New America FoundationFederal Education Budget Project

Home / Higher Education

California

728	178	166	382	213	241	220
Total Schools	Private Non-Profit Schools	Public Schools	Proprietary Schools	Two-Year or More Schools	Four-Year or More Schools	Less Than Two-Year Schools

Federal Financing
Demographics
Outcomes
Financial Aid Use

Federal Financing

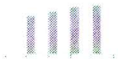
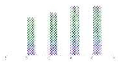
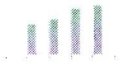
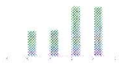
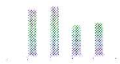
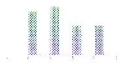
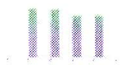
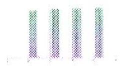
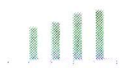
	2007 - 2011	2007	2008	2009	2010	2011
Direct Loan Volume		$1,267,288,890	$1,772,462,247	$2,629,055,382	$6,804,259,920	$8,860,000,00
Guaranteed Loan Volume		$4,260,805,031	$4,300,528,631	$5,112,722,402	$1,717,812,110	
Pell Grant Volume		$1,634,400,000	$2,089,400,000	$3,340,700,000	$3,888,900,000	$3,880,000,00
Supplemental Educational Opportunity Grant Allocation		$79,297,538	$77,912,230	$77,912,251	$79,288,698	$77,040,780
Federal Work-Study Grant Allocation		$101,256,834	$101,271,067	$101,271,043	$100,903,579	$100,701,771
Perkins Loan Disbursements		$148,643,955	$115,238,566	$86,797,804	$70,876,229	$80,508,459
Leveraging Educational Assistance Partnership Allocation		$10,712,192	$10,525,120	$10,525,173	$10,525,173	
Byrd Honors Scholarship Allocation		$5,241,000	$5,067,000	$5,037,000	$5,181,000	
College Access Challenge Grant Allocation			$7,678,868	$7,678,868	$15,038,830	

Californa Student Aid Commission Exhibit 15.1

Demographics	2007 - 2011	2007	2008	2009	2010	2011
Total Enrollment			2,726,365	2,825,491	2,831,542	2,790,701
Total Full Time Enrollment			1,383,960	1,473,763	1,489,044	1,509,153
Total Part Time Enrollment			1,342,405	1,351,728	1,305,469	1,284,548
Total Graduate Enrollment				275,079	273,606	271,292
Percent of Total Enrolled Students that are Female			55.6%	55.3%	54.9%	55.0%
Percent of Total Enrolled Students that are White			35.1%	33.0%	33.3%	32.2%
Percent of Total Enrolled Students that are African American			7.2%	6.9%	7.0%	7.0%
Percent of Total Enrolled Students that are Hispanic			26.3%	26.8%	29.2%	31.3%
Percent of Total Enrolled Students that are Asian			16.3%	15.4%	14.6%	14.5%
Percent of Total Enrolled Students that are American Indian			0.8%	0.7%	0.6%	0.5%
Outcomes	**2007 - 2011**	**2007**	**2008**	**2009**	**2010**	**2011**
Total Graduation Rate			56.0%	56.0%	56.0%	55.0%
Four-year Graduation Rate for Bachelor's Degrees			34.0%	35.0%	37.0%	35.0%

Californa Student Aid Commission

Exhibit 15.1

Financial Aid Use	2007 - 2011	2007	2008	2009	2010	2011
Percent of Students Receiving Any Financial Aid			61.7%	68.0%	76.0%	79.0%
Average Total Federal Grant Aid Received			$3,489	$3,957	$4,547	$4,552
Percent of Students Receiving Federal Aid			38.4%	44.3%	57.0%	62.0%
Average State and Local Grant Aid Received			$1,981	$2,060	$3,889	$3,844
Percent of Students Receiving State and Local Aid			24.2%	25.8%	16.0%	17.0%
Average Institutional Grant Aid Received			$6,839	$7,656	$4,596	$4,622
Percent of Students Receiving Institutional Aid			18.9%	18.4%	16.0%	16.0%
Average Total Loan Aid Received			$6,480	$6,727	$6,816	$6,848
Percent of Students Receiving Student Loan Aid			34.2%	39.4%	49.0%	52.0%

Federal Student Loan Programs - Overview

The federal government provides various types of student loans to help promote access to higher education. The common goal among the different loans is that they allow students to obtain financing for higher education at better terms than those available in the private market. In this regard, the federal government subsidizes the cost of loan for the borrower. Students usually have little or no credit or employment history and no collateral with which to secure a loan to finance a higher education. In response, the federal student loan programs entitle virtually all students to loans with below-market interest rates and flexible repayment options. Furthermore, loans are available to borrowers without respect to income, choice of institution, field of study, or academic performance (except in limited cases). Loans are available for two- and four-year undergraduate study, and graduate study.

Program Structure: Direct Lending

All of the federal student loan types listed below - except Perkins Loans - are provided through the Direct Loan program. Loans are issued directly by the U.S. Department of Education to the institutions of higher education that borrowers attend. The loans are administered (i.e. serviced) by the Department of Education and private companies with whom the Department has contracted to process loan disbursements and handle loan repayments and collections.

Types of Federal Student Loans

Stafford Loan

Unsubsidized Stafford loans are available to all undergraduate and graduate students. Interest rates on loans taken out after July 2006 are fixed at 6.8 percent. Loans originated earlier carry variable interest rates. Dependent undergraduate students can borrow up to the cost of attendance, but no more than $5,500 in their first year, $6,500 in the second year, and $7,500 each year thereafter, and cannot borrow more than $31,000 in total. Independent borrowers are eligible to borrow $9,500 in the first year, $10,500 in the second, and $12,500 in the third, with the aggregate limit set at $57,500. In order to qualify as an independent borrower, the individual must meet one of the following criteria: over the age of 24, served or serves in the military, is married, has legal dependents, was an orphan until the age of 18, or unusual circumstances. Graduate students may borrow no more than $20,500 each year and $138,500 in total. Borrowers do not need to make payments (principal or interest) on the loans while in school. Loans can be repaid through a variety of plans discussed more below.

Stafford Loan - Subsidized

Subsidized Stafford loans are the same as unsubsidized Stafford Loans, except that interest does not accrue while the borrower is in school and the borrowing limit is lower. Both undergraduate and graduate students were historically eligible for Subsidized Stafford loans, but legislation enacted in 2011 (the Budget Control Act) made graduate students ineligible for newly issued loans as of July 2012.

A dependent undergraduate student qualifies for a Subsidized Stafford loan if his or her parents meet financial eligibility requirements. Independent undergraduate students qualify if they themselves meet financial eligibility requirements. For both dependent and independent undergraduate students, the limits for borrowing are $3,500 for the first year, $4,500 for the second year, and $5,500 for the third year with the aggregate limit set at $23,000.

Prior to AY 2013-14, **interest rates on all federal student loans** were fixed, and rates on Subsidized Stafford loans were lower than those on Unsubsidized Stafford. A law passed by Congress in the summer of 2013 resets Stafford loan rates annually to the rate on the 10-year Treasury note, plus a markup of 2.05 percent. Rates are capped at 8.25 percent, and will total 3.86 percent in the 2013-14 academic year. Under the new law, interest rates are the same for Subsidized and Unsubsidized Stafford loans to undergraduates.

Stafford Loan - Graduate

Graduate Stafford loans are available for graduate students but are limited to $20,500 annually and $138,500 in total; remaining costs of a graduate education can be covered with Grad PLUS loans. Prior to AY 2013-14, rates on Graduate Stafford loans were the same as the rates on Unsubsidized Stafford loans. A new law passed in 2013, however, set Graduate Stafford rates at the rate on the 10-year Treasury note plus a 3.6 percent markup, with a cap of 9.5 percent.

PLUS Loan

Parents of undergraduate students who attend college are eligible for federal PLUS loans and may borrow an amount up to the cost of the student's attendance – which includes tuition, housing, and other expenses. PLUS loans are not subject to a specific dollar limit like Stafford loans. Unlike Stafford loans, parents must satisfy a limited credit check. Loans generally must be paid back over 10 years. PLUS loans, which used to carry a fixed 7.9 percent interest rate, now carry a rate equal to the rate on the 10-year Treasury note plus a markup of 4.6 percent. Rates are capped at 10.5 percent.

Grad PLUS Loan

Graduate students may borrow PLUS loans for themselves under the same terms that the loans are provided to parents of dependent undergraduates. Grad PLUS loans are meant for borrowers who exhaust eligibility for Stafford loans. As with Parent PLUS loans, interest rates on Grad PLUS loans are set at the rate on the 10-year Treasury note plus a markup of 4.6 percent, with rates capped at 10.5 percent

Consolidation Loan

All federal student loans can be consolidated into one loan after a borrower leaves school. The interest rate on the loan is fixed, and is set at the weighted average of the interest rates on the underlying loans. Consolidation loans also offer extended repayment terms depending on the total value of the loan (see below).

Perkins Loan

The Perkins Loan program is separate and distinct from Stafford loans. Loans are made to students from lower income families by a participating college or university. Schools have some discretion in determining which students receive a Perkins loan and the size of the loan offered.

Funding for Perkins loans is provided by the federal government directly to colleges and universities, which must match one-third of the funding. The funding establishes a revolving loan fund, from which new loans are made as older loans are repaid. Repayment can be no longer than 10 years, interest rates are fixed at 5 percent, and annual borrowing limits are set at $4,000 for undergraduates and $6,000 for graduate students. The federal government also provides separate funding to forgive Perkins Loans if borrowers are employed in certain high-need jobs.

Federal Student Loan Statistics 2013

Program	New Loans (millions)	New Loan Volume ($ billions)	Average New Loan Size ($)
Stafford Subsidized	9.3	30.0	3,001
Stafford Unsubsidized	10.8	59.1	5,467
Grad PLUS	0.5	8.4	16,049
Parent PLUS	0.9	10.5	12,185
Perkins Loans	0.5	1.0	1,860

*Most recent year available for loan data from U.S. Department of Education.

Source: **Congressional Budget Office 2013 Baseline Budget Estimate**; U.S. Department of Education

Federal Student Loan Interest Rates

Between AY 2006-07 and AY 2013-14, interest rates on federal student loans were fixed. Rates on Subsidized Stafford loans were gradually lowered from 6.8 percent to 3.4 percent, and then set to increase again to 6.8 percent in AY 2012-13. After a one-year extension of the 3.4 percent rate, Congress faced the same cliff and elected to pass a bipartisan compromise to reform the way rates are set. The new rates are tied to the rates on the 10-year Treasury note, plus a markup. Rates on each loan type are capped. Rates remain fixed for the life of each loan, but reset for the new year in July.

Interest Rates (%), AY 2013-14

Loan Type	10-Yr T-Note*	Added Markup	Effective Rate
Undergraduate Stafford (Subsidized and Unsubsidized)	1.81	2.05	**3.86**
Graduate Stafford	1.81	3.60	**5.41**
PLUS (Parent and Grad)	1.81	4.60	**6.41**

*Rate as of May 2013, in place for AY 2013-14

Source: New America Foundation; U.S. Department of Education

Federal Student Loan Repayment Plans

Borrowers may repay their federal student loans under a variety of repayment plans. However, all borrowers are automatically enrolled in the Standard repayment plan when they leave school. They must opt into any of the others, provided they meet the eligibility criteria. Borrowers can opt into any plan for which they are eligible at any point during repayment and generally can change options during repayment. Borrowers may also pre-pay (make larger payments than the minimum required) at any time without penalty.

Standard is a 10-year repayment plan in which the borrower makes 120 monthly payments that fully repay the loan and any accrued interest. Borrowers can make fixed monthly payments or payments that gradually increase over the life of the loan.

Extended allows borrowers with balances of $30,000 and more to repay over 25 years at fixed or gradually increasing payments.

Consolidation, like extended repayment, allows borrowers to lengthen the term of their loans, but allows them to do so with lower balances. For balances$7,500 to $9,999 the term is 12 years; for $10,000 to $19,999 the term is 15 years; for $20,000 to $39,999 the term is 20 years; for $40,000 to $59,999 the term is 25 years; for $60,000 or more the term is 30 years. Borrowers can make fixed monthly payments or payments that gradually increase of the life of the loan.

Income Based Repayment (IBR) allows borrowers to make monthly payments based on their incomes if they meet a debt-to-income test. Borrowers may opt into IBR if their payments under that plan would be lower than payments under the Standard (10-year) repayment plan. For new and recent borrowers, eligibility and payments are set at 10 percent of Adjusted Gross Income after a base $17,235 exemption that increases with household size. This plan is called "Pay As You Earn." Earlier borrowers pay 15 percent of Adjusted Gross Income. Unpaid loan balances are forgiven after a set amount of time depending on the plan: 20 years for Pay As You Earn and 25 years for earlier cohorts of borrowers. Separately, borrowers in either plan qualify for loan forgiveness after 10 years of payments if they work in virtually any non-profit or government job.

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