

Note 4. Loans Receivable and Loan Guarantee Liabilities, Net

Loans Receivable as of September 30, 2019

(In billions of dollars)	Loans Receivable, gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy	Net Loans Receivable	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education	1,164.9	83.3	-	(124.4)	1,123.8	61.5
Federal Family Education Loans - Education	90.2	22.3	-	(35.7)	76.8	5.8
Electric Loans - USDA	49.2	0.1	-	(2.3)	47.0	(0.3)
Rural Housing Services - USDA .	23.6	1.1	0.1	(2.8)	22.0	0.3
Export-Import Bank Loans	16.4	0.1	-	(1.6)	14.9	-
Federal Housing Administration Loans - HUD	37.4	14.1	1.3	(16.7)	36.1	(0.1)
All other programs	116.3	2.0	1.1	(14.2)	105.2	(0.2)
Total loans receivable	<u>1,498.0</u>	<u>123.0</u>	<u>2.5</u>	<u>(197.7)</u>	<u>1,425.8</u>	<u>67.0</u>

Loans Receivable as of September 30, 2018 (Restated)

(In billions of dollars)	Loans Receivable, gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy	Net Loans Receivable	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education	1,083.7	72.0	-	(40.7)	1,115.0	4.4
Federal Family Education Loans - Education	95.1	21.1	-	(23.3)	92.9	2.4
Electric Loans - USDA	49.3	0.3	-	(2.2)	47.4	(0.1)
Rural Housing Services - USDA .	24.4	0.2	0.1	(2.1)	22.6	0.1
Export-Import Bank Loans	18.2	0.2	-	(0.8)	17.6	0.4
Federal Housing Administration Loans - HUD	30.6	9.3	1.3	(15.1)	26.1	(0.2)
All other programs	108.9	1.7	1.1	(14.2)	97.5	1.2
Total loans receivable	<u>1,410.2</u>	<u>104.8</u>	<u>2.5</u>	<u>(98.4)</u>	<u>1,419.1</u>	<u>8.2</u>

Loan Guarantee Liabilities as of September 30, 2019, and 2018								
	Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the U.S.		Loan Guarantee Liabilities		Subsidy Expense (Income) for the Fiscal Year	
	Restated		Restated				Restated	
(In billions of dollars)	2019	2018	2019	2018	2019	2018	2019	2018
Federal Housing Administration Loans - HUD	1,524.6	1,470.8	1,366.2	1,326.8	2.5	19.1	(24.7)	(8.9)
Veterans Housing Benefit Programs - VA	712.3	663.7	179.7	167.9	7.5	8.7	(2.1)	(2.8)
Rural Housing Services - USDA ..	124.1	123.0	111.6	110.6	(0.2)	(0.2)	(0.1)	(0.2)
Small Business Loans - SBA.....	129.7	128.8	105.8	105.6	2.0	2.7	(1.0)	(1.1)
Federal Family Education Loans - Education	141.6	157.1	141.6	153.8	5.2	2.6	6.9	(1.2)
Foreign Aid Loan Programs - USAID	15.6	18.5	15.3	18.2	2.8	3.7	(1.0)	-
All other guaranteed loan programs	77.1	83.9	72.6	79.6	1.9	1.6	(0.2)	(0.4)
Total loan guarantee liabilities...	2,725.0	2,645.8	1,992.8	1,962.5	21.7	38.2	(22.2)	(14.6)

The government has two types of loan programs: direct loans and loan guarantees. One major type of loan is direct loans such as the Education Federal Direct Student Loans. The second type is loan guarantee programs, such as the HUD's FHA Loans program.

Direct loans and loan guarantee programs are used to promote the nation's welfare by making financing available to segments of the population not served adequately by non-federal institutions, or otherwise providing for certain activities or investments. For those unable to afford credit at the market rate, federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For those to whom non-federal financial institutions are reluctant to grant credit because of the high risk involved, federal credit programs guarantee the payment of these non-federal loans and absorb the cost of defaults.

The amount of the long-term cost of post-1991 direct loans and loan guarantees outstanding equals the subsidy cost allowance for direct loans and the liability for loan guarantees (including defaulted guaranteed loans) as of September 30. The amount of the long-term cost of pre-1992 direct loans and loan guarantees equals the allowance for subsidy amounts (or present value allowance) for direct loans and the liability for loan guarantees. The long-term cost is based on all direct loans and guaranteed loans disbursed in this fiscal year and previous years that are outstanding as of September 30. It includes the subsidy cost of these loans and guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortizations, and write-offs.

The 2018 subsidy expense/(income), principal amount of loans under guarantee, and principal amount guaranteed by the U.S. have been restated to provide consistency among credit reform entities. The restated 2018 loans guarantee liabilities subsidy expense/(income) increased by \$0.3 billion while the 2018 loans receivable subsidy expense/(income) decreased by \$0.1 billion. The liabilities for principal amount of loans under guarantee increased by \$2.6 billion and the principal amount of loans guaranteed by the U.S. increased by \$2.2 billion.

Net loans receivable includes related interest and foreclosed property. Foreclosed property is property that is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as a compensation for losses that the government sustained under post-1991 loan guarantees. Please refer to the financial statements of the USDA, VA, and HUD for significant detailed information regarding foreclosed property.

The total subsidy expense/(income) is the cost of direct loans and loan guarantees recognized during the fiscal year. It consists of the subsidy expense/(income) incurred for direct and guaranteed loans disbursed during the fiscal year, for modifications made during the fiscal year of loans and guarantees outstanding, and for upward or downward reestimates as of the end of the fiscal year of the cost of loans and guarantees outstanding. This expense/(income) is included in the Statements of Net Cost.

Loan Programs

The majority of the loan programs are provided by Education, HUD, USDA, SBA, USAID, VA, and EXIM Bank. For significant detailed information regarding the direct and guaranteed loan programs listed in the tables above, please refer to the financial statements of the entities.

Education has two major loan programs, authorized by Title IV of the *Higher Education Act of 1965*. The first program is the William D. Ford Federal Direct Loan Program (referred to as the Direct Loan Program), which was established in fiscal year 1994. The Direct Loan Program offered four types of educational loans: Stafford, Unsubsidized Stafford, PLUS for parents and/or graduate or professional students, and consolidation loans. With this program, the government makes loans directly to students and parents through participating institutions of higher education. Direct loans are originated and serviced through contracts with private vendors. Education disbursed approximately \$130.7 billion in Direct Loans to eligible borrowers in fiscal year 2019 and approximately \$134.1 billion in fiscal year 2018. The second program is the FFEL Program. This program was established in fiscal year 1965 and is a guaranteed loan program. Like the Direct Loan Program, it offered four types of loans: Stafford, Unsubsidized Stafford, PLUS for parents and/or graduate or professional students, and consolidation loans. The *SAFRA*, which was enacted as part of the *Health Care Education and Reconciliation Act of 2010* (P.L. 111-152), eliminated the authority to guarantee new FFEL after June 30, 2010. During fiscal year 2019, Education net loans receivable decreased by \$7.3 billion, largely the result of net upward loan subsidy reestimates of \$58.7 billion that exceeded an increase in gross loan receivables. The reestimate includes changes in estimation methods and comparative cost increases for Education's Income-Driven Repayment plans as well as enhancements in estimation methodology with respect to deferment and forbearance actions.

HUD's Office of Housing plays a vital role for the nation's homebuyers, homeowners, renters, and communities through its nationally administered programs. It includes FHA, the largest mortgage insurer in the world. FHA provides over \$1.3 trillion in mortgage insurance on mortgages for single family homes, multifamily properties, and healthcare facilities.

USDA's Rural Development offers both direct and guaranteed loans with unique missions to bring prosperity and opportunity to rural areas. The Rural Housing programs provide affordable, safe, and sanitary housing and essential community facilities to rural communities. Rural Utility programs help improve the quality of life in rural areas through a variety of loan programs for electric energy, telecommunications, and water and environmental projects.

USAID currently operates the following loan and/or loan guarantee programs: Direct Loan Program, Urban and Environmental Program, Micro and Small Enterprise Development Program, Israel Loan Guarantee Program, Development Credit Authority Program, Loan Guarantees to Middle East Northern Africa Program, and the Ukraine Loan Guarantee Program. These programs provide loans to developing countries to help with housing and economic transition.

The SBA provides guarantees that help small businesses obtain bank loans and licensed companies to make investments in qualifying small businesses. The SBA also makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses recover from disasters.

VA operates the following direct loan and loan guarantee programs: Vendee Loans, Acquired Loans, Native American Direct Loans, Housing Guaranteed Loans, Insurance Loans, and Loan Sale Guarantees. The Home Loans program provides loan guarantees and direct loans to veterans, service members, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms. During fiscal year 2019, the face value of outstanding principal on loans guaranteed by the VA increased by \$48.6 billion. This increase was primarily due to \$155.4 billion in new loans guaranteed by the VA, partially offset by \$106.7 billion in guaranteed loan terminations.

The EXIM Bank aids in financing and promoting U.S. exports. Loans and guarantees extended under the medium-term loan program typically have repayment terms of one to seven years, while loans and guarantees extended under the long-term program usually have repayment terms in excess of seven years. Generally, both the medium-term and the long-term loan and guarantee programs cover up to 85 percent of the U.S. contract value of shipped goods.