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The Role The Federal Student Loan Programs Play in Supporting Postsecondary Students

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Summary

The federal government operates two major student loan programs: the **Federal Family Education Loan (FFEL)** program, authorized by Part B of Title IV of the Higher Education Act (HEA) and the **William D. Ford Direct Loan (DL)** program authorized by Part D of Title IV of the HEA. These programs provide loans to undergraduate and graduate students and the parents of undergraduate students to help them meet the costs of postsecondary education.

Under the FFEL program, loan capital is provided by private lenders, and the federal government guarantees lenders against loss through borrower default, death, permanent disability, or in limited instances, bankruptcy. Under the DL program, the federal government provides the loans to students and their families, using federal capital (i.e., funds from the U.S. Treasury). The two programs rely on different sources of capital and different administrative structures, but essentially disburse the same set of low-interest loans.

The federal student loan programs are the largest component of a broad, multi-faceted federal financial aid effort. Together, federal aid programs aim to broadly encourage qualified students to pursue postsecondary education, and to ensure that the benefits of postsecondary education are available to qualified lower and mid income students.

The federal student loans, like most other forms of federal financial aid, are awarded directly to students and their families, and can be used to support students at the postsecondary institution they choose to attend. They play an important role in helping students meet the cost of postsecondary education and in enabling students to choose the postsecondary institution they want to attend.

Federal student loan volume has grown steadily since the inception of federal loans, and dramatically over the last decade. The loan programs now provide more direct aid to support students' postsecondary educational pursuits than any other source of aid (federal or non-federal). In FY2000, these programs provided an estimated $31.6 billion in new loans to students and their parents. Approximately 24% of the nation's undergraduate students benefit from federal loans annually, and these loans cover an average of approximately 40% of their cost of attendance.

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Introduction

About This Report

This report provides background information on the role that the FFEL and DL federal student loan programs play in supporting the educational pursuits of the nation's postsecondary students. Specifically, it describes the role assumed by the federal loan programs within the federal financial aid effort and within the broader landscape of student financial aid. It also provides trend data on aid disbursed through the loan programs and other major aid programs, as well as data on the characteristics of current loan recipients and the extent to which loans help them meet their cost of attendance. The report basically attempts to situate the federal student loan programs within the broader context of student financial aid. It does not, however, attempt to examine advantages and disadvantages associated with using loans as a source of aid. The report will be updated only if new data become available suggesting that an important shift has occurred in the role federal loans are playing in supporting students.

Introduction to Federal Student Loans

The federal government operates two major student loan programs: the **Federal Family Education Loan (FFEL)** program and the **William D. Ford Direct Loan (DL)** program.[1] These programs aim to enhance the access students from low and middle income families have to postsecondary education by providing them with low-interest loans.

The FFEL program, formerly named the Guaranteed Student Loan (GSL) program, is authorized by Part B of Title IV of the Higher Education Act (HEA).

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[1] There is a smaller, separate, campus-based student loan program (the Federal Perkins Loan program) that is also authorized by the Higher Education Act. The Perkins Loan program will be discussed within the context of "campus-based" assistance later in this report.

Under the FFEL program, loan capital is provided by private lenders, and the federal government guarantees lenders against loss through borrower default.[2]

The Federal Direct Student Loan program, established in 1993, and authorized under Part D of Title IV of the HEA, was intended to streamline the student loan delivery system and achieve cost savings. The DL program provides the same set of loans as the FFEL program, but uses a different administrative structure and draws on a different source of capital. Under the DL program, the federal government essentially serves as the banker — the federal government provides the loans to students and their families, using federal capital (i.e., funds from the U.S. Treasury), and owns the loans.[3]

While the DL program was originally introduced to replace the FFEL program, the 1998 HEA amendments removed the provisions of the law that referred to a "phase-in" of the DL program and those which specified the proportion of new student loan volume to be made through the DL program in particular academic years. Currently both programs are authorized and the two programs compete for student loan business.

The FFEL and DL programs provide the following types of loans to students and their parents:

- **Subsidized Stafford loans**: Low interest loans to undergraduate and graduate students. The federal government "subsidizes" these loans by paying the interest on the loans while the student is in school and during grace periods and deferment periods.[4] To qualify for a subsidized Stafford loan, a student must establish financial need.
- **Unsubsidized Stafford loans**: Low interest loans to undergraduate and graduate students. The federal government does not pay the interest on these loans while the student is in school or during deferment or grace periods.[5] Students can qualify for unsubsidized Stafford loans regardless of financial need.
- **PLUS loans**: Low interest loans to parents of dependent undergraduate students. Parents can qualify for PLUS loans regardless of financial need.
- **Consolidation loans**: Loans that offer borrowers refinancing options.

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[2] For more information on FFEL program features see CRS Report RL30636, *The Administration of Federal Student Loan Programs: Background and Provisions*, by Adam Stoll.

[3] For more information on DL program features see CRS Report RL30655, *Federal Student Loans: Terms and Conditions for Borrowers*, by Adam Stoll.

[4] "Grace" is a 6-month period beginning immediately after a student ceases to be enrolled in a school on at least a half-time basis, and deferment periods are periods during which borrowers are able to suspend loan repayment (e.g., due to pursuit of additional studies, or due to economic hardships).

[5] During these periods, the borrower can begin paying the interest or it is capitalized (i.e., added to the loan principal).

The Stafford and PLUS loans made to students and parents through the FFEL and DL programs are low-interest variable rate loans with interest caps that limit the cost to borrowers. Interest rates are determined by statutorily set market-indexed interest rate formulas. Annual and aggregate borrowing limits are also determined by statute.

Loans made through these programs support students pursuing postsecondary studies on at least a half-time basis at eligible postsecondary institutions. Student borrowers receiving loans through these programs are allowed to postpone loan repayment until they complete their academic programs. Students are also able to defer repaying their loans in order to pursue additional postsecondary studies.[6]

Situating The Federal Student Loan Programs Within the Federal Financial Aid Effort

The federal student loan programs can trace their origins to the GSL program, which was initially enacted in the original HEA of 1965. Over time, the HEA has created a series of new federal student aid programs that have represented a major boost in the federal government's commitment to providing direct aid to postsecondary students. It has also established an enduring set of aims for the federal student assistance effort. Federal aid programs aim to broadly encourage qualified students to pursue postsecondary education, and to ensure that the benefits of postsecondary education are available to qualified lower and mid income students. Today, the federal student loan programs work in conjunction with other federal aid programs to achieve these aims.

In the years since the passage of the HEA, the federal government has assumed the preeminent role in providing "direct aid" to the nation's students and their families (i.e., providing aid awarded directly to students and their families). This aid complements direct aid from states and higher education institutions as well as sources of "indirect aid" such as state and local appropriations which also play an important role helping to subsidize students' studies.[7]

Types of Federal Aid

The federal student loan programs are part of a broad multi-faceted federal effort to provide aid to postsecondary students. Generally available federal financial aid is

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[6] For more information on the loans made through the student loan programs see CRS Report RL30655, *Federal Student Loans: Terms and Conditions for Borrowers*, by Adam Stoll.

[7] Several sources of "indirect aid" play a large role in subsidizing students' studies. Of particular importance are state and local government appropriations which provide more revenue than tuition at public institutions, and gift and endowment revenues which provide considerable revenue to private institutions. These sources of revenue enable colleges and universities to keep tuition lower. See *The Condition of Education*, p. 110, NCES, 1999 for additional information.

disbursed in the form of loans, grants, tax benefits and college work study funds.[8] The larger federal aid programs provide portable aid. This aid can be awarded to students at any qualified institution they chose to attend.[9] Federal financial aid is used by students and their families to cover tuition and fees at postsecondary institutions as well as other qualified expenses including room and board, books and transportation.

Federal aid programs disburse need-sensitive aid. Applicants for federal financial aid are required to complete the Free Application for Federal Student Aid (FAFSA).[10] Information provided on the FAFSA is fed into the federal need analysis system which is used to determine: the financial contribution the student and his or her family can be expected to make to help cover the cost of the student's education; the student's level of financial need; and the student's eligibility for various types of federal financial aid.

Essentially, information on family assets and income provided on the FAFSA is processed by the Central Processing System (CPS) of the U.S. Department of Education (ED) and used to calculate an expected family contribution (EFC) toward postsecondary education. The EFC is transmitted to a college financial aid administrator who compares the EFC to the student's cost of attendance (which is calculated in a manner specified by federal statute) and the gap between the EFC and cost of attendance constitutes the student's financial need. Need-based federal aid can be awarded to help students close the gap between the EFC and cost of attendance, and non-need based federal aid can be awarded without regard to the EFC, but may not be awarded in sums that exceed cost of attendance minus any other aid awarded.[11]

The federal aid programs that provide need-based and non need-based generally available aid to support students enrolled in postsecondary institutions include:

- **The FFEL and DL programs** which disburse need-based and non need-based low interest loans to students and parents of dependent students through the institutions of higher education the student has chosen to attend. The FFEL

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[8] "Generally available" aid is broadly available aid intended to encourage students to pursue postsecondary education. In addition to generally available aid, the federal government also provides "specially-directed" financial aid. This aid is intended to support particular types of postsecondary educational pursuits (e.g., job-related training), or it is provided as a benefit to individuals for pursuing specific occupations. Specially directed aid programs include: veterans education benefits, employer educational assistance, and various loan forgiveness and service payback programs.

[9] An institution must be eligible to receive aid under Title IV of the HEA. For more information on this see CRS Report 97-671, *Institutional Eligibility for Student Aid Under the Higher Education Act: Background and Issues*, by Margot A. Schenet.

[10] This requirement applies to all forms of federal aid with the exception of tax benefits which are handled through tax filing.

[11] Tax benefits are the lone form of federal aid discussed in this report that are not "awarded" or subject to the need analysis process. For information on the determinants of eligibility for tax benefits see CRS Report 97-915, *Tax Benefits for Education in the Taxpayer Relief Act of 1997: New Legislative Developments*, by Bob Lyke.

and DL programs are entitlement programs (i.e., funding to support loans made through these programs is available on a permanent indefinite basis, and loan availability is not subject to the annual appropriations process).

- **The Pell Grant program** which disburses grants to postsecondary students with higher levels of financial need through the institutions of higher education the student has chosen to attend. Pell grant awards are largely determined by the difference between the EFC and the maximum Pell award level established in annual appropriations legislation. Pell grants are the first form of federal need-based aid awarded to students and in practice are directed to low-income students.[12]

- **The Hope Scholarship and Lifetime Learning Tax Credits**[13] which provide relief from tax liability for students and their families to support students' studies at the institutions of higher education they have chosen to attend.[14]

- **Campus-Based Aid programs**, a set of programs which disburse funds directly to institutions of higher education and afford institutions discretion in packaging such aid to students.[15] The amount of aid available through the campus-based programs is affected by the annual federal appropriation levels. Campus-based aid programs include:

  Federal Supplemental Educational Opportunity Grants which provide extra grant assistance — in addition to Pell grants — to students with exceptional levels of financial need.

  Federal Perkins Loans which provide more favorable interest-rate benefits than FFEL and DL program Stafford loans, and are only available to support students with exceptional levels of financial need.

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[12] For additional information on Pell Grants see CRS Report 97-101, *Pell Grants: Background and Issues*, by Margot A Schenet.

[13] The federal tax benefits discussed through the remainder of this report are the Hope Scholarship and Lifetime Learning tax credits. It should be noted that there are additional postsecondary education tax benefits provided by the federal government, including educational IRAs and tax deductions on interest for qualified educational loans. These benefits can be realized well in advance of a student's attending a postsecondary institution (in the case of tax exempt IRAs) which can be established before students are college age; or well after postsecondary attendance (in the case of interest deductions) which benefit students repaying loans years after attendance. These benefits have not been included in this report which will only deal with aid made available to students enrolled in postsecondary institutions.

[14] Tax credits are available to families with sufficient tax liability to claim them and begin to be phased out for families with adjusted gross incomes over $40,000 ($80,000 in the case of a joint return). Tax credits may be claimed by taxpayers for themselves, their spouses or their dependents. For additional information see CRS Report 97-915, *Tax Benefits for Education in the Taxpayer Relief Act of 1997: New Legislative Developments,* by Bob Lyke.

[15] Some constraints are placed on this discretion, relating to minimum need criteria students must meet to be eligible for these forms of aid.

Federal Work Study which provides funds that subsidize up to 75% of a student's wage for a part-time job (usually an on-campus job), available only to students with financial need.

- **Leveraging Educational Assistance Partnership program** which disburses funds to states, that are matched by the state, and awarded as state grants to students.

Figure 1 below illustrates the methods of distribution and intended beneficiaries of these federal aid programs.

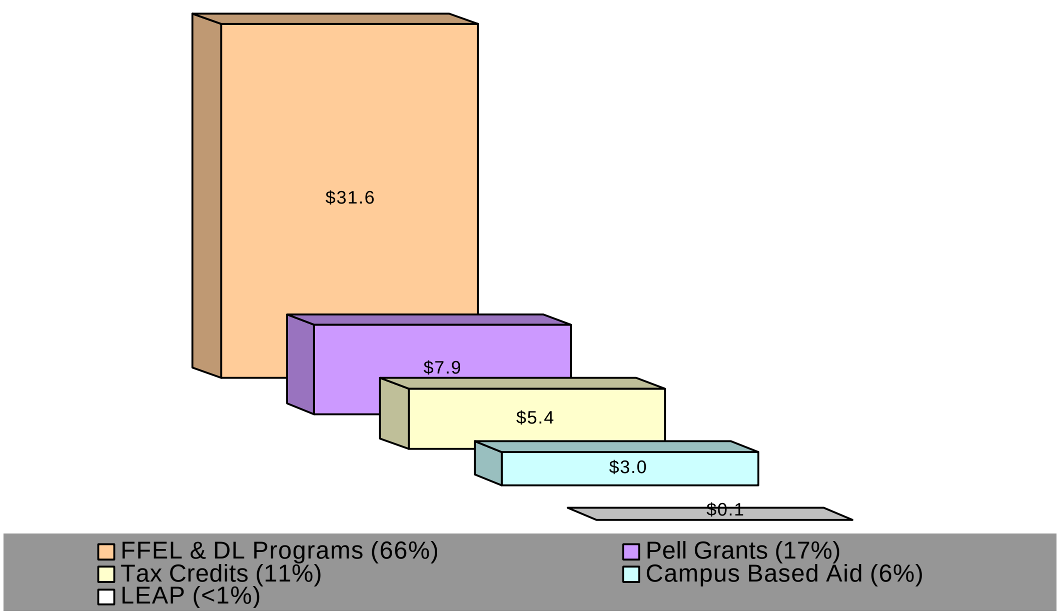
Figure 1. Federal Financial Aid For Students in Higher Education

Financial Aid Program	*Aid Disbursement*	*Intended Beneficiaries*
Loans to Students and Parents		
FFEL and DL Program Loans Stafford Subsidized Loan Stafford Unsubsidized Loans	Aid disbursed directly to students to support their studies at the institutions they have chosen to attend	Undergraduate and Graduate Students
PLUS Loans	Aid disbursed directly to parents to support their dependent students studies at the student's chosen institutions	Undergraduate Students
Grants to Students		
Pell Grants	Aid disbursed directly to students to support their studies at the institutions they have chosen to attend	Undergraduate Students
Tax Benefits for Students and Their Families		
Hope Scholarship Tax Credit	No disbursement, relief from tax liability provided for independent students or families supporting dependent students	Undergraduate Students
Lifetime Learning Tax Credit	No disbursement, relief from tax liability provided for independent students or families supporting dependent students	Undergraduate and Graduate Students
Campus-Based Aid to Institutions		
Work Study Perkins Loans	Aid disbursed to institutions, which are afforded discretion in packaging such aid to students	Undergraduate and Graduate Students
Supplemental Educational Opportunity Grants	Aid disbursed to institutions, which are afforded discretion in packaging such aid to students	Undergraduate Students
Incentive Grants to States		
Leveraging Educational Assistance Partnership Program	Aid disbursed as matching grants to states, and subsequently awarded to students by states	Undergraduate and Graduate Students

Amount of Federal Aid Made Available

Approximately two thirds of federal student aid is provided in the form of FFEL and DL program loans. This is revealed by **Figure 2** below,[16] which depicts the amount of generally available aid being provided through the federal aid programs in FY2000. An estimated $31.6 billion in new loans were made available in FY2000, accounting for roughly 66% of the $48 billion in federal aid made available to students. Pell Grants provided roughly 17% of the federal aid; tax credits provided an estimated 11%; campus-based aid provided an estimated 6%; and LEAP provided well under 1%.

Figure 2. Estimated Student Financial Aid Made Available Through Federal Programs in FY2000
(in billions)



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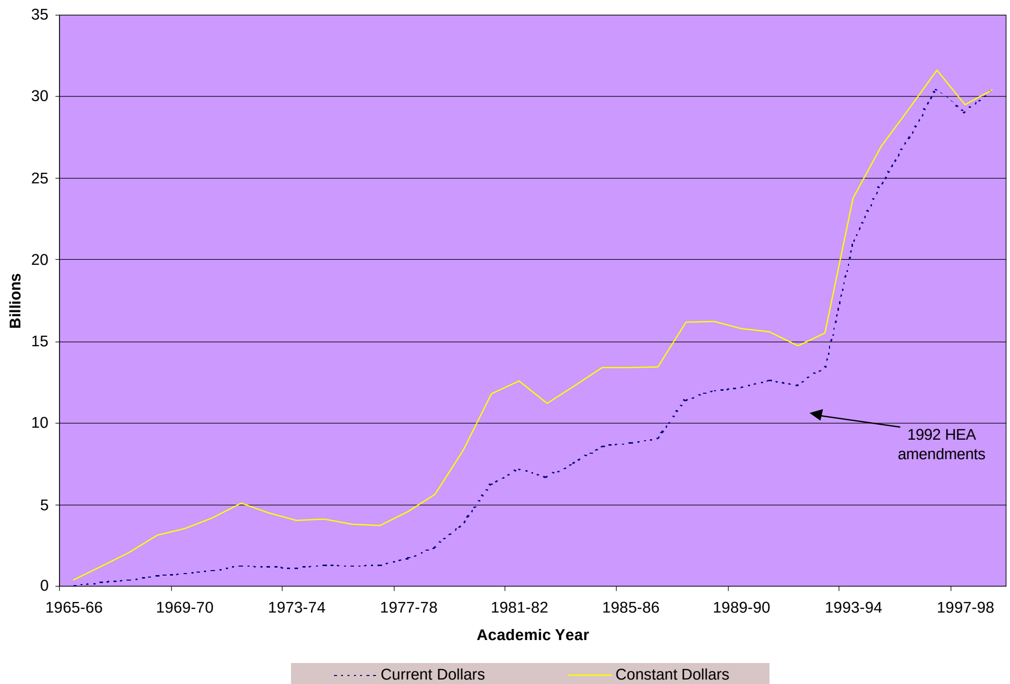
[16] Data upon which **Figure 2** is based come from two sources: 1) ED's projections of student aid to be made available through federal financial aid programs in FY2000, presented in the Appendix of ED's budget proposal for FY2001; and 2) The Joint Committee on Taxation's projections of aid to be made available through tax credits, presented in *Tax Analysts Special Report January 3, 2000: Estimates of Federal Tax Expenditures for Fiscal Years 2000-2004*. It should be noted that the data on loans represent loan volume, the data on tax credits represent tax expenditures (i.e., tax revenue losses), and the other data presented represent appropriations.

As **Figure 2** shows,[17] student loans are, by a wide margin, the largest source of direct federal aid to postsecondary students. From fairly early on in the evolution of the federal student aid effort loans have been the dominant form of aid made available. **Figure 3** (below) illustrates borrowing increases that have occurred since federally sponsored student loans first became available.[18]

Figure 3. Trends in Student Loan Borrowing in Current and Constant Dollars



Some of the growth in borrowing displayed in **Figure 3** is attributable to the increase in college attendance that has occurred over the duration of the loan programs, as a larger percentage of the population has sought the economic advantages associated with higher educational attainment. Increases in college costs which have consistently out-paced inflation, also explain some of the growth in borrowing.[19]

At the same time, over the history of the federal student loan programs numerous changes have been enacted to expand borrowing opportunities as have several

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[17] **Figure 3** presents unpublished data from the U.S. Department of Education on annual loan volume from the DL program and FFEL program (formerly the GSL program) in current dollars. Current dollars reflect the actual dollar amount made available to borrowers in any given year. Constant dollar adjustments have been made by the author. Constant dollars are "inflation-adjusted" dollars. They reflect the value of funds in terms of 1998-1999 dollars. The constant dollars presented in **Figure 3** were calculated using a Consumer Price Index (CPI) deflator.

[18] In **Figure 3** and through the remainder of this report data are presented on an academic year basis. The academic award year spans from July 1 to June 30. Most available longitudinal data on student aid are available on an academic year basis.

[19] See *Trends in College Pricing*, The College Board, 2000.

provisions to reduce costs for borrowers.[20] In general, these changes have involved making statutory adjustments to: borrower interest rates, annual and aggregate borrowing limits, loan eligibility rules (particularly for subsidized loans), and borrower subsidy levels. These adjustments have generally reflected an ongoing commitment to encourage college-going by providing enhanced borrowing opportunities, and have clearly contributed to the growth of the loan programs.

As **Figure 3** illustrates, for the most part, student loan volume grew steadily over the first 25 years of the federal student loan programs. By academic year1989-1990, annual new loan volume had reached roughly $12 billion. Borrowing then increased quite dramatically in the 1990s. During the period from academic year 1992-1993 to fiscal year 1998-1999, new loan volume more than doubled, going from roughly $13 billion to more than $30 billion. Much of this growth is thought to be related to the changes enacted in the 1992 HEA amendments which increased borrowing limits and introduced unsubsidized Stafford loans — a move that greatly expanded the availability of non-need based loans.

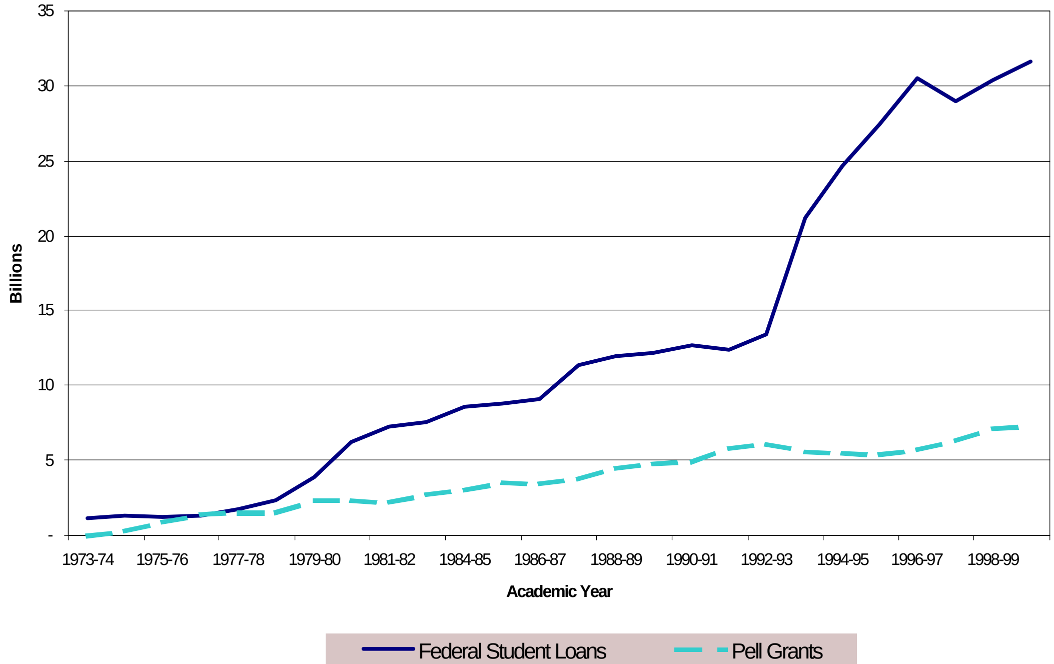
Balance Between Loans and Grants. The balance among forms of generally available federal financial aid is often examined by comparing the balance between Pell grants and student loans. These are the main sources of federal aid and they represent very different approaches toward assisting students: loans require repayment with interest; and grants (often called "gift aid") do not require repayment.

Together Pell grants and FFEL and DL student loans currently account for roughly 83% of generally available federal aid. Prior to the introduction of federal tax credits in 1997 these sources accounted for a larger proportion of such aid. As **Figure 4** reveals,[21] from fairly early on in the evolution of the federal financial aid effort, loans have been the dominant form of aid the federal government has made available, with this trend becoming strongly accentuated after the 1992 HEA amendments.

[20] Although some measures have also been enacted to reduce costs to the federal government — sometimes at the expense of borrowers.

[21] **Figure 4** presents unpublished data from ED on annual student loan volume from the DL program and FFEL program (formerly the GSL program) and on Pell grant expenditures.

Figure 4. Historical Comparison of Aid Made Available Through Federal Student Loans and Pell Grants



The relationship between these sources of aid illustrates the relative emphasis being placed on providing grant aid and providing borrowing opportunities. In the aggregate, loans have long been the dominant form of federal aid made available to students and their families. At the same time, the federal government has sustained a strong commitment to providing grant support to students with high levels of financial need.[22]

[22] Maximum Pell grants in the 1999-2000 academic year cover roughly 40% of the cost of attendance for students at public 4-year institutions and 20% of the cost of attendance for students at private 4-year institutions. See *Trends in Student Aid 2000*, The College Board, p.13.

Situating the Federal Student Loan Programs Within the Broader Landscape of Student Financial Aid

Aggregate Levels of Aid Being Disbursed

To gain a full appreciation of the importance of federal student loans and other sources of federal aid, it is helpful to examine them within the broader context of total (federal and non-federal)financial aid available to students. **Figure 5**[23] presents estimates of the amount of student financial aid provided by the nation's major sources of aid in academic year 1999-2000. These estimates were produced by the College Board and presented in *Trends in Student Aid 2000*. According to College Board data, in academic year 1999-2000, the federal government was the primary supporter of direct financial aid. Aid provided through federal programs accounted for approximately $48 billion, roughly 70% of available aid. As **Figure 5** shows, FFEL and DL program loans accounted for more aid than any other source (approximately 51%).[24] The remaining aid was provided in the following manner: 19% through institutional and other grants; 11% through Pell grants; 6% through non-federal loans (i.e., private loans and state sponsored loans); 5% through state grants; 4% through federal Campus-Based Aid; and 4% through other federal programs.[25]

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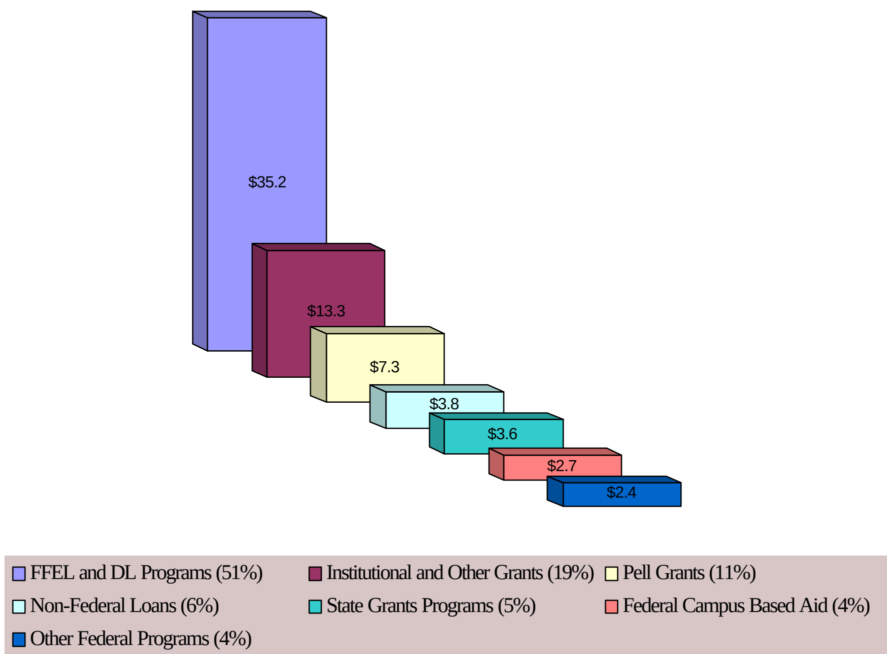
[23] **Figure 5** is based on estimates presented in Trends in Student Aid 2000, The College Board. College Board estimates are based on data compiled on the vast majority of state and institutional aid as well as federal aid. Data on tax benefits, credit card financing and certain other types of private credit/loans which may be used for financing postsecondary expenses were not available for inclusion in the College Board study.

[24] Data on the federal loan programs' loan volume are based on estimates derived from the National Student Loan Data System (NSLDS). NSLDS data are sampled to produce estimates. Data sampled at different intervals in a year provide varying snapshots of the year's likely new loan volume — due to the "fluidity"of this database (i.e., fluctuations in school and loan servicer reporting schedules, and fluctuations in student enrollment status). College Board estimates of academic year 1999-2000 loan volume were produced prior to those presented earlier in this report (in **Figure 4**) and for that reason do not align perfectly with those estimates.

[25] Other federal programs include military and veterans aid, LEAP, and some other relatively small grant and loan programs.

Figure 5. Estimated Student Financial Aid by Source for Academic Year 1999-2000 (in Billions)

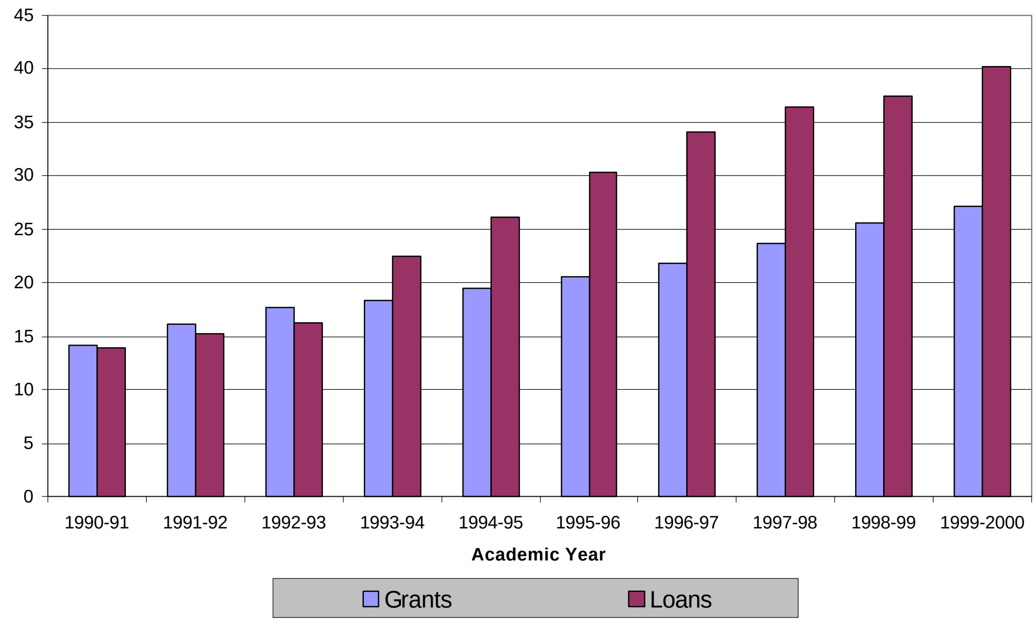


Balance Between Loans and Other Sources of Aid. As borrowing has grown in recent years (spurred primarily by growth in federal student loan volume), the overall balance between loans and other types of aid provided to students has shifted. College Board data spanning the major sources of federal and non-federal aid illuminate this trend (see **Figure 6**). According to these data, over the last decade, the balance between aid provided via loans and grants — the two primary source of aid — has changed considerably.[26] In academic year 1990-1991, loans accounted for approximately 48% of aid to students and grants 49%; whereas by 1999-2000 loans accounted for an estimated 59% and grants 40%.[27]

[26] Loan data presented in **Figure 6** are from the FFEL and DL programs, the Campus-Based Perkins Loan program, non-federal loans, and other relatively small federal loan programs. Grant data are from the Pell and SEOG programs, LEAP, military and veterans aid, state grants, and institutional and other grants.

[27] *Trends in Student Aid 2000*, The College Board, p.12.

Figure 6. Comparison of Grant and Loan Aid Made Available to Students Through all Major Sources (in Billions)



In earlier years (prior to the early 1980s), grants had been the more dominant form of aid. This comparison sheds some light on the extent to which direct student aid nationally is focused on providing students with opportunities to invest in their education versus providing types of assistance that require no repayment. Proportionally, loans are becoming increasingly dominant. It should be noted, however, that tax credits, established in 1997, and upon which trend data were not yet available for inclusion in this comparison, constitute the third major source of aid. Tax credits may restore more balance between loans and sources of aid that do not require repayment.

Who Receives Federal Loans?

Having considered the FFEL and DL program loans within the broader context of aid being made available by the federal government and the other major providers of direct student aid, it is useful to examine who receives loans and the extent to which loans help these students meet their cost of attendance. These issues are explored below through analyses of nationally representative data on the financial aid provided to postsecondary students. The data used in this examination are from the National Postsecondary Student Aid Study (NPSAS) conducted in the 1995-1996 academic year (which offers the most up to date available nationally representative data on student aid).

The analysis presented below examines the characteristics of FFEL and DL program loan recipients and the extent to which FFEL and DL program loans help them cover their higher education costs. The analysis focuses exclusively on undergraduate students. Students attending all types of public and private institutions are included in the examination. Data presented in the tables prepared for the examination are disaggregated by the major factors that account for variation in aid received: attendance status; type of institution attended; and dependency status and income level.[28]

Table 1 shows the percentage of the nation's undergraduate students in a variety of categories who received FFEL and DL federal loan aid and the amount they received. This table enables one to examine who's receiving loans.

[28] Income categories have been constructed to correspond with some of the basic thresholds created in aid disbursement policies. It should be noted that while the same set of income categories are used to study both dependent and independent students, these groups of students may differ in important ways. Dependent students' parents' financial resources (along with the student's) are used to determine their income category. Whereas, for independent students, only their own financial resources (and a spouse's, if applicable) are used.

Table 1. Percentage of Undergraduates With Various Characteristics Who Received FFEL or DL Program Federal Loans, and Average Amount Received, Academic Year 1995-1996

	FFEL and DL Federal Loans (total) [a]		Stafford Loans		PLUS Loans	
	Percent	Average	Percent	Average	Percent	Average
All undergraduates	24%	4,453	23%	3,924	2%	5,902
Attendance status						
Full-time	34%	4,555	33%	3,972	4%	5,937
Part-time	7%	3,658	6%	3,564	<1%	4,456
Income (dependent)						
Less than $20,000	33%	3,658	32%	3,331	3%	4,053
$20,000 to $29,999	35%	3,953	34%	3,449	4%	4,739
$30,000 to $49,999	35%	4,195	34%	3,446	5%	5,086
$50,000 or more	22%	5,013	22%	3,515	5%	6,919
Income (independent)						
Less than $20,000	27%	4,574	27%	4,574	N/A	N/A
$20,000 to $29,999	15%	4,626	15%	4,626	N/A	N/A
$30,000 to $49,999	11%	4,792	11%	4,791	N/A	N/A
$50,000 or more	5%	4,676	5%	4,676	N/A	N/A
Sector						
Public 2-year	6%	2,884	6%	2,852	<1%	low n [b]
Public 4-year	35%	4,426	35%	3,980	3%	5,273
Private 4-year	44%	5,175	43%	4,230	6%	7,455
Proprietary	53%	4,495	53%	4,037	5%	4,487
Other	19%	4,382	19%	4,050	2%	3,722

[a] This column presents the percentage of students having benefitted from any FFEL and DL program loan and the average amount of loan aid they received through these programs in the 1995-1996 academic year. Students in this category may have benefitted from Stafford loans, PLUS loans, or both.
[b] Too few cases for a reliable estimate.

As **Table 1** shows, 24% of the nation's undergraduates and 34% of full-time undergraduates benefitted from FFEL or DL federal loans in 1995-1996. These loans are an important source of aid for dependent students spanning all income categories, and for independent students in the lower income categories. Fifty-three percent of the undergraduates at proprietary schools, 44% of the undergraduates at private 4-year institutions, and 35% of the undergraduates at 4-year public institutions benefitted from FFEL and DL federal loan aid. Students attending 2-year public institutions are much less likely to be receiving loan aid than students in all other types of institutions.

This is likely due to the fact that many of these students attending 2-year public institutions do so on a less than half time basis and are therefore ineligible for most federal loan assistance.

Table 2 shows FFEL and DL federal loans as an average percentage of the total aid received by loan recipients. Additionally, it shows federal aid as an average percentage of the total aid received by these students. This information allows one to examine the role loans play in the aid packages received by various types of loan recipients and also allows for comparisons of the relative contributions of different types of aid.

Table 2: Federal Aid and FFEL and DL Program Federal Loans as Average Percentages of Total Aid Received by Undergraduate Students with Various Characteristics Who Received FFEL or DL Loans, Academic Year 1995-1996

	Federal aid as a percentage of total aid	**FFEL and DL loans as a percentage of total aid** [a]
All undergraduate loan recipients	83%	68%
Attendance status		
Full-time	82%	67%
Part-time	93%	79%
Income (dependent)		
Less than $20,000	79%	51%
$20,000 to $29,999	77%	58%
$30,000 to $49,999	77%	68%
$50,000 or more	80%	77%
Income (independent)		
Less than $20,000	89%	68%
$20,000 to $29,999	89%	74%
$30,000 to $49,999	89%	84%
$50,000 or more	91%	91%
Sector		
Public 2-year	93%	76%
Public 4-year	87%	72%
Private 4-year	66%	54%
Proprietary	93%	76%
Other	85%	73%

[a] This column presents information on students having benefitted from any FFEL and DL program loans in the 1995-96 academic year. Students in this category may have benefitted from Stafford loans, PLUS loans, or both.

As **Table 2** reveals, FFEL and DL federal loans comprise a very large percentage of the aid received by their recipients. On average, loans account for 68% of the aid received by these students. FFEL and DL loan aid accounted for more than half the aid received by these students spanning all income categories, for both dependent and independent students.

Table 3 shows the average percentage of loan recipients' cost of attendance covered by their total aid package, their FFEL and DL federal loans, and all federal aid received. This table enables one to examine the extent to which federal loans and other aid received are helping loan recipients meet their cost of attendance.

Table 3: Total Aid, Federal Aid, and FFEL and DL Federal Loans as Average Percentages Cost of Attendance for Undergraduate Students with Various Characteristics Who Received FFEL or DL Federal Loans, Academic Year 1995-1996

	Total aid as a percentage of cost of attendance	Federal aid as a percentage of cost of attendance	FFEL and DL loans as a percentage of cost of attendance [a]
All undergraduate loan recipients	62%	50%	40%
Attendance status			
Full-time	62%	49%	39%
Part-time	64%	59%	50%
Income (dependent)			
Less than $20,000	71%	54%	34%
$20,000 to $29,999	66%	49%	35%
$30,000 to $49,999	59%	43%	37%
$50,000 or more	53%	41%	39%
Income (independent)			
Less than $20,000	68%	57%	45%
$20,000 to $29,999	60%	53%	44%
$30,000 to $49,999	55%	48%	45%
$50,000 or more	47%	41%	41%
Sector			
Public 2-year	59%	54%	42%
Public 4-year	65%	55%	44%
Private 4-year	65%	41%	32%
Proprietary	51%	47%	38%
Other	59%	49%	41%

[a] This column presents information on students having benefitted from any FFEL and DL program loans in the 1995-96 academic year. Students in this category may have benefitted from Stafford loans, PLUS loans, or both.

Table 3 shows that the financial aid received by FFEL and DL loan recipients plays a significant role in helping them cover their cost of attendance. The average percentage of higher education expenses covered for these students by their total aid package is 62%. On average their FFEL and DL federal loans covered 40% of their cost of attendance. FFEL and DL loans covered at least one third of the cost of attendance for recipients spanning all income categories. These loans also covered at least 32% of higher education costs for recipients across all types of institutions of higher education