

Note 4. Loans Receivable, Net and Loan Guarantee Liabilities

Loans Receivable, net as of September 30, 2022

(In billions of dollars)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Subsidy Cost Allowance	Loans Receivable, Net	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education.....	1,341.8	86.7	-	(611.9)	816.6	385.4
Disaster Assistance Loans - SBA.....	367.0	14.8	-	(61.5)	320.3	43.0
Federal Housing Admin Loans - HUD	53.8	20.9	0.5	(14.3)	60.9	(0.1)
Electric Loans - USDA	53.9	-	-	(2.2)	51.7	0.7
Federal Family Education Loans - Education.....	80.3	21.6	-	(62.1)	39.8	10.8
All other programs	159.6	4.0	0.8	(19.6)	144.8	0.1
Total loans receivable	<u>2,056.4</u>	<u>148.0</u>	<u>1.3</u>	<u>(771.6)</u>	<u>1,434.1</u>	<u>439.9</u>

Loans Receivable, net as of September 30, 2021

(In billions of dollars)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Subsidy Cost Allowance	Loans Receivable, Net	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education.....	1,292.2	86.5	-	(273.9)	1,104.8	93.9
Disaster Assistance Loans - SBA.....	249.2	7.5	-	(12.6)	244.1	2.9
Federal Housing Admin Loans - HUD	46.2	19.9	0.6	(17.6)	49.1	-
Electric Loans - USDA	51.0	-	-	(2.6)	48.4	(0.8)
Federal Family Education Loans - Education.....	82.0	23.9	-	(47.7)	58.2	0.6
All other programs	159.4	3.2	0.9	(17.1)	146.4	1.3
Total loans receivable	<u>1,880.0</u>	<u>141.0</u>	<u>1.5</u>	<u>(371.5)</u>	<u>1,651.0</u>	<u>97.9</u>

Loans Receivable

Loans receivable consists primarily of direct loans disbursed by the government, receivables related to guaranteed loans that have defaulted, and certain receivables for guaranteed loans that the government has purchased from lenders. Direct loans 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.

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

Loans receivable, net 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 compensation for losses that the government sustained under post-1991 loan guarantees. Please refer to the financial statements of HUD, USDA, and VA for additional information regarding foreclosed property.

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

The majority of loans receivable programs are provided by Education, SBA, HUD, and USDA. For additional information regarding the direct loan programs listed in the tables above, please refer to the financial statements of the entities.

Education has loan programs that are authorized by Title IV of the *Higher Education Act of 1965*. The William D. Ford Federal Direct Loan Program (referred to as the Direct Loan Program), was established in FY 1994 and offered four types of educational loans: Stafford, Unsubsidized Stafford, Parent Loan for Undergraduate Students, and consolidation loans. With this program, the government makes loans directly to students and parents through participating institutions of higher education. Education disbursed approximately \$120.4 billion in direct loans to eligible borrowers in FY 2022 and approximately \$104.8 billion in FY 2021. The COVID-19 relief legislation and administrative actions provided support for student loan borrowers by temporarily suspending nearly all federal student loan payments interest free. In addition, all federal wage garnishments and collections actions for borrowers with federally held loan in default were halted. To address the financial harms of the pandemic by smoothing the transition back to repayment and helping borrowers at highest risk of delinquencies or default once payments resume, Education announced broad-based debt relief. Borrowers with loans held by Education who received a Pell Grant in college and meet the specified income limits are eligible for up to \$20,000 in debt relief, while non-Pell Grant recipients who meet the specified income limits are eligible for up to \$10,000 in relief. This action resulted in an upward modification cost of \$361.0 billion in the Direct Loan Program. There was a net negative \$23.7 billion modification adjustment transfer associated with this modification, bringing the total modification cost for the Direct Loan Broad-Based Debt Relief for \$337.3 billion. These loan modification costs are a part of the \$338.0 billion increase in subsidy cost allowance for Education's Federal Direct Student Loans. Subsequent to September 30, 2022, a federal court order stayed the implementation of the debt relief. For information regarding the status of student loan debt relief refer to Note 30—Subsequent Events.

The SBA makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses recover from disasters. The CARES Act provides funding for SBA to offer low-interest EIDLs for working capital to small businesses suffering substantial economic injury as a result of COVID-19 that can be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact. Overall, SBA's credit program receivables saw an increase of \$76.1 billion from FY 2021 which includes SBA's direct disaster loan program which saw an increase of \$76.2 billion. The change in credit program receivables resulted from an increase of \$117.8 billion in direct disaster loans as a direct result of CARES Act funded loans.

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 and Ginnie Mae.

USDA's Rural Development offers direct 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.

Loan Guarantee Liabilities as of September 30, 2022, and 2021

	Loan Guarantee Liabilities		Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the U.S.		Subsidy Expense (Income) for the Fiscal Year	
	2022	2021	2022	2021	2022	2021	2022	2021
	(In billions of dollars)							
Federal Housing Administration								
Loans - HUD	(39.8)	(17.9)	1,533.7	1,503.6	1,368.0	1,344.4	(37.8)	(25.2)
Small Business Loans.....	25.7	227.8	187.9	459.6	163.8	435.3	(5.0)	296.8
Federal Family Education Loans - Education.....	10.4	7.3	98.6	116.9	98.6	116.9	11.2	10.1
Veterans Housing Benefit Programs	9.9	10.9	940.9	862.2	237.3	218.3	(2.2)	0.6
All other guaranteed loan programs	0.2	2.6	195.0	208.6	178.3	190.9	(2.3)	(3.2)
Total loan guarantee liabilities	6.4	230.7	2,956.1	3,150.9	2,046.0	2,305.8	(36.1)	279.1

Loan Guarantee Liabilities

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

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

The majority of the loan guarantee programs are provided by HUD, SBA, Education and VA. For additional information regarding the guaranteed loan programs listed in the tables above, please refer to the financial statements of the entities.

HUD's Office of Housing promotes equal housing opportunities. It includes FHA who provides mortgage insurance on mortgages for single family mortgage loans made by FHA-approved lenders as well as providing mortgage insurance on multifamily rental housing, healthcare facilities and single-family Title I manufactured housing and property improvement loans. FHA strives to meet the needs of many first-time and minority homebuyers who, without the FHA guarantee, may find mortgage credit to be unaffordable or simply unavailable. These programs are a critical component of FHA's efforts to meet the nation's need for decent, safe, and affordable housing. Due to COVID-19 the CARES Act provided borrowers with federally backed mortgage loans a 60-day foreclosure moratorium and a right to forbearance of loan payments for up to one year for homeowners experiencing financial hardship. FHA's Loan Guarantee Liability decreased \$21.9 billion primarily due to upward and downward reestimates, increases in claim payments, decreases in interest fees received and decreases in negative subsidy payments. Overall, anticipated cash inflows are projected to exceed cash outflows.

The SBA provides guarantees that help small businesses obtain bank loans and licensed companies to make investments in qualifying small businesses. The loan guarantee PPP provides loan forgiveness for eligible small businesses, individuals, and nonprofits if proceeds were used in accordance with the law. Eligible expenses include payroll, rent, utility payments and other limited uses. SBA's Loan Guarantee Liabilities decreased \$202.1 billion primarily due to PPP loan forgiveness to lenders.

Education has loan programs that are authorized by Title IV of the *Higher Education Act of 1965*. The FFEL Program was established in FY 1965 and operates through state and private, nonprofit guaranty agencies that provided loan guarantees on loans made by private lenders to eligible students. The *Student Aid and Fiscal Responsibility Act*, 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.

VA operates the following loan guarantee programs: Housing Guaranteed Loans and Loan Sale Guarantees. The Home Loans program provides loan guarantees to veterans, service members, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms.

For additional information regarding the CARES Act refer to the financial statements of SBA, Education, HUD and Note 29—COVID-19 Activity.