Note 4. Loans Receivable, Net and Loan Guarantees

Loans Receivable, net as of September 30, 2024

(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	1,368.9	104.4	-	(432.0)	1,041.3	60.7
Disaster Assistance Loans - SBA	287.0	10.1	-	(40.9)	256.2	(1.5)
FDIC (acting in its capacity as Receiver)	94.5	1.0	-	-	95.5	-
Federal Housing Admin Loans - HUD	69.0	30.6	0.7	(21.6)	78.7	-
Electric Loans - USDA	58.8	-	-	1.3	60.1	(1.0)
Federal Family Education Loans - Education	73.6	23.5	-	(60.3)	36.8	(0.9)
All other programs	197.8	4.0	0.6	(20.0)	182.4	1.2
Total loans receivable	2,149.6	173.6	1.3	(573.5)	1,751.0	58.5

Loans Receivable, net as of September 30, 2023

(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	1,336.2	83.4	-	(388.7)	1,030.9	(116.5)
Disaster Assistance Loans - SBA	311.3	13.3	-	(53.9)	270.7	34.4
Federal Housing Admin Loans - HUD	61.8	25.8	0.7	(17.6)	70.7	(0.1)
Electric Loans - USDA	56.5	0.2	-	0.7	57.4	(1.3)
FDIC (acting in its capacity as Receiver)	50.0	0.1	-	-	50.1	-
Federal Family Education Loans - Education	79.0	20.9	-	(60.5)	39.4	2.3
All other programs	190.1	4.2	0.8	(19.2)	175.9	2.0
Total loans receivable	2,084.9	147.9	1.5	(539.2)	1,695.1	(79.2)

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 balances are provided by Education, SBA, FDIC, HUD, and USDA. For additional information regarding the 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 offers 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 $147.7 billion in direct loans to eligible borrowers in FY 2024 and approximately $122.3 billion in FY 2023. In FY 2024, the allowance for subsidy increased by $43.3 billion due to the recognition of subsidy costs for direct loans. The increase in interest receivable in FY 2024 was primarily due to the end of temporary relief actions that set borrower interest rates to zero percent for most of FY 2023. The increase in subsidy costs in FY 2024 was due largely to a significant increase in subsidy expenses for Education's student loan programs, because of the reduction in FY 2023 subsidy expense resulting from the reversal of the proposed student loan debt relief as a result of the Supreme Court's ruling in *Biden v Nebraska*.

The SBA makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses recover from disasters. SBA's Disaster Assistance Loan Program makes direct loans to disaster survivors under four categories: physical disaster loans to repair or replace damaged homes and personal property; physical disaster loans to businesses of any size; EIDLs to eligible small business and nonprofit organizations without credit available elsewhere; and economic injury loans to eligible small businesses affected by essential employees called up to active duty in the military reserves. The decrease of $35.9 billion in subsidy expense for Disaster Assistance Loans was due to a net downward reestimates in FY 2024 compared to an upward reestimates in FY 2023.

In FY 2023 and 2024, Treasury purchased notes guaranteed by the FDIC in its corporate capacity as a deposit insurer and regulator totaling $93.3 billion from trusts related to the resolutions of First Republic Bank and Silicon Valley Bridge Bank. FDIC, as Receiver, established trusts and used structured transactions to sell certain receivership assets to the trusts. The assets sold were: 1) a $50 billion PMN issued by JP Morgan Chase Bank N.A. in connection with the acquisition of certain assets and liabilities of First Republic Bank; 2) a $36.1 billion PMN issued by First-Citizens Bank & Trust Company in connection with the acquisition of certain assets and liabilities of Silicon Valley Bridge Bank; and 3) $10.5 billion of Ginnie Mae Project Loan Securities held by the Silicon Valley Bridge Bank Receivership. The two PMNs and the Ginnie Mae Project Loan Securities are collateralized by pools of loans. Cash flows from assets held by trusts will be used to repay the principal and interest due on the Treasury-purchased notes. The Treasury-purchased notes are recorded at cost (including capitalized interest of $1.2 billion as of September 30, 2024) and considered by Treasury to be fully collectable based on the following factors: 1) over-collateralization of the Treasury-purchased notes; 2) full recourse obligations of First-Citizens Bank and Trust Company and JP Morgan Chase Bank N.A. to pay interest and principal on the PMNs through maturity; and 3) funded reserve accounts for the PMN to cover interest shortfalls. In FY 2024, $43.3 billion related to the Silicon Valley Bridge Bank, was transferred to the DIF. Of that amount, $1.8 billion was disbursed (outlaid) for an interest reserve to pay any interest shortfalls (the difference between the coupon rate collected on the PMN and the anticipated coupon rate on the notes). See Note 10—Other Assets for additional information regarding the remaining $41.5 billion.

HUD's loans receivable balance largely comprises defaulted single-family mortgages and reverse mortgages that were insured by FHA. In addition, HUD finances mortgages and provides loans to support construction and rehabilitation of low-rent housing, principally for the elderly and disabled.

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 Guarantees as of September 30, 2024, and 2023

	Loan Guarantees Asset/(Liability)		Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the U.S.		Subsidy Expense/ (Income) for the Fiscal Year	
(In billions of dollars)	2024	2023	2024	2023	2024	2023	2024	2023
Federal Housing Administration Loans - HUD	50.4	32.6	1,823.8	1,669.1	1,610.4	1,481.3	(26.7)	(2.2)
Federal Family Education Loans - Education	(9.7)	(10.9)	62.6	80.6	62.6	80.6	5.5	5.3
Veterans Housing Benefit Programs - VA	(7.3)	(9.1)	1,040.8	994.7	261.6	250.1	(2.7)	(4.5)
All other guaranteed loan programs	(5.5)	(8.0)	351.9	354.5	307.7	312.6	(0.6)	(2.7)
Total loan guarantees	27.9	4.6	3,279.1	3,098.9	2,242.3	2,124.6	(24.5)	(4.1)

Loan Guarantees

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, the government guarantees the payment of these non-federal loans and absorb the cost of defaults.

Loan guarantees outstanding as of September 30 are valued at the PV of the cash outflows (e.g., claim payments) less the PV of the related inflows (e.g., recoveries, fees). Generally, loan guarantees are recorded as a liability except when cash inflows are expected to exceed cash outflows on a PV basis. This results in a loan guarantee that is reported as an asset on the Balance Sheet.

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, 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. FHA's loan guarantee subsidy income increased by $24.6 billion in FY 2024 primarily due to downward reestimates for the MMI/CMHI Single-Family program as well as the GI/SRI Multifamily program.

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.