

## Note 4. Loans Receivable, Net and Loan Guarantees

### Loans Receivable, net as of September 30, 2025

(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	1,397.7	135.4	-	(279.5)	1,253.6	(146.1)
Disaster Assistance Loans - SBA	324.9	11.0	-	(104.0)	231.9	10.5
FDIC (acting in its capacity as Receiver)	96.4	1.0	-	-	97.4	-
Federal Housing Admin Loans - HUD	75.7	34.4	1.1	(26.8)	84.4	-
Electric Loans - USDA	62.6	-	-	2.2	64.8	(1.0)
Federal Family Education Loans - Education	72.7	25.9	-	(63.3)	35.3	(2.7)
All other programs	265.7	5.0	1.4	(37.0)	235.1	5.8
Total loans receivable	<u>2,295.7</u>	<u>212.7</u>	<u>2.5</u>	<u>(508.4)</u>	<u>2,002.5</u>	<u>(133.5)</u>

### 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	<u>2,149.6</u>	<u>173.6</u>	<u>1.3</u>	<u>(573.5)</u>	<u>1,751.0</u>	<u>58.5</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. 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, 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 \$116.2 billion in direct loans to eligible borrowers in FY 2025 and approximately \$147.7 billion in FY 2024. Loans receivable, net increased largely due to FY 2025 loan disbursements and changes in the subsidy cost estimates. Loans receivables, gross and interest receivable increased due to loans disbursed being greater than loan payments received during FY 2025. In FY 2025, the allowance for subsidy decreased by \$152.5 billion primarily due to loan modifications in types of loans and repayment plans offered, as a result of P.L. 119-21, which increased the net credit program receivable. On July 4, 2025, Congress and the President enacted P.L. 119-21, commonly referred to as the OBBBA.

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 increase of \$37.9 billion in Loans receivable, gross was due to an increase in previously charged off direct loans under the COVID-19 Economic Injury Disaster Loan, being placed back into service. In FY 2025, the subsidy cost allowance increased by \$63.1 billion due to the allowance for uncollectable loans offsetting the reversal of the loans previously charged off.

In previous years, 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 Purchase Money Note (PMN) issued by JP Morgan Chase Bank N.A.; 2) a \$36.1 billion PMN issued by First-Citizens Bank & Trust Company; and 3) \$10.5 billion of Government National Mortgage Association (Ginnie Mae) Project Loan Securities. The Treasury-purchased notes are recorded at cost (including capitalized interest of \$3.1 billion as of September 30, 2025) 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.

HUD's loans receivable balance largely comprises defaulted single-family mortgages and reverse mortgages that were insured by Federal Housing Administration (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.

All other loan receivable programs include programs administered by USDA, DOE, and Department of Transportation (DOT). These programs include the *Transportation Infrastructure Finance and Innovation Act* loans administered by DOT and housing loans administered by USDA. Refer to USDA and DOT’s financial statements for additional information regarding these loan programs.

<b>Loan Guarantees as of September 30, 2025, and 2024</b>								
	<b>Loan Guarantees</b>		<b>Principal Amount</b>		<b>Principal Amount</b>		<b>Subsidy Expense/</b>	
	<b>Asset/(Liability)</b>		<b>of Loans Under</b>		<b>Guaranteed</b>		<b>(Income) for the</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>by the U.S.</b>		<b>Fiscal Year</b>	
(In billions of dollars)					<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Federal Housing Administration Loans - HUD	53.0	50.4	2,002.0	1,823.8	1,761.0	1,610.4	(10.8)	(26.7)
Federal Family Education Loans - Education	9.0	(9.7)	56.6	62.6	56.6	62.6	(13.9)	5.5
Veterans Housing Benefit Programs - VA	(10.4)	(7.3)	1,097.9	1,040.8	275.3	261.6	2.5	(2.7)
All other guaranteed loan programs	(4.3)	(5.5)	379.8	351.9	333.4	307.7	1.7	(0.6)
<b>Total loan guarantees</b>	<b>47.3</b>	<b>27.9</b>	<b>3,536.3</b>	<b>3,279.1</b>	<b>2,426.3</b>	<b>2,242.3</b>	<b>(20.5)</b>	<b>(24.5)</b>

**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, 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.

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.