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U.S. Student-Loan Program Now Runs Deficit, CBO Estimates

Cost to taxpayers could reach billions of dollars over a decade, according to a recent estimate



The CBO said last week the federal student-loan program will cost taxpayers \$31.5 billion over the next decade.

PHOTO: SETH WENIG/ASSOCIATED PRESS

By *Josh Mitchell*

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PRINT TEXT

WASHINGTON—U.S. officials no longer think the government will make money off the federal student-loan program and now project it will cost taxpayers tens of billions of dollars in coming years, according to a new congressional estimate.

The program is losing money after a surge of borrowers defaulting on loans or [enrolling in plans that ultimately will forgive a portion of their debt](#).

[The Congressional Budget Office said last week](#) the program will cost taxpayers \$31.5 billion over the next decade, once administrative costs are factored in. For years, the agency said the program would return a profit. The agency said a year ago that the program would return a profit of \$8.7 billion over a decade. [Bloomberg News reported the development Tuesday.](#)

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The CBO report estimates that overall, the government will get back all of the money it issues in loans, plus a bit of interest. But that figure is falling rapidly, and once administrative costs are factored in, the program overall will run a deficit, it says.

The losses represent a fraction of overall government spending, but they are mounting. And they are stirring concern within the Trump

administration.




Education Secretary Betsy DeVos “is very concerned about the financial health of the student-loan portfolio and its ultimate cost to taxpayers,” said Elizabeth Hill, a spokeswoman for Mrs. DeVos. “That’s why she said last year the country was facing a student-loan crisis and she has devoted extra resources to ensuring the student-loan portfolio is properly assessed and managed.”

Last week, [The Wall Street Journal reported](#) that the Trump administration has retained private consultants to estimate potential losses in the \$1.45 trillion student-loan portfolio and is weighing selling all or portions of the debt to private investors, according to administration officials familiar with the matter.

The Education Department has hired consulting firm McKinsey & Co. to study how much money could be lost if low repayment rates persist, an agency spokeswoman said. Meantime, President Trump’s top economic advisers are studying ways to improve the program’s finances, senior administration officials said.

One option under early consideration is to sell at least a portion of the portfolio, a plan that has been discussed previously by Republican policy makers but faces many obstacles, including whether the government could find interested investors at the right price.

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—Michelle Hackman and Lalita Clozel contributed to this article.

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