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Federal Credit Reform: Implementation Of the Changed Budgetary Treatment of Direct Loans and Loan Guarantees

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Summary

On November 5, 1990, the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) was signed into law. P.L. 101-508 added Title V to the Congressional Budget Act. Title V, also called the Federal Credit Reform Act of 1990 (the FCRA), changed how the unified budget reports the cost of federal credit activities (i.e., federal direct loans and loan guarantees). Before fiscal year 1992 (FY1992), for a given fiscal year, the budgetary cost of a new direct loan or loan guarantee was the net cash flow for that fiscal year. This cash flow measure did not accurately reflect the true cost of a loan or loan guarantee, which is its subsidy cost over the entire life of the loan or loan guarantee; i.e., its accrual cost. The purposes of this report are to explain the credit reform provisions, examine their implementation, and discuss proposed modifications.

Beginning with FY1992, federal credit reform legislation required that the reported budgetary cost of a credit program equal the estimated subsidy costs at the time the credit is provided. The FCRA defines the subsidy cost as “the estimated long-term cost to the government of a direct loan or a loan guarantee, calculated on net present value basis, excluding administrative costs.” This places the cost of federal credit programs on a budgetary basis equivalent to other federal outlays. This change means, because the subsidy costs of discretionary credit programs are now provided through appropriations acts, that the discretionary credit programs must now compete with other discretionary programs on an equal basis. Funding for most mandatory credit programs (generally entitlement programs) is provided by permanent appropriations. The Director of the Office of Management and Budget (OMB) is responsible for coordinating the estimation of subsidy costs to the government.

Since the passage of the FCRA, federal agencies, working with OMB, have steadily improved their compliance with credit reform standards. In October 1990, the Federal Accounting Standards Advisory Board was established. In August 1993, this Board required that agencies’ accounting procedures be consistent with their budgetary procedures for their federal credit programs. The Government Performance and Results Act of 1993 (GPRA) required that federal agencies be held accountable for achieving program results including those of credit programs. Under GPRA, the first annual performance reviews occurred for fiscal year 1999. On August 5, 1997, the Balanced Budget Act of 1997 (P.L. 105-33) was enacted. This law amended the FCRA to make some technical changes including codifying several guidelines set by OMB.

Four proposals to modify current practice have been discussed: the principles of credit reform could be applied to government-sponsored enterprises, the principles of credit reform could be extended to federal insurance programs, the administrative costs of credit programs could be included in the calculation of the costs of these programs, and the budgetary cost of capital for credit programs could be changed to the after-tax rate of return earned by private financial intermediaries.

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Federal Credit Reform: Implementation Of the Changed Budgetary Treatment of Direct Loans and Loan Guarantees

Before FY1992, for a given fiscal year, the reported budgetary cost of a new loan or new loan guarantee was its net cash flow for that fiscal year. This did not accurately reflect the true cost of a loan or loan guarantee for the government, which is its subsidy cost over the entire life of the loan or loan guarantee. Using the old cash-flow method, it was often difficult for policymakers to accurately monitor and therefore make informed decisions about federal credit. In addition, administrators at agencies could understate costs by using budgetary techniques such as generating “savings” from the fees on increased volumes of new guarantees while ignoring the increase in expected losses and offsetting the (cash) cost of new direct loans with current year collections from old loans.

To remedy these problems, Congress added a section on credit reform to the Omnibus Budget Reconciliation Act of 1990 (OBRA90). The President signed OBRA90 into law (P.L. 101-508) on November 5, 1990. The legislation added a new title, Title V, to the Congressional Budget Act. Title V is also called the Federal Credit Reform Act of 1990 (FCRA).¹ Beginning with fiscal year 1992 (October 1, 1991), the FCRA changed the methodology in the unified budget for measuring and reporting the cost of federal direct loans and federal loan guarantees from cash flow to accrual accounting.

The FCRA required that the budgetary cost of federal credit would be measured for any one year as the net present value of the cost to the government of credit subsidies in the fiscal year that the credit is provided. The General Accounting Office (GAO), the Congressional Budget Office (CBO), and the Office of Management and Budget (OMB) all recommended this new measure of the cost of federal credit.² Specific provisions of the FCRA represent compromises within Congress and between the legislative and executive branches of the government.

The purposes of this report are to explain the provisions of the FCRA, examine the implementation of credit reform including credit reform provisions of the Balanced Budget Act of 1997 (BBA97), and discuss proposed modifications of credit reform. In order to achieve these objectives, it is necessary to initially discuss credit

¹ This report will be updated as issues develop and new legislation is introduced. For the most current information about pending legislation, please consult the Legislative Information System (LIS) at [<http://www.congress.gov>].

² U.S. General Accounting Office, *Budgetary Treatment of Federal Credit Programs*, Report No. AFMD-89-42 (Washington: April 1989), p. 28.

concepts and the budgetary treatment of federal credit before the FCRA.³ Those interested in federal credit programs may find the information in this report to be useful.

Federal Credit Concepts

Numerous terms in financial economics have specific meanings for federal budget practices. These terms include federal credit, federal credit subsidies, and the unified budget. Some of these terms are defined in the FCRA.

Federal Credit

The Office of Management and Budget defines *federal credit* as federal direct loans and federal loan guarantees. The FCRA defines a *direct loan* as “a disbursement of funds by the government to a nonfederal borrower under a contract that requires the repayment of such funds with or without interest” [Section 502(1)]. According to the FCRA, a *direct loan obligation* is “a binding agreement by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower” [Section 502(3)]. The FCRA defines a *loan guarantee* as a “pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender” [Section 502(3)]. A *loan guarantee commitment* is “a binding agreement by a federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreements” [Section 502(4)].

When either a direct loan obligation or a loan guarantee commitment is extended, the federal government determines future credit flows because the government signs a contract to provide credit. In some cases the specified conditions may not be met, and, consequently, credit will not be provided even though a contract was signed. Furthermore, there is a time lag between the signing of these contracts and the actual disbursement of a direct loan by the federal government or the actual disbursement of a guaranteed loan by a private lender. In some cases, particularly for credit for construction, credit may be disbursed by either the federal government or a private lender in increments over several fiscal years.⁴

³ Some of these concepts and the budgetary treatment of federal credit before the FCRA are presented in more detail in the following source: James M. Bickley, “The Bush Administration’s Proposal for Credit Reform: Background, Analysis, and Policy Issues,” *Public Budgeting & Finance*, vol. 11, no. 1, spring 1991, pp. 50-65.

⁴ At the end of FY2001, the face value of outstanding direct federal loans totaled \$242 billion and the face value of outstanding federally guaranteed loans totaled \$1,084 billion. For data on the face value of outstanding credit by program, see appendix A. The number of credit programs depends on the degree of aggregation, and data in appendix A are highly aggregated.

Federal Credit Subsidies

Federal credit recipients obtain funds on more favorable terms than they could receive from the private market. OMB describes subsidies from federal direct loans as consisting of one or more of the following:

- Interest rates below commercial levels,
- Longer maturities than fully private loans,
- Deferral of interest,
- Allowance of grace periods,
- Waiver or reduction of loan fees,
- Higher loan amount in relation to the value of the underlying enterprise than a fully private loan, and
- Availability of funds to borrowers for purposes for which the private sector would not lend — at virtually any interest rate under virtually any repayment terms.⁵

The recipient of a federal loan guarantee receives a subsidy because the federal government covers part or all of the default risk—a subsidy conveyed by lower interest payments. Also, the federal government either does not levy a loan guarantee fee or charges a smaller fee than a private insurer would charge. Consequently, a lender can charge the borrower a lower interest rate. In addition, with some guaranteed loans the federal government may pay to the lender part of the interest due on a guaranteed loan.⁶ Thus, a federal loan guarantee with or without a federal interest payment may provide a lower, equal, or higher level of subsidy than a federal direct loan.

Concept of the Unified Budget

An important budget reform that preceded credit reform was the adoption of a unified budget. Before 1967, the federal government most frequently used the administrative budget, which was not comprehensive in coverage because it excluded the trust funds (for example, the Social Security trust fund). The federal government also used two other broad budgets: the consolidated cash budget and the national income accounts budget. Each of these three budgets had a different coverage of federal programs and a different accounting method, consequently each had a different surplus or deficit.⁷ Each of these budgets had weaknesses, and the simultaneous use of three different budget concepts caused confusion.⁸

⁵ U.S. Executive Office of the President, Office of Management and Budget, *Special Analysis F, Federal Credit Programs, Budget of the United States Government, Fiscal Year 1988* (Washington: GPO, 1987), p. F32.

⁶ *Ibid.*, p. F33.

⁷ For an explanation of these budget concepts, see: *Report of the President's Commission on Budget Concepts* (Washington: U.S. Govt. Print. Off., 1967), pp. 82–83.

⁸ *Ibid.*, p. 1.

In March 1967, the President's Commission on Budget Concepts was created and instructed to make "a thorough and objective review of budgetary concepts."⁹ In October 1967, the Commission produced a comprehensive report with detailed recommendations on implementing a unified budget. In its report, the Commission stated that the two basic functions of the federal budget are resource allocation and macroeconomic stabilization.¹⁰ For resource allocation, the Commission believed that the budget should "provide the integrated framework for information and analyses from which the best possible choices can be made in allocating the public's money among competing claims."¹¹ This function of resource allocation should include comparisons among government programs and between the public and private sectors.¹² For macroeconomic stabilization, the Commission maintained that the budget should contain detailed and accurate information in order to evaluate the effects of federal fiscal activities.

Furthermore, the budget should include data necessary to undertake discretionary countercyclical fiscal policy.¹³ Thus, the Commission recommended a unified budget that would be composed of all federal activities including the trust funds and federal credit activities. The Commission recommended that federal credit programs be measured by their cash flows, although it realized that this procedure provided a poor measure of the economic and budgetary effects of federal credit. In the FY1969 budget, the Johnson Administration adopted the unified budget concept, but with some structural differences from the proposal of the Commission. The Johnson Administration essentially adopted Commission recommendations of measuring credit by its cash flows. Implementation of federal credit reform would improve the use of the unified budget for resource allocation and macroeconomic stabilization as originally desired by the Commission.

Budgetary Treatment of Credit Before FY1992

Before the implementation of the Federal Credit Reform Act of 1990, the unified budget treated federal credit in two different ways. The unified budget measured credit by its cash flows, but also, after 1980, included a separate credit budget which measured and selectively controlled gross credit flows.

Unified Budget

The federal unified budget uses cash-basis accounting. Before FY1992, a new federal direct loan was treated as a budget outlay in the current fiscal year, and repayments of principal and payments of interest were treated as offsetting collections (negative outlays) in the future fiscal years in which they occurred. If a

⁹ Ibid., p. 105.

¹⁰ Ibid., p. 14.

¹¹ Ibid., p. 16.

¹² Ibid.

¹³ Ibid., p. 18.

loan recipient paid a fee, this fee was treated as an offsetting collection. Loan defaults reduced repayments of principal and interest, and therefore offsetting collections. Administrative expenses were reported as outlays. In a given fiscal year, the budgetary cost of a loan program, not the individual loans, was its net cash flow. This equaled new loans made plus any administrative expenses associated with these loans (rarely recognized in the loan accounts) less any loan fees, repayments of principal, and payments of interest.

The federal acceptance of a contingent liability when a loan guarantee was provided was not included in the federal budget because no cash flow occurred. The administrative costs of a guarantee program were outlays in the fiscal year in which they occurred. Some guarantee programs charge fees to the recipient, and these fees were considered offsetting collections. Any federal outlays necessary to compensate lenders for any default losses covered by a federal guarantee were not shown in the budget until they were actually paid.

Credit Budget

In January 1980, the Office of Management and Budget introduced a federal credit budget to help monitor and control the growth of federal credit, including new direct loan obligations and new loan guarantee commitments. Federal credit was measured at the time that the government signed a binding contract to provide credit assistance. Initially, the credit budget consisted of nonbinding targets. Before FY1992, limits in the credit budget were included in the budget resolution and in annual appropriation acts for discretionary credit programs but not mandatory credit programs.¹⁴ Although the credit budget improved credit visibility, the credit budget did not measure or control the size of subsidies.

Federal Credit Reform Act of 1990

Reforming federal credit required that the budget, in the year in which the credit was provided, include the multi-year net cash flows generated by a new direct or guaranteed loan. Thus, federal credit would be recorded on an accrual basis but incorporated into a cash flow budget. Advocates of credit reform maintained that the inclusion of credit subsidies in the unified budget would equalize the budgetary treatment and therefore congressional consideration of federal credit and noncredit programs. Federal credit programs could be compared on a dollar-for-dollar basis with expenditures for noncredit programs and cost-benefit analysis could be more easily used to evaluate specific federal credit programs. Credit reform was expected to improve the ability of the unified budget to allocate resources and stabilize the

¹⁴ U.S. Executive Office of the President, Office of Management and Budget, *Special Analysis F, Federal Credit Programs, Budget of the United States Government, Fiscal Year 1990* (Washington: U.S. Govt. Print. Off., 1989), p. F4.

economy. Numerous comprehensive plans were proposed, beginning in 1983. These proposals culminated in the Federal Credit Reform Act of 1990.¹⁵

Purposes

The four stated purposes of the FCRA were to

- (1) measure more accurately the costs of federal credit programs;
- (2) place the cost of credit programs on a budgetary basis equivalent to other federal spending;
- (3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and
- (4) improve the allocation of resources among credit programs and other spending (Section 501 of the FCRA).

Subsidy Costs

The FCRA never uses the word subsidy; nevertheless, the true budgetary and economic cost of a federal credit program is the subsidy value at the time the credit is provided. The FCRA defines the [subsidy] cost as “the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays” [Section 502(5A)]. The discount rate used to calculate subsidy costs in terms of present value is the “average interest rate on marketable Treasury securities of similar maturity” [Section 502(5E)].¹⁶ Hence, the subsidy cost of a program is determined by the amount of credit provided and the discount rate used to calculate the net present value of that credit.

Any government action that changes the estimated present value of an outstanding federal credit program is counted in the budget in the year in which the change occurs as a change in the subsidy cost of that program [Section 502(5D)]. For example, the federal government could partially forgive the repayment of principle for low income borrowers from a particular credit program which would increase the subsidy cost of the program.

Estimation of Subsidies

The Director of the Office of Management and Budget is responsible for coordinating the estimation of subsidy costs. “The Director may delegate to agencies authority to make estimates of costs” [Section 503(a)]. But these agencies must use written guidelines from the Director, which are developed after consultation with the

¹⁵ For hypothetical examples of the operation of a direct loan program and a loan guarantee program under the Federal Credit Reform Act of 1990, see appendices B and C.

¹⁶ The derivation of the discount rate was revised by the Balanced Budget Act of 1997.

Director of the Congressional Budget Office. The Director of OMB and the Director of CBO are responsible for developing more accurate historical data on credit programs which are used to estimate subsidy costs (Section 503). The President's budget includes "the planned level of new direct loan obligations and new loan guarantee commitments associated with each appropriations request" (Section 504).

Budgetary Treatment

Beginning with FY1992, discretionary programs providing new direct loan obligations and new loan guarantee commitments require appropriations of budget authority equal to their estimated subsidy costs. Credit entitlements (for example, guaranteed student loans) and existing credit programs of the Commodity Credit Corporation have indefinite budget authority [Section 505(a-c)] and do not need an annual appropriation.

An appropriation for the annual subsidy cost of each credit program is made into a budget account called a *credit program account*. Funding for the subsidy costs of discretionary credit programs is provided in appropriation acts and must compete with other discretionary programs for funding available under discretionary spending caps, which expire at the end of this fiscal year. Most mandatory credit programs receive automatic funding for the amount of credit needed to meet the estimated demand by beneficiaries. Mandatory programs are generally entitlement programs for which the amount of funding depends on eligibility and benefits rules contained in substantive law. The subsidy cost of federal credit is scored as an outlay in the fiscal year in which the credit is disbursed by either the federal government or a private lender [504d]. For mandatory credit programs, any additional cost from reestimates of subsidies for a credit program is covered by permanent indefinite budget authority. This additional cost is displayed in a subaccount in the credit program account.

Also, beginning with FY1992, each credit program has a nonbudget *financing account*. Each of these nonbudget financing accounts receives payments from its associated credit program account equal to the subsidy cost at the time a new loan or loan guarantee is provided. They also acquire the value of the unsubsidized portion of the loans (actual disbursements by the government minus the subsidy cost). These amounts are borrowed from the Treasury through the loan program.¹⁷ Furthermore, the financing accounts contain all other cash flows to and from the government associated with each credit program [Section 502(5E6-7)]. Because they are nonbudget, the cash flows into and out of these accounts are not reflected in total outlay, receipts, or surplus/deficit. The budget authority of a credit program provides the means for the credit program account to pay to the financing account an amount equal to that program's estimated subsidy costs.

Another special account, the *liquidating account*, includes all ongoing cash flows of each credit program resulting from credit advanced prior to October 1, 1991 [Section 502(5E8)]. However, the new budgetary procedures under the FCRA would

¹⁷ These transfers within the government represent transfers of budgetary resources rather than actual financial resources.

apply to modifications made by the U.S. government to credit terms on credit provided before FY1992.¹⁸

The FCRA does not apply to the credit activities of the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Resolution Trust Corporation, national flood insurance, the National Insurance Development Fund, crop insurance, or the Tennessee Valley Authority (Section 506).

Implementation

Agency

The Federal Credit Reform Act of 1990 was brief; it covered only five and one-half pages of the *U.S. Code and Administrative News*.¹⁹ Numerous details necessary to make the Act completely operational were absent. Furthermore, many federal agencies had inadequate financial and accounting systems to implement credit reform.²⁰

On July 2, 1992, OMB issued a revised circular which improved and clarified instructions for credit budget formulation.²¹ Furthermore, OMB simplified its credit subsidy model to make it easier for agencies to estimate direct loan and loan guarantee subsidies.²² On January 11, 1993, OMB updated circular no. A-129 concerning the budgetary treatment of federal credit programs.²³ OMB also revised circular no. A-11 to include federal credit reform procedures. In circular A-11, OMB explains to agencies how they should fill out credit schedules in preparing their budget requests.²⁴ Federal agencies working with OMB have steadily improved their compliance with credit reform standards.

¹⁸ U.S. Executive Office of the President, Office of Management and Budget, *The Budget System and Concepts, Budget of the United States Government, Fiscal Year 2003*, Washington: U.S. Govt. Print. Off., 2002, p. 15.

¹⁹ *U.S. Code, Congressional and Administrative News*, 101st Cong., 2nd sess., vol. 6, (St. Paul: MN, West Publishing Co., 1991), pp. 610–615.

²⁰ David B. Pariser, Implementing Federal Credit Reform: Challenges Facing Public Sector Financial Manager, *Public Budgeting & Finance*, vol. 12, no. 4, winter 1992, p. 28.

²¹ U.S. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government, Fiscal Year 1994* (Washington: U.S. Govt. Print. Off., 1993), p. 49.

²² *Ibid.*

²³ U.S. Executive Office of the President. Office of Management and Budget, *Policies for Federal Credit Programs and Non-Tax Receivables*, Circular A-129, (Washington: continually updated), p. 27.

²⁴ OMB's Circulars A-11 and A-129 may be obtained from OMB's website, [<http://www.access.U.S. Govt. Print. Off..gov/omb/index.html>].

Since the passage of the FCRA, OMB has continued to assist agencies in upgrading the quality of subsidy estimates. Beginning with FY1993 agencies have recorded reestimates of the cost of their credit programs. Aggregate subsidy estimates were adjusted downward for FY1994, upward for FY1995 and FY1996, downward for FY1997, upward for FY1998 and FY1999, and downward for FY2000, FY2001, FY2002, and FY2003.²⁵ In the aggregate, negative subsidy reestimates of \$13.8 billion were largely offset by positive subsidy reestimates of \$11.9 billion.²⁶

The trend for the subsidy reestimates has been for the magnitude to increase, but in May 2001, CBO stated that it lacked any methodology to forecast the direction or size of future reestimates.²⁷ The FCRA provided for permanent indefinite authority to cover the cost of reestimates so that new appropriations are not needed. Agencies are required to incorporate improved knowledge into their subsidy estimates for future direct loan obligations and loan guarantee commitments.²⁸

The General Accounting Office examined subsidy estimates for 10 credit programs in five agencies for the period of fiscal years 1992 through 1998. GAO found problems with supporting documentation for subsidy estimates and the reliability of subsidy rate estimates and reestimates in each agency.²⁹ But GAO concluded that agencies showed improvement in documenting estimates in each agency.³⁰

CBO examined credit subsidy reestimates for the period of FY1993 through FY1999. CBO concluded that

Projecting the losses and costs from federal credit assistance is difficult, and errors are inevitable. Although various incentives may exist for agencies to underestimate credit subsidies, the Congressional Budget Office's analysis of corrected reestimates does not reveal any pattern of bias in initial subsidy estimates. However, another problem was uncovered: the reestimates reported in the president's budget are in such disorder that analysts cannot rely on them.

²⁵ U.S. Executive Office of the President, Office of Management and Budget, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2004* (Washington: U.S. Govt. Print. Off., 2003), p. 217.

²⁶ *Ibid.*

²⁷ U.S. Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2002* (Washington: May 2002), p. 4.

²⁸ U.S. Executive Office of the President, Office of Management and Budget, *Federal Credit Supplement, Budget of the United States Government, Fiscal Year 1997* (Washington: GPO, 1996), pp. 48–49.

²⁹ U.S. General Accounting Office, *Credit Reform: Greater Effort Needed to Overcome Persistent Cost Estimation Problems*, Report no. AIMD-98-14 (Washington: March 1998), pp. 9-10.

³⁰ *Ibid.*, p. 11.

A few modest changes in current practice could reduce agencies' errors in preparing, reporting, and accounting for estimates and reestimates.³¹

OMB established on-budget *receipt accounts* to receive payments of earnings from the financing accounts in those unusual cases where federal credit programs are estimated to produce net income, that is, have negative subsidies.³² Usually payments into a program's receipt account are recorded in the Treasury's general fund as offsetting receipts.³³ "In a few cases, the receipts are earmarked in a special fund established for the program and are available for appropriation for the program."³⁴

Federal Accounting Standards Advisory Board

In October 1990, the Federal Accounting Standards Advisory Board (FASAB or "the Board") was established by the Secretary of the Treasury, the Director of OMB, and the Comptroller General to consider and recommend accounting principles for the federal government. On September 15, 1992, the Board issued an exposure draft recommending accounting standards for federal credit programs on a basis consistent with credit reform. The Board received numerous substantive comments that were considered in revising its exposure draft, and on August 23, 1993, OMB issued the Board's revised report titled *Accounting for Direct Loans and Loan Guarantees*.³⁵ This report provided extensive detail, including numerous arithmetic examples, clarifying credit reform practices.³⁶ It further required that federal agencies use of present value accounting for federal credit programs consistent with the Federal Credit Reform Act of 1990.³⁷ Thus, for their credit programs, agencies' accounting procedures are now required to be consistent with their budgetary procedures.

³¹ David Torregrosa, "Credit Subsidy Reestimates, 1993-99," *Public Budgeting & Finance*, vol. 21, no. 2, summer 2001, p. 114.

³² Marvin Phaup, "Credit Reform, Negative Subsidies, and FHA," *Public Budgeting & Finance*, vol. 16, no. 1, spring 1996, p. 24.

³³ U.S. Executive Office of the President, Office of Management and Budget, *The Budget System and Concepts, Budget of the United States Government, Fiscal Year 2003*, p. 14.

³⁴ *Ibid.*

³⁵ For a discussion of the Board's conclusions on issues raised these comments, see: U.S. Executive Office of the President, Office of Management and Budget, *Accounting for Direct Loans and Loan Guarantees: Statement of the Federal Financial Accounting Standards*, no. 2 (Washington: Aug. 23, 1993), pp. 21-42.

³⁶ For a detailed example of the estimation of credit subsidies, see: U.S. General Accounting Office, *Credit Subsidy Estimates for the Sections 7(a) and 504 Business Loan Programs*, Report no. T-RCED-97-197 (Washington: July 16, 1997), p. 19.

³⁷ U.S. Executive Office of the President, Office of Management and Budget, *Accounting for Direct Loans and Loan Guarantees: Statement of the Federal Financial Accounting Standards*, pp. 21-42.

Balanced Budget Act of 1997

On August 5, 1997, the Balanced Budget Act of 1997 (P.L. 105-33) was enacted.³⁸ This law (BBA97) amended the Federal Credit Reform Act of 1990 to make some technical changes including codifying several OMB guidelines. Important changes were:

First, agencies are required to use the same discount rate to calculate the subsidy when they obligate budget authority for direct loans and loan guarantees and when submitting the agency's budget justification for the President's budget.³⁹ Thus, the dollar value of loans for a specific credit program is known when Congress considers subsidy appropriations for that program. Prior to this change, agencies had used interest rates from the preceding calendar quarter to calculate the subsidy at the time a direct loan was advanced or a loan guarantee was obligated.⁴⁰

Second, agencies are required to use the same forecast assumptions (for example, default and recovery rates) to calculate subsidy rates when they obligate credit and when preparing the President's budget.⁴¹

Third, agencies are required to transfer end-of-year unobligated balances in liquidating accounts (revolving funds for direct loans and loan guarantees made prior to the effective date of the FCRA) to the general fund as soon as practicable after the close of the fiscal year.⁴²

Fourth, the same interest rate must be used on financing account debt (which generates interest payments to the Treasury), financing account balances, and the discount rate used to calculate subsidy costs.⁴³

Fifth, the definition of the term "cost" is modified so that the discount rate is based on the timing of cash flows instead of on the term of the loan. Under this new approach, in the President's budget, a series of different rates would be used to calculate the present value of cost flows over a multi-year period. For example, for a 10-year direct loan (or loan guarantee), costs in the first year would be discounted using the interest rate on a 1-year Treasury bill, costs in the second year would be discounted using the interest rate on a 2-year Treasury note, etc. Under the prior approach, the interest rate of a 10-year Treasury note would have been used as the

³⁸ For an explanation of the contents of the Budget Enforcement Act of 1997, see CRS Report 97-931, *Budget Enforcement Act of 1997: Summary and Legislative History*, by Robert Keith, Oct. 8, 1997, p. 23.

³⁹ U.S. Executive Office of the President, Office of Management and Budget, *Analytical Perspectives, Budget of the United States, Fiscal Year 1999* (Washington, U.S. Govt. Print. Off., 1998), p. 170.

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

⁴² *Ibid.*

⁴³ *Ibid.*

discount rate. This prior method proved to be inferior because the flow of semiannual interest payments and the repayment of full principal on the last payment date did not match up well with yearly cost flows.⁴⁴

Government Performance and Results Act

On August 3, 1993, the Government Performance and Results Act of 1993 (GPRA; P.L. 103-62) was signed by the President. The purposes of the GPRA included “systematically holding federal agencies accountable for achieving program results ... and ... promoting a new focus on results, service quality, and customer satisfaction”⁴⁵ The GPRA states that “the Director of the Office of Management and Budget shall require each agency to prepare an annual performance plan covering each program activity set forth in the budget of such agency.”⁴⁶

The GPRA covers all federal programs including direct loan programs and loan guarantee programs. GPRA specifies the assessment of programs through four measures: net impacts, output, outcomes, and inputs.⁴⁷ For credit programs, net impacts measure the increase in some behavior due to the federal credit assistance such as a net increase in home ownership or a net increase in higher education graduates.⁴⁸ For credit programs, output measures should include an estimate of the percent of federal credit provided to borrowers who would not have otherwise had access to the private credit.⁴⁹ The outcomes measure concerns the gross effects on society achieved by the credit program. Examples of desired outcomes include stimulating investments important to the economy, encouraging startups of new activities, and helping sustain economic development.⁵⁰ The input measure concerns resources used, that is the program cost. For a federal credit program, the main input is the subsidy cost.⁵¹ Another input is the administrative cost of a program.⁵²

⁴⁴ U.S. Congress, Conference Committee, *Balanced Budget Act of 1997, Conference Report to Accompany H.R. 2015*, H.Rept. 105-217, 105th Cong., 1st sess. (Washington: July 30, 1997), pp. 996-997.

⁴⁵ *U.S. Code, Congressional and Administrative News*, 103rd Cong., 1st sess., 1993 (St. Paul: Minn., West Publishing Co., 1994), p. 285.

⁴⁶ *Ibid.*, p. 287.

⁴⁷ U.S. Executive Office of the President, Office of Management and Budget, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2001* (Washington: GPO, 2000), p. 189.

⁴⁸ *Ibid.*

⁴⁹ *Ibid.*, p.190.

⁵⁰ *Ibid.*

⁵¹ *Ibid.*

⁵² *Ibid.*

Credit Reform in the President's FY2004 Budget

In the FY2004 budget, direct loans obligated and loan guarantees committed before FY1992 remain recorded on a cash flow basis. Unless modified, these “old” loans and loan guarantees will remain in their liquidating accounts. Also, in the FY2004 budget, as in the budgets since the FY1992 budget, explicit subsidy estimates for all credit programs have been made by OMB or agencies using OMB guidelines. In the early 1990s, “OMB developed a model for estimating subsidies which ... [has been] used by all agencies in their budget estimates and therefore provides consistency and uniformity in the discounting method.”⁵³ The loan characteristic variables in this estimation model are loan maturity period, borrower interest rate, grace period, upfront fees, annual fees, other fees, assumed default rate, rate of recovery on defaults, and percent of loan guaranteed (for loan guarantee programs only).⁵⁴ In addition, OMB breaks down estimated subsidy rates into four components: defaults (net of recoveries), interest, fees, and all other.⁵⁵

For FY2004, the four direct loan programs with the highest levels of proposed subsidy budget authority in the President's budget are Debt Restructuring in International Assistance Programs (\$292 million), the Department of Agriculture's Rural Housing Insurance Fund (\$166 million), the Department of Transportation's Federal Aid to Highways (\$127 million), and the Department of Agriculture's Credit Insurance Fund (\$121 million).⁵⁶ For FY2004, the aggregate level of proposed subsidy budget authority is only \$17 million because of the high negative amount of the Department of Education's Federal Direct Student Loan Program (-\$1,049 million).⁵⁷

For FY2004, OMB estimates an aggregate proposed value of new direct loans of \$32,551 million.⁵⁸ The four programs with the largest proposed dollar value of direct loans are the Department of Education's Federal Direct Student Loan Program (\$20,954 million), the Department of Agriculture's Rural Electrification and Telecommunications Loan Program (\$3,035 million), the Department of Transportation's Railroad Rehabilitation and Improvement Program (\$2,277 million), and the Department of Agriculture's Rural Housing Insurance Fund (\$1,494 million).⁵⁹

⁵³ U.S. Executive Office of the President, Office of Management and Budget, *Handout on Credit Reform* (Washington: Jan. 31, 1991), p. 13.

⁵⁴ U.S. Executive Office of the President, Office of Management and Budget, *Federal Credit Supplement, Budget of the United States Government, Fiscal Year 2004* (Washington: GPO, 2003), pp. 15, 19.

⁵⁵ *Ibid.*

⁵⁶ U.S. Executive Office of the President, Office of Management and Budget, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2004*, p. 218.

⁵⁷ *Ibid.*, for data on subsidy budget authority on each direct loan program, see Appendix D.

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*, for data on proposed loan levels on each direct loan program, see Appendix D.

For FY2004, the four loan guarantee programs with the highest levels of proposed subsidy budget authority in the President's budget are the Department of Education's Federal Family Education Loan Program (\$6,272 million), Export-Import Bank Loan Guarantees (\$441 million), the Department of Agriculture's Commodity Credit Corporation Export Loans (\$297 million), and the Veterans Affairs' Housing Program (\$275 million).⁶⁰ For FY2004, the aggregate level of proposed subsidy budget authority was \$4,123 million, which was reduced by the negative subsidy budget authority of two Housing and Urban Development (HUD) Programs: FHA-Mutual Mortgage Insurance (-\$3,378 million) and FHA-General and Special Risk Program (-\$262 million).⁶¹

For FY2004, OMB estimates an aggregate proposed value of guaranteed loans of \$347,020 million.⁶² For FY2004, the four guarantee programs with the highest estimated dollar value were HUD's FHA-Mutual Mortgage Insurance Program (\$185,000 million), Department of Education's Federal Family Education Loan Program (\$52,064 million), Veterans Affairs' Veterans Housing Program (\$35,248 million), and HUD's FHA-General and Special Risk Program (\$25,000 million).⁶³

The Federal Credit Reform Act of 1990 decreased the importance of the credit budget because the control of credit subsidies largely replaced limits on gross credit flows as a determinant of the amount new federal credit for each program. For FY2004, appropriations acts limitations on credit loan levels are imposed, although the term "credit budget" is not used by OMB.⁶⁴ The estimated subsidy cost to the taxpayer is the only true constraint on the amount of credit extended, however, because the appropriations acts' limitations on credit loan levels are set too high to realistically affect the amount of credit extended.

Proposals for the Expansion of Reforms

Four major proposals to expand credit reform have been discussed in recent years. *First*, the principles of credit reform could be applied to government-sponsored enterprises (GSEs). GSEs are privately-owned financial intermediaries which were established and chartered by the federal government. GSEs pay lower interest rates on their securities because investors generally believe that securities issued by GSEs have an implied federal guarantee, making them appear less risky than other private sector securities. Proponents of extending credit reform principles to GSEs argue that the federal government has already "bailed out" one GSE (the Farm Credit System). Hence, proponents argue that credit reform should cover the

⁶⁰ *Ibid.*, p. 207.

⁶¹ *Ibid.*, for data on subsidy budget authority on each loan guarantee program, see Appendix E.

⁶² *Ibid.*

⁶³ *Ibid.*

⁶⁴ For estimated appropriations acts limitations on credit loan levels for FY2004 by program, see: *Analytical Perspectives, Budget of the United States, Fiscal Year 2004*, pp. 224-225.

subsidy costs to taxpayers of GSEs. Opponents argue that the subsidy costs of GSEs are difficult to quantify; furthermore, the federal government has no legal responsibility to “bail out” GSEs. Opponents also maintain that the current exclusion of administrative costs and a risk premium would probably result in subsidy costs of approximately zero.

Second, the principles of credit reform could be extended to federal insurance, which currently is primarily treated on a cash flow basis. Most federal insurance consists of deposit insurance or pension insurance.⁶⁵ The General Accounting Office maintains that credit reform could improve the budgetary information and incentives for federal insurance.⁶⁶ But, for some federal insurance programs, significant difficulties exist in accurately estimating future claims for losses. Often historical data are unavailable, frequent program modifications occur, and fundamental changes take place in the activities insured.⁶⁷ “Many federal insurance programs cover complex, case-specific, or catastrophic risks that the private sector has historically been unwilling or unable to cover.”⁶⁸

The complexity of the issues involved and the need to build agency capacity to generate such estimates suggest that it is not feasible to integrate accrual-based costs directly into the budget at this time.⁶⁹

GAO suggests that a supplemental approach should precede the full inclusion of insurance programs under credit reform. Thus, GAO recommends that accrual-based cost measures be initially included along with cash-based estimates as supplemental information in the budget documents.⁷⁰

Some opponents of the inclusion of insurance programs maintain that because the current subsidy measure excludes administrative costs and a risk premium, some major insurance programs would record negative subsidies.

The Comprehensive Budget Process Reform Act of 1999, H.R. 853 in the first session of the 106th Congress, as introduced in the House on June 24, 1999, would have extended credit reform to federal insurance programs. But, H.R. 853 as reported in the House on August 5, 1999, did not include those sections extending credit reform to federal insurance programs.

⁶⁵ U.S. General Accounting Office, *Budget Issues: Budgeting for Federal Insurance Programs*, Report no. AIMD-97-16 (Washington: Sept. 1997), p. 6.

⁶⁶ *Ibid.*, p. 7.

⁶⁷ U.S. General Accounting Office, *Budget Issues: Budgeting for Federal Insurance Programs*, Testimony before the Budget Task Force, Committee on the Budget, House of Representatives, Report no. T-AIMD-98-147 (Washington: April 23, 1998), p. 9.

⁶⁸ *Ibid.*

⁶⁹ *Ibid.*, p. 13.

⁷⁰ U.S. General Accounting Office, *Budget Issues: Budgeting for Federal Insurance Programs*, Report no. AIMD-97-16, p. 10.

Third, as was discussed in the 1990 debate, administrative costs of credit programs could be included in the calculation of the costs of these programs. Proponents argue that the current exclusion of these costs understates the actual costs of credit programs. Proponents also stress that cost comparisons among credit programs are distorted. For example, the administrative costs per \$1 million of credit are higher for direct student loans than guaranteed student loans. Opponents argue that agencies have difficulty separating the administrative costs of their credit programs from their general administrative costs.

Fourth, the budgetary cost of capital to taxpayers could be changed to the after tax rate of return earned by private financial intermediaries.⁷¹ Proponents argue that the after tax rate of return earned by private financial intermediaries accurately reflects the returns that taxpayers could have earned in the private market by supplying capital; that is, the opportunity cost of capital to taxpayers.⁷² This private market cost would include administrative costs and an after tax rate of return that would include a risk premium. Some proponents argue that the current measure of costs permits program designers to exploit the opportunity to engage in interest arbitrage between Treasury interest rates and private market rates to create credit programs with zero or even negative subsidy costs. This cost of capital could be measured by two different methods.

First, a *market approach* could be used. Shortly after credit is extended, the loan asset could be sold on financial markets or the loan guarantee could be reinsured privately. For a loan, the subsidy would be the difference between the dollar amount of the loan and the sales price of the loan asset. For a loan guarantee, the subsidy would be the difference between the cost of reinsurance and the loan guarantee fee (if any).⁷³

Second, under the *comparable loan approach*, OMB could estimate the interest costs on comparable private loans and insurance costs on comparable private loan guarantees. Then, the difference between estimated private sector costs and costs to the government would equal subsidy costs.⁷⁴

Both methods have shortcomings. Some federal credit programs were established to overcome market imperfections such as inadequate information. Hence, under the market approach, some loans may sell at an excessive discount (that is, well below their face value) and the reinsurance costs of some loan guarantees may be prohibitive. Furthermore, if investors perceive an extremely high risk, some loans may not be salable and some guarantees may not be reinsurable. The comparable loan approach may be difficult to implement because of an inadequate

⁷¹ This change would require new legislation because the FCRA specifies that the subsidy cost of federal credit is the cost to the taxpayer rather than the market value to the recipient.

⁷² J. Edmund Colloton, Jr., *Budgetary Treatment of Federal Credit Programs*, *Harvard Journal on Legislation*, vol. 28, winter 1991, p. 228.

⁷³ *Ibid.*, pp. 228–229.

⁷⁴ *Ibid.*, p. 229.

data base which would be necessary to make reasonably accurate estimates.⁷⁵ Both opportunity cost methods include a private risk premium. Consequently the private opportunity cost is greater than the cost to the government. Hence, some critics argue, for the purpose of resource allocation, that this last opportunity cost measure does not provide a good comparison between federal credit programs and federal grants or tax preferences.

⁷⁵ Ibid.

Appendix A. Federal Credit Data

Table 1. Federal Credit Data, FY2002
Estimated Future Cost of Outstanding Federal Credit Programs
(in billions of dollars)

Program	Outstanding 2002	Estimated Future Costs of 2002 Outstanding ^a
Direct Loans^b:		
Federal Student Loan Programs	\$99	\$14
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	45	11
Rural Utilities Service and Rural Telephone Bank	32	2
Housing and Urban Development	12	2
Agency for International Development	9	7
Public Law 480	11	2
Export-Import Bank	12	4
Commodity Credit Corporation	5	3
Federal Communications Commission Spectrum Auction	5	0
Disaster Assistance	4	0
Other Direct Loan Programs	14	0
Total Direct Loans	248	45
Guaranteed Loans^b		
FHA-Mutual Mortgage Insurance Fund	467	3
Veterans Housing	265	6
Federal Family Education Loan Program	182	12
FHA-General and Special Risk	96	7
Small Business	41	1
Export-Import Bank	31	5
International Assistance	19	2
Farm Service Agency and Rural Housing	23	0
Commodity Credit Corporation	5	1
Other Guarantee Loan Programs	16	2
Total Guaranteed Loans	1,145	39
Total Federal Credit	\$1,393	\$84

Source: Adapted by CRS from U.S. Executive Office of the President, Office of Management and Budget, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2004* (Washington: GPO, 2003), p. 214.

Note: Detail may not add to total due to rounding.

^a Direct loan future costs are the financing account allowance for subsidy cost and the liquidating account allowance for estimated uncollectible principal and interest. Loan guarantee future costs are estimated liabilities for loan guarantees.

^b Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as CCC commodity price supports. Defaulted guaranteed loans which become loans receivable are accounted for as direct loans.

Appendix B. Budgetary Treatment of a Hypothetical Direct Loan

- 1) For a proposed direct loan program, CBO is required to estimate the subsidy cost. If legislation is passed that includes this new loan program, OMB becomes responsible for estimating the subsidy cost. If a direct loan program L has been enacted into law, agency A establishes a credit program account and a nonbudget financing account.
- (2) OMB (or agency A using OMB guidelines) estimates that the net present value of the cost of credit subsidies equals (in this example) 20% of loans disbursed under program L operated by agency A.
- (3) If program L is a discretionary loan program, an appropriations bill for the fiscal year is passed by Congress and signed into law by the President.⁷⁶ This bill includes an appropriation of (in this example) \$100 million for the subsidy budget authority of program L. Within agency A, this \$100 million is appropriated to the credit program account for program L. Furthermore, this appropriations bill must include an estimate of the dollar amount of new direct loan obligations supportable by the subsidy budget authority appropriated to agency A for program L. For example, if program L has an estimated subsidy rate of 20%, the dollar amount of new direct loan obligations supportable would be \$500 million.
- (4) Agency A signs a contract to loan \$10 million to a borrower under the auspices of program L. The estimated subsidy cost of this loan is \$2 million (20% of \$10 million).
- (5) The borrower meets the terms and conditions of the loan contract. Agency A pays \$2 million from its credit program account for L into its financing account for L. The financing account for program L borrows \$8 million (unsubsidized portion of the loan) from the U.S. Treasury. At the same time that these budgetary transfers occur within agency A, the loan of \$10 million is disbursed from the financing account for program L to the borrower. The subsidy payment of \$2 million that goes into the financing account is scored as an outlay for agency A and for the federal budget.
- (6) Agency A services the loan. Repayments of principal and payments of interest are paid by the borrower into the financing account for program L. The financing account uses these monies to pay the interest and principal on the \$8 million loan from the Treasury.

⁷⁶ If program L is a mandatory loan program, an automatic appropriation of budget authority would occur for whatever amount of credit needed to meet the estimated demand for services by beneficiaries.

Appendix C. Budgetary Treatment of a Hypothetical Loan Guarantee

- (1) For a proposed loan guarantee program, CBO would be required to estimate the subsidy cost. If legislation is passed that includes this new loan guarantee program, OMB becomes responsible for estimating the subsidy cost. If a loan guarantee program G has been enacted into law, agency A establishes a credit program account and a financing account.
- (2) OMB (or agency A using OMB guidelines) estimates that the net present value of the cost of credit subsidies equals (in this example) 10% of loans guaranteed under program G operated by agency A.
- (3) If program G is a discretionary loan guarantee program, an appropriations bill for the fiscal year is passed by the Congress and signed into law by the President.⁷⁷ This bill includes an appropriation (in this example) of \$60 million for the subsidy budget authority for program G. Within agency A, this \$60 million is placed in the credit program account for program G. Furthermore, this appropriations bill must include an estimate of the dollar amount of guaranteed loan commitments supportable by the subsidy budget authority appropriated to agency A for program G. For example, if program G has an estimated subsidy rate of 10%, the dollar amount of new guaranteed loan commitments supportable would be \$600 million.
- (4) Agency A signs a contract to guarantee a loan of \$15 million to the borrower. The estimated subsidy cost of this guarantee is \$1.5 million (10% of \$15 million). The loan guarantee fee (if any) is paid by the borrower to the financing account for program G at the time the loan guarantee is obligated.
- (5) After the borrower (lender, or other party to the agreement) meets the terms and conditions of the loan guarantee contract, the borrower obtains the loan from the lender in the private sector. Agency A pays \$1.5 million from its credit program account for G into its financing account for G. At the same time that this budgetary transfer occurs within agency A, the agency provides the guarantee in order for the borrower to obtain the loan from the private lender. The subsidy payment of \$1.5 million that goes into the financing account is scored as an outlay for agency A and for the federal budget. The borrower must pay to the lender interest on the principal and repay the principal.
- (6) Agency A services the loan guarantee. In the financing account, the subsidy amount and any loan guarantee fee earn interest which is paid by the Treasury. If the borrower defaults on all or part of the guaranteed loan then the financing account is responsible for covering the cost of compensating the lender.

⁷⁷ If program G is a mandatory loan guarantee program, an automatic appropriation of budget authority would occur for whatever amount of credit needed to meet the estimated demand for services by beneficiaries.

Appendix D. Direct Loan Data

Table 2. Direct Loan Data, FY2004

Estimated 2004 Subsidy Rates, Budget Authority, and Loan Levels for Direct Loans^a
(in millions of dollars and percent)

Agency and Program	Subsidy Rate	Subsidy Budget Authority	Estimated Loan Levels
Agriculture:			
Agricultural Credit Insurance Fund	14.20%	\$121	\$852
Farm Storage Facility Loans	0	0	117
Rural Community Advancement Program	2.53	33	1,305
Rural Electrification and Telecommunications Loans	-1.58	-48	3,035
Rural Telephone Bank	-4.32	0	0
Distance Learning and Telemedicine, and Broadband Program	-3.66	9	246
Farm Labor	42.73	18	42
Rural Housing Insurance Fund	11.11	166	1,494
Rural Development Loan Fund	43.27	17	40
Rural Economic Development Loans	18.61	3	15
Public Law 480 Title I	78.90	104	132
Commerce:			
Fisheries Finance	-3.33	-1	30
Defense—Military:			
Family Housing Improvement Fund	39.95	88	221
Education:			
College Housing and Academic Facilities Loans	0	0	227
Federal Direct Student Loan Program	-5.22	-1,049	20,954
Homeland Security:			
Disaster Assistance Loans	-2.02	-1	25
Housing and Urban Development:			
FHA-Mutual Mortgage Insurance	0	0	50
FHA-General and Special Risk	0	0	50
Interior:			
Bureau of Reclamation Loans	0	0	0
State:			
Repatriation Loans	70.75	1	1
Transportation:			
Federal-Aid Highways	5.58	127	2,277
Railroad Rehabilitation and Improvement Program	0	0	0
Treasury:			
Community Development Financial Institutions Fund	34.37	2	5

Agency and Program	Subsidy Rate	Subsidy Budget Authority	Estimated Loan Levels
Veterans Affairs:			
Vocational Rehabilitation and Education Loans	0	0	4
Housing	10.80	31	287
International Assistance Programs:			
Foreign Military Financing Loans	0	0	0
Debt Restructuring	0	292	0
Overseas Private Investment Corporation	11.00	4	40
Small Business Administration:			
Disaster Loans	11.72	79	760
Business Loans	9.55	2	20
Export-Import Bank of the United States:			
Export-Import Bank Loans	5.90	19	322
Federal Communications Commission:			
Spectrum Auction	0	0	0
Total	N/A	\$17	\$32,551

Source: Adapted by CRS from U.S. Executive Office of the President, Office of Management and Budget, Analytical Perspectives, Budget of the United States Government, Fiscal Year 2004 (Washington: 2003), p. 218.

^a Additional information on credit subsidy rates is contained in the *Federal Credit Supplement* to the budget for 2004.

Appendix E. Loan Guarantee Data

Table 3. Loan Guarantee Data, FY2004
Estimated 2004 Subsidy Rates, Budget Authority, and Loan Levels for Loan Guarantees^a
 (in millions of dollars and percent)

Agency and Program	Subsidy Rate	Subsidy Budget Authority	Estimated Loan Levels
Agriculture:			
Agricultural Credit Insurance Fund	3.23%	\$86	\$2,666
Commodity Credit Corporation Export Loans	7.14	297	4,155
Rural Community Advancement Program	3.04	27	887
Rural Electrification and Telecommunications Loans	0.06	0	100
Local Television Loan Guarantee	8.46	0	0
Rural Housing Insurance Fund	1.63	46	2,825
Commerce:			
Emergency Oil and Gas Guaranteed Loan	0	0	0
Emergency Steel Guaranteed Loan	0	0	0
Defense–Military:			
Procurement of ammunition, Army	0	0	0
Family Housing Improvement Fund	5.40	14	259
Education:			
Federal Family Education Loan Program	11.85	6,272	52,064
Health and Human Services:			
Health Education Assistance Loans	12.19	18	150
Health Resources and Services	5.88	1	17
Housing and Urban Development:			
Indian Housing Loan Guarantee Fund	2.73	1	27
Native Hawaiian Housing Loan Guarantee Fund	2.73	1	35
Public Housing Capital Fund	7.66	131	1,715
Native American Housing	10.56	1	8
Community Development Loan Guarantees	0	0	0
FHA-Mutual Mortgage Insurance	-2.39	-3,378	185,000
FHA-General and Special Risk	-1.05	-262	25,000
Interior:			
Indian Guaranteed Loans	6.13	5	84
Transportation:			
Minority Business Resource Center Program	2.53	1	18
Federal-Aid Highways	4.77	10	200
Maritime Guaranteed Loan (Title XI)	0	0	0
Treasury:			
Air Transportation Stabilization ^b	0	0	0
Veterans Affairs:			
Housing	0.78	275	35,248
International Assistance Programs:			
Microenterprise and Small Enterprise Development	0	0	0
Development Credit Authority	3.11	21	675
Overseas Private Investment Corporation	2.61	20	765
Small Business Administration:			
Business Loans	0.46	95	20,802
Export-Import Bank of the United States:			
Export-Import Bank Loans	3.08	441	14,320
Presidio Trust:			
Presidio Trust	0.14	0	0
Total	N/A	\$4,123	\$347,020

Agency and Program	Subsidy Rate	Subsidy Budget Authority	Estimated Loan Levels
Addendum: Secondary Guaranteed Loan Commitment Limitations GNMA: Guarantees of Mortgage-Backed Securities	-0.27%	-\$405	\$200,000

Source: Adapted by CRS from U.S. Executive Office of the President. Office of Management and Budget. *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2004* (Washington: GPO, 2004), p. 219.

N/A = Not applicable.

^a For additional information on credit subsidy rates, see the *Federal Credit Supplement* to the Budget for 2004.

^b Numbers shown for 2003 include estimates for loan guarantees that have received either conditional or final approval. This presentation should not be construed as prejudging the outcome of the Air Transportation Stabilization Board's deliberations. The Board does not anticipate making any new loan guarantees in 2004.

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