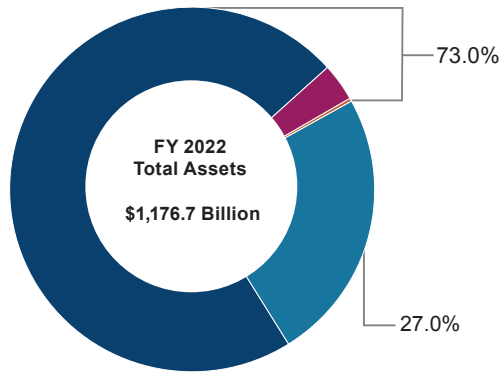
The consolidated balance sheets present, as of a specific point in time (the end of the fiscal year), the Department's total assets, total liabilities, and net position.

The Department's assets totaled \$1,176.7 billion as of September 30, 2022. As shown in Figure 3, most assets relate to loans receivables, \$858.6 billion, which comprised 73.0 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 16. All other assets totaled \$318.1 billion, most of which was Fund Balance with Treasury, \$317.0 billion,

which decreased by \$34.9 billion during FY 2022, largely due to a decrease in undisbursed COVID-19 funds as of September 30, 2022.

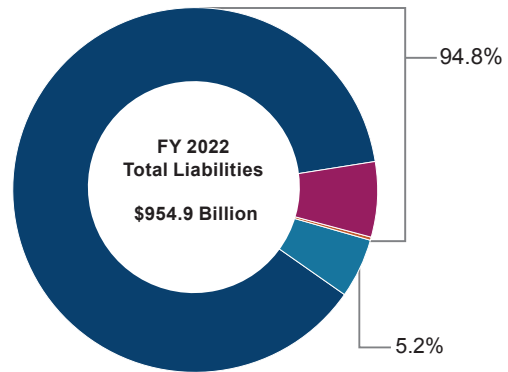
The Department's liabilities totaled \$954.9 billion as of September 30, 2022. As shown in Figure 4, most of the Department's liabilities are also associated with loan programs, primarily amounts borrowed from the U.S. Department of the Treasury (Treasury) to fund student loans. Debt associated with the Direct Loan Program totaled \$837.4 billion as of September 30, 2022. Analysis of debt associated with the Direct Loan Program begins on page 18.

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

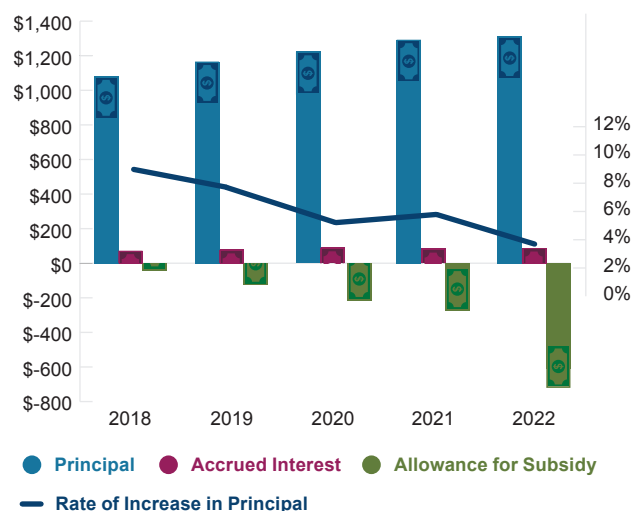
Figure 5 shows the changes in the Direct Loan Program receivable components over the past five years. The principal amount has continued to grow as the Direct Loan Program has originated all new federal loans since July 2010, when originations of new FFEL loans ended. Prior to COVID-19, the rate of increase in principal slowed as enrollment stagnated and sometimes declined. Also, accrued interest amounts had been increasing as more Direct Loans were moving into active repayment statuses, and the rate of enrollment in income-driven repayment plans that allow for payments to be lower than interest accrual had increased.

The rate of increase in principal has slowed in recent years as the Direct Loan program has disbursed fewer than \$95 billion in new loans each year since FY 2016 as a result of stagnant, and in some cases declining, enrollment. 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. The student loan repayment deferrals implemented in response to COVID-19 caused the rate of increase in principal to be lower in FYs 2020, 2021, and 2022 compared to previous years.

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 established 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 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 negative allowance from FY 2018 through FY 2022 is due primarily to higher subsidy costs, 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 in the negative allowance for subsidy during FY 2022 was also due to higher subsidy costs due to broad-based debt relief (see discussion in the Analysis of Direct Loan Program Subsidy Expense section on page 21).

Figure 5. Components of Direct Loan Receivables, Net (Dollars in Billions)



Direct Loan Component (Dollars in Billions)	Fiscal Year				
	2018	2019	2020	2021	2022
Principal	\$1,083.7	\$1,164.9	\$1,224.8	\$1,292.2	\$1,341.8
Rate of Increase in Principal	8.5%	7.5%	5.1%	5.5%	3.8%
Accrued Interest	\$ 72.0	\$ 83.3	\$ 92.1	\$ 86.5	\$ 86.7
Allowance for Subsidy	\$ (40.7)	\$ (124.4)	\$ (216.4)	\$ (273.9)	\$ (611.9)
<b>Total No. of Direct Loan Borrowers (in Millions)</b>	<b>34.2</b>	<b>35.1</b>	<b>35.9</b>	<b>37.0</b>	<b>37.1</b>

**Table 2.** Payment Status of Direct Loan Principal and Interest Balance  
(Dollars in Billions)

Loan Status	Fiscal Year				
	2018	2019	2020**	2021**	2022**
Total No. of Direct Loan Recipients (in Millions)	34.2	35.1	35.9	37.0	37.1
<b>Total Dollar Amount of Direct Loans Outstanding</b>	<b>\$1,155.70</b>	<b>\$1,248.10</b>	<b>\$1,316.90</b>	<b>\$1,378.70</b>	<b>\$1,428.50</b>
Current Repayment <sup>1</sup>	\$ 531.20	\$ 594.70	\$ 14.20	\$ 16.20	\$ 11.80
% Current Repayment	46.0%	47.6%	1.1%	1.2%	0.8%
In School, Grace Period, and Education Deferments	\$ 295.50	\$ 294.80	\$ 282.80	\$ 271.90	\$ 259.50
% In School, Grace Period, and Education Deferments	25.6%	23.6%	21.5%	19.7%	18.2%
Forbearance and Noneducation Deferments	\$ 121.50	\$ 133.20	\$ 887.50	\$ 967.80	\$1,039.70
% Forbearance and Noneducation Deferments	10.5%	10.7%	67.4%	70.2%	72.8%
Delinquent (Past Due 31–360 Days)	\$ 92.50	\$ 90.80	\$ 0.50	\$ 0.00	\$ 0.00
% Delinquent (Past Due 31–360 Days)	8.0%	7.3%	0.0%	0.0%	0.0%
Default/Bankruptcy/Other*	\$ 115.00	\$ 134.60	\$ 131.90	\$ 122.80	\$ 117.50
% Default/Bankruptcy/Other*	10.0%	10.8%	10.0%	8.9%	8.2%

<sup>1</sup> 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

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

The balances reported for Current Repayment and Delinquent in FY 2020, FY 2021, and FY 2022 are 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 are now zero.

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 nontemporary policy changes to improve the underwriting stance of federal student loan borrowers.
- Potentially improved overall borrower 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 \$837.4 billion as of September 30, 2022, which was a \$304.8 billion decrease from FY 2021. Total debt decreased largely because the Department received subsidy appropriations for loan modifications during FY 2022 and used these resources to repay debt to Treasury.

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 19 of this report.

**Figure 6.** Components of Direct Loan Receivables, Net  
(Dollars in Billions)

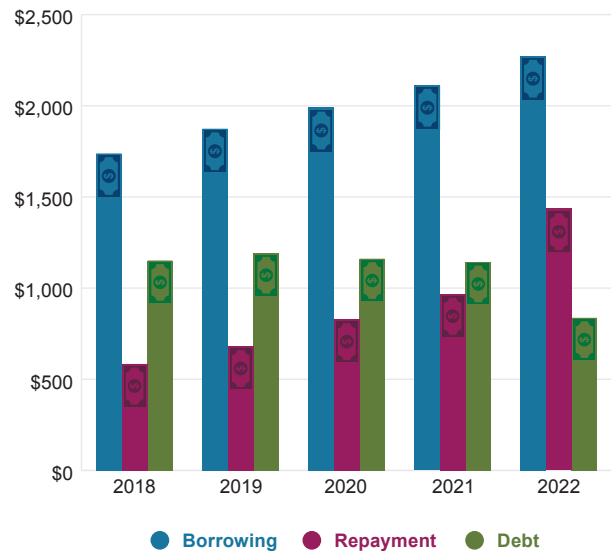
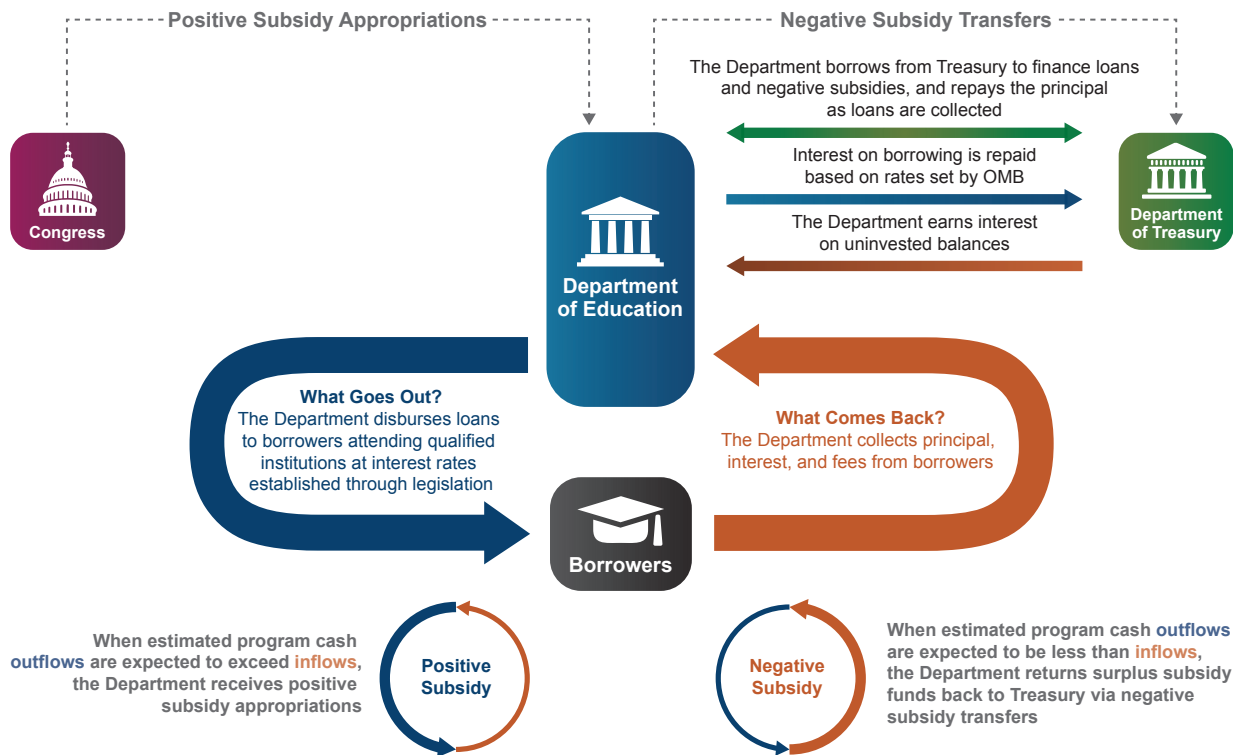


Figure 7. William D. Ford Federal Direct Loan Program: *Following the Funding*



Treasury Financing and Subsidy Cost of Direct Loans (Dollars in Billions)*					
Fiscal Year	2018	2019	2020	2021	2022
<b>Net Borrowing</b>	\$ 89.1	\$ 41.5	\$ (32.0)	\$ (17.9)	\$ (304.8)
Borrowing from Treasury	155.3	137.6	116.9	120.0	162.8
Debt Repayments to Treasury	(66.2)	(96.1)	(148.9)	(137.9)	(467.6)
Interest Expense to Treasury	(32.3)	(33.8)	(34.7)	(33.0)	(30.6)
Interest Earned from Treasury	3.9	4.1	4.8	4.2	7.6
Cumulative Taxpayer Cost / (Savings)	40.7	124.4	216.4	273.9	611.9
Current Subsidy Expense / (Revenue)	4.4	61.5	100.9	93.9	385.4

Direct Loan Program Cash Transactions with Borrowers (Dollars in Billions)*					
Fiscal Year	2018	2019	2020**	2021**	2022**
<b>Loan Disbursements</b>	\$ 134.1	\$ 130.7	\$ 117.4	\$ 104.8	\$ 120.4
Stafford Subsidized	20.3	20.0	19.1	18.3	15.7
Stafford Unsubsidized	49.0	48.1	46.1	44.1	45.5
Parent Loan for Undergraduate Students (PLUS)	23.1	22.7	21.7	20.8	22.2
Consolidation <sup>1</sup>	41.6	39.8	30.4	21.5	36.9
<b>Loan Collections<sup>2</sup></b>	<b>84.9</b>	<b>91.3</b>	<b>69.9</b>	<b>37.2</b>	<b>45.5</b>
Principal	63.5	67.0	55.3	33.3	41.3
Interest	19.5	22.4	12.9	2.3	2.6
Fees	1.9	1.9	1.7	1.6	1.6

\* Numbers may not add due to rounding.

\*\* Student loan payment pause in effect from March 2020 through December 2022.

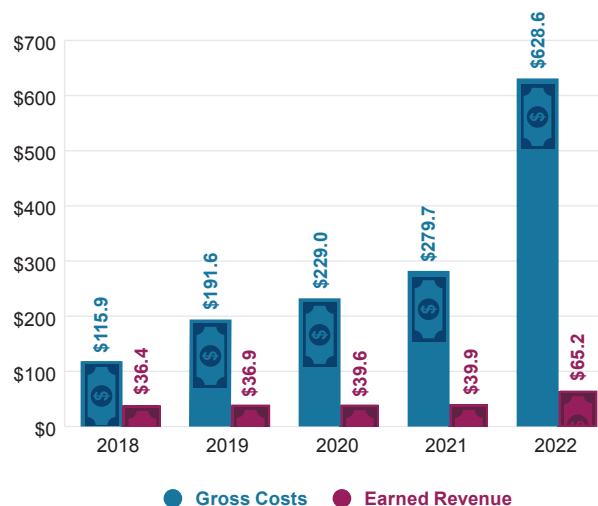
<sup>1</sup> Consolidation amounts stem from a number of loan programs, including most notably the FFEL program, in addition to Direct Loans.

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

## 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 Table 1 and discussed in more detail below, significant changes in the Department's net costs for FY 2022 were primarily due to loan modifications and reestimates (subsidy expense) and grant expenses related to COVID-19 activities.

**Figure 8. Gross Costs & Earned Revenue**  
(Dollars in Billions)

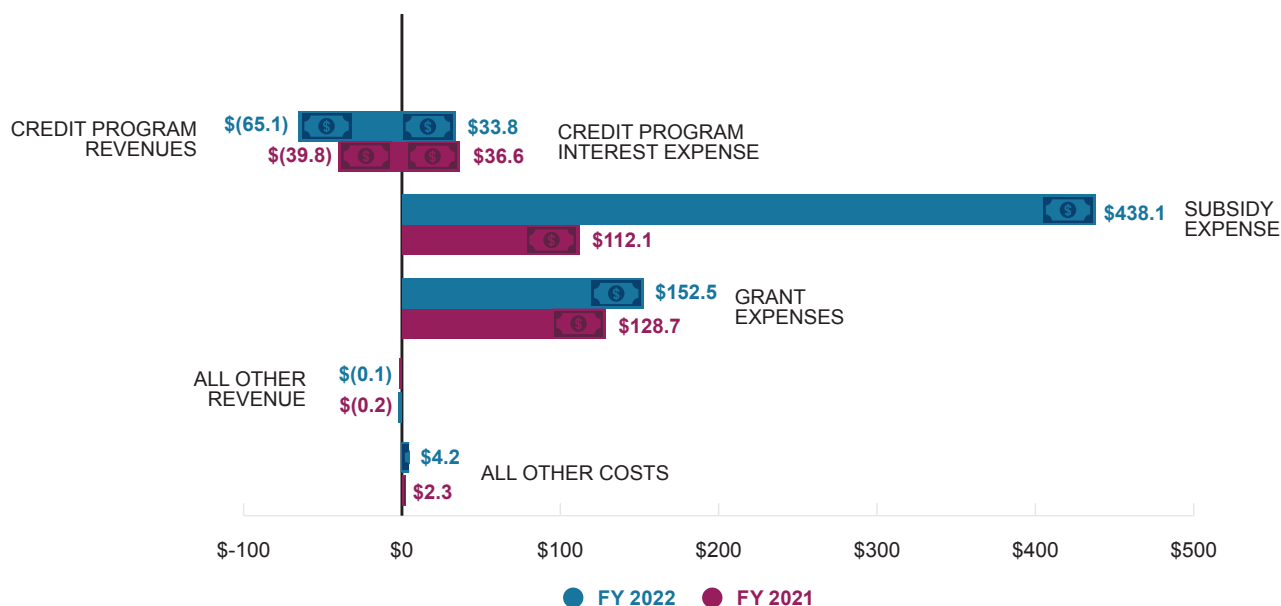


## GROSS COSTS AND EARNED REVENUE BY TYPE

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.

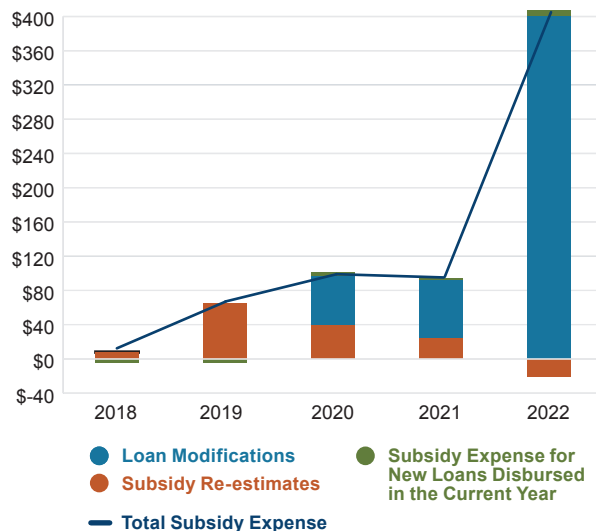
Subsidy expenses are estimates of the present value cost of providing direct loans but exclude the administrative costs of issuing and servicing the loans. The Department estimates subsidy expenses using a set of econometric and financial models as well as cash flow models.

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 in the current year was negative from FY 2018 through FY 2019 primarily because lending interest rates charged were greater than the historically low rates at which the Department borrowed from Treasury. In practical terms, a negative subsidy occurs when the interest and/or fees charged to the borrower are more than sufficient to cover the interest on Treasury borrowings and the costs of borrower default. Subsidy expense for new loans disbursed since FY 2020 has been positive due to rising enrollment in IDR plans and a reduction in projected future income of borrowers in IDR plans, both of which contribute 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 2022 was a net \$21.9 billion downward subsidy re-estimate. The components of the Direct Loan Program subsidy re-estimates are summarized in Figure 10.

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



	2018	2019	2020	2021	2022
Subsidy Expense for New Loans Disbursed in the Current Year	\$ (3.1)	\$ (3.0)	\$ 5.1	\$ 1.6	\$ 7.3
Subsidy Re-estimates	7.4	64.5	56.1	24.0	(21.9)
Loan Modifications	0.1	-	39.7	68.3	400.0
<b>Total Subsidy Expense</b>	<b>\$ 4.4</b>	<b>\$ 61.5</b>	<b>\$ 100.9</b>	<b>\$ 93.9</b>	<b>\$ 385.4</b>

Subsidy Re-estimate Components	2022	2021
Income-Driven Repayment (IDR) Model Changes	\$ (24.0)	\$ 22.4
Prior Year's Cohort Assumption Changes	7.7	15.5
Interest on the Re-Estimate	(0.4)	5.0
Default	3.0	(6.4)
Repayment Plan Selection	(3.0)	0.7
Discount Rates	(16.6)	(11.5)
Non-IDR Discharges	2.9	3.2
Deferment And Forbearance	2.6	(4.8)
Collections	(1.7)	1.5
Interactive Effects	7.4	(1.6)
Other Assumptions	0.2	-
<b>Total Direct Loan Program Subsidy Re-estimates</b>	<b>\$ (21.9)</b>	<b>\$ 24.0</b>

Loan Modification Components	Modification Costs	
	2022	2021
Student Loan Repayment Deferrals	\$ 48.6	\$ 49.5
Broad-Based Debt Relief	337.3	-
Shift to Business Process Operations	(9.1)	-
PSLF Waiver	9.1	-
IDR Waiver	14.1	-
Total and Permanent Disability	-	18.7
Faith-Based Final Rule	-	0.1
<b>Total Direct Loan Program Loan Modifications</b>	<b>\$ 400.0</b>	<b>\$ 68.3</b>

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 2022, the Department recorded a total of \$400.0 billion in net upward modifications. The table below Figure 10 also identifies the components of modifications that were recorded during FY 2022. More detail about these modifications and components of re-estimated subsidy cost can be found in the notes to the financial statements beginning on page 56.

The FY 2022 year-end subsidy re-estimates also resulted in a \$25.5 billion increase in the Subsidy Due to Treasury shown in Table 1 on page 10 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 financial statements beginning on page 56.

## 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 11 of the financial statements beginning on page 87. 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:

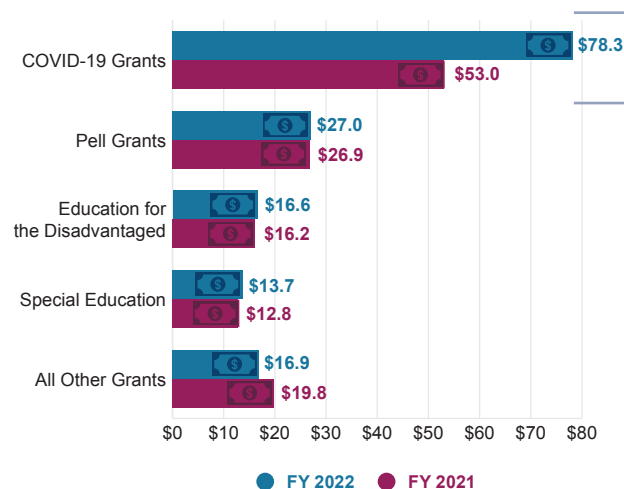
- **Pell Grants**—Provides need-based grants to students to promote access to postsecondary education. Grant amounts are dependent on the student's expected family

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 grants that 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. The program 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, and 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 2022	FY 2021
<b>Education Stabilization Fund:</b>		
Elementary and Secondary School Emergency Relief Fund	\$ 48,502	\$ 20,036
Higher Education Emergency Relief Fund	25,976	31,407
Governor's Emergency Education Relief Fund	2,654	1,341
Outlying Areas & Discretionary Grants	312	130
<b>Total Education Stabilization Fund</b>	<b>77,444</b>	<b>52,914</b>
Other COVID-19 Grants	865	66
<b>Total COVID-19 Grants</b>	<b>\$ 78,309</b>	<b>\$ 52,980</b>

## 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

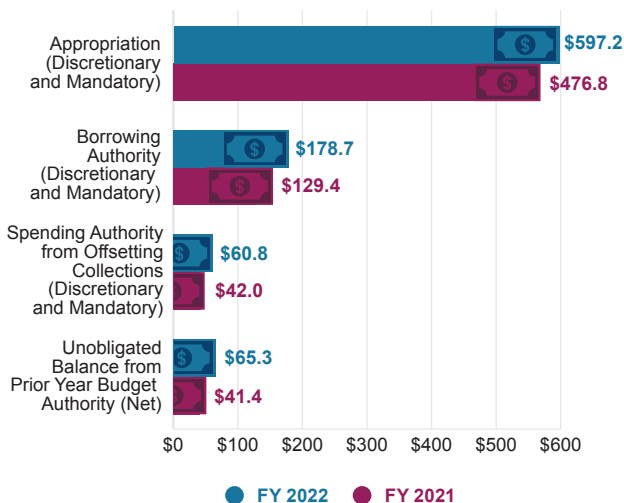
The combined statements of budgetary resources present information on how budgetary resources were made available and their status at the end of the fiscal year. Information in the statements is based on budgetary transactions as prescribed by OMB and Treasury.

Figure 12 shows the components of the Department's budgetary resources, which totaled \$902.0 billion for FY 2022, increasing from \$689.6 billion, or 30.8 percent, from the prior year. This increase was primarily due to a net increase in appropriations received totaling \$120.4 billion, of which \$154.9 billion was for an increase in direct and indirect appropriations for COVID-19 activity.

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

- Unobligated Balances from Prior Year Budget Authority (Net) increased by \$23.9 billion, or 57.7 percent. Of this increase, \$17.9 billion was due to COVID-19 funded balances.
- New Obligations and Upward Adjustments (Total) decreased by \$186.2 billion, or 29.7 percent, due primarily to a decrease of \$190.8 billion for grant obligations funded by the COVID-19 appropriations and loan modifications for COVID-19 student loan deferrals, broad-based debt relief, and IDR and PSLF Waivers.
- Unobligated Balance, End of Year increased \$26.2 billion, or 42.2 percent. This increase was largely due to a \$42.5 billion increase in unapportioned balances for the credit program accounts, net of a \$17.9 billion decrease due to COVID-19-funded balances.

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





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

Outlays, Net is comprised of gross outlays and offsetting collections in the Department's budgetary funds. Outlays, net increased \$401.4 billion (150.3 percent) due primarily to an increase of \$368.3 billion in credit programs outlays. Total credit program outlays during FY 2022, \$510.0 billion, included \$461.1 billion associated with upward loan modifications.

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. The \$22.5 billion net increase in FY 2022 versus FY 2021 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 \$342.4 billion net decrease in FY 2022 versus FY 2021, \$321.3 billion was attributed to the Direct Loan Program.

**Table 3.** Outlays, Distributed Offsetting Receipts, and Disbursements, Net

(Dollars in Billions)

	FY 2022	FY 2021
<b>Outlays, Net</b>		
Credit Programs	\$510.0	\$141.7
Grants	155.3	122.4
Contractual Services	2.5	2.3
Personnel Compensation and Benefits	0.7	0.7
<b>Total Outlays, Net</b>	<b>\$668.5</b>	<b>\$267.1</b>
<b>Distributed Offsetting Receipts</b>		
Negative Subsidies and Downward Re-estimates Of Subsidies	(28.2)	(5.6)
Repayment of Perkins Loans and Capital Contributions	(0.7)	(0.9)
Other	(0.2)	(0.1)
<b>Total Distributed Offsetting Receipts</b>	<b>\$(29.1)</b>	<b>\$(6.6)</b>
<b>Disbursements, Net</b>		
Direct Loan Program		
Gross Disbursements	\$177.6	\$143.8
Offsetting Collections	(526.6)	(171.5)
<b>Total Direct Loan Program Disbursements, Net</b>	<b>(349.0)</b>	<b>(27.7)</b>
FFEL Program		
Gross Disbursements	10.3	8.3
Offsetting Collections	(43.6)	(19.2)
<b>Total FFEL Program Disbursements, Net</b>	<b>(33.3)</b>	<b>(10.9)</b>
Other Loan Programs		
Gross Disbursements	0.5	0.7
Offsetting Collections	(0.5)	(2.0)
<b>Total Other Loan Program Disbursements, Net</b>	<b>-</b>	<b>(1.3)</b>
<b>Total Disbursements, Net</b>	<b>\$(382.3)</b>	<b>\$(39.9)</b>