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Introduction

The FY 1998 Federal Credit Supplement provides summary information about Federal direct loan and loan guarantee programs subject to the Federal Credit Reform Act (FCRA) of 1990. The data are based on the proposals in the Administration's 1998 Budget. The credit activities of deposit insurance and other insurance programs are exempt from FCRA and do not appear in this Supplement.

Tables 1 and 2 provide baseline and policy subsidy rates, obligations/commitments and average loan size for direct loans and loan guarantee programs, as well as the program's classification under the Budget Enforcement Act (BEA) of 1990 as discretionary or mandatory. (See the "Preview Report" in the *Analytical Perspectives* volume of the 1998 Budget for additional information about BEA categories)

Tables 3 and 4 provide information about the major components of baseline subsidy rates and about the characteristics of direct and guaranteed loans, respectively. Tables 5 and 6 provide the same information for direct and guaranteed loans included in the President's 1998 budget request. The four components of the subsidy (defaults, net of recoveries; interest; fees; and all other) are reported on a present value basis, the sum of which will equal the estimated subsidy rate. Loan characteristics describe the terms of the loan agreement between the borrower and the agency or lender. Except for loan maturity and grace period, which are expressed in years, all characteristics are expressed as a percentage. Grace period may be for repayment of principal and/or interest.

Tables 7 and 8 provide information on reestimates of FY 1992–96 direct loan and loan guarantee cohorts calculated for the FY 1998

Budget, by agency, program, bureau and risk category. The tables show, for each cohort, the original subsidy rate used at point of obligation or commitment, the current reestimated subsidy rate, the breakout between the interest and technical/default portions of the subsidy reestimate, and the total dollar amount of the reestimate.

Tables 9 and 10 provide estimates for FY 1990–1997 of obligations/commitments, disbursements, and outstandings for selected large direct loan and loan guarantee programs, respectively.

Tables 11 and 12 are policy loan disbursement rates for direct loans and loan guarantee programs. Policy and baseline loan disbursement rates are usually equal with some exceptions. For example, a new program proposed for FY 1998 will have a policy disbursement rate, but no baseline.

More information on Federal credit programs may be found in Chapter 8, "Underwriting Federal Credit and Insurance", of the *Analytical Perspectives* volume of the Budget. The first five pages of the chapter are reprinted in this Supplement.

This Supplement includes a subsidy rate for the Department of Housing and Urban Development's Hospital Mortgage Insurance Program that is different than the one published in the *Budget Appendix*. Initial calculations reflected a range of 1.50–1.75% for the program; the *Appendix* reflects the more conservative estimate of 1.75% because final work on the subsidy estimate was not completed in time for *Appendix* publication. The Supplement reflects the final estimate of 1.49%. Future estimates would be based upon this assumption.

Table 1.—DIRECT LOANS: FY 1998 BASELINE AND POLICY SUBSIDY RATES, OBLIGATIONS, AND AVERAGE LOAN SIZE

(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	Baseline			Policy		
		Subsidy rate (percent)	Obligations	Average loan size	Subsidy rate (percent)	Obligations	Average loan size
Funds Appropriated to the President							
Agency for International Development:							
Micro and Small Enterprise Development Loans	Discretionary	10.16	1,000	1,000	10.16	1,000	1,000
International Security Assistance:							
Foreign Military Financing Direct Loans	Discretionary	9.44	699,500	139,900	9.44	699,500	139,900
Overseas Private Investment Corporation:							
Direct Loan Financing	Discretionary	3.00	133,000	26,600	3.00	133,000	26,600
Department of Agriculture							
Farm Service Agency:							
Agricultural credit insurance fund:							
Credit Sales of Acquired Property	Discretionary	13.02	19,939	90	13.02	25,000	90
Direct Farm Ownership	Discretionary	13.04	46,580	80	13.04	30,828	80
Direct Farm Operating	Discretionary	6.57	923,714	44	6.57	450,000	44
Indian Tribe Land Acquisition	Discretionary	13.18	417	417	13.18	1,000	500
Emergency Disaster	Discretionary	24.03	27,174	59	24.03	25,000	59
Rural Community Advancement Program:							
Direct Business and Industry Loans	Discretionary	-7.16	51,300	503	-7.16	50,000	500
Community Facility Direct Loans	Discretionary	8.38	146,309	679	8.38	209,403	679
Water and Waste Disposal Direct Loans	Discretionary	9.76	706,531	828	9.76	734,088	828
Rural Utilities Service:							
Distance learning and telemedicine program:							
Distance Learning and Telemedicine Direct Loans	Discretionary	0.02	153,900	*	0.02	150,000	*
Rural electrification and telephone program:							
Electrification:							
Direct, Electric 5%	Discretionary	7.46	50,000	3,333	7.46	125,000	3,378
Direct, Municipal Rate Electric	Discretionary	4.22	687,000	5,051	4.22	400,000	5,063
Direct, FFB Electric	Discretionary	0.92	311,000	38,875	0.92	300,000	37,500
Telephone:							
Direct, Telecommunication 5%	Discretionary	3.92	31,000	6,200	3.92	40,000	5,714
Direct, Treasury Rate Telecommunication	Discretionary	0.02	310,000	5,082	0.02	300,000	5,085
Direct, FFB Telecommunication	Discretionary	-0.07	120,000	10,000	-0.07	120,000	10,000
Rural Telephone Bank:							
Direct Rural Telephone Bank	Discretionary	2.12	180,948	3,619	2.12	175,000	3,646
Rural Housing Service:							
Rural housing insurance fund:							
Single Family Housing	Discretionary	12.81	664,778	50	12.81	1,000,000	50
Multi-Family Housing — Under Current Law	Discretionary	53.44	150,646	461	53.44	128,640	461
Multi-Family Housing — Proposed Legislation	Discretionary				45.83	150,000	461
Housing Repair	Discretionary	34.36	33,088	5	34.36	30,000	5
Farm Labor Housing	Discretionary	49.25	14,343	412	49.25	15,001	412
Credit Sales of Acquired Property	Discretionary	13.97	29,742	41	13.97	25,004	41
Self-Help Land Development	Discretionary	3.41	593	294	3.41	587	294
Site Development	Discretionary	-1.19	616	300	-1.19	600	300

Table 1.—DIRECT LOANS: FY 1998 BASELINE AND POLICY SUBSIDY RATES, OBLIGATIONS, AND AVERAGE LOAN SIZE—Continued

(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	Baseline			Policy		
		Subsidy rate (percent)	Obligations	Average loan size	Subsidy rate (percent)	Obligations	Average loan size
Rural Business — Cooperative Service:							
Rural Development Loan Fund	Discretionary	48.25	38,121	977	48.25	35,000	946
Rural Economic Development Loan Program	Discretionary	23.91	12,144	578	23.91	25,000	581
Foreign Agricultural Service:							
P.L. 480 Direct Credits	Discretionary	77.83	218,944	9,952	77.83	112,899	6,272
Department of Commerce							
National Oceanic and Atmospheric Administration:							
Fisheries Finance ¹	Discretionary				1.00	23,800	768
Department of Education							
Office of Postsecondary Education:							
Ford direct loan program:							
Federal Direct Student Loan Program — weighted average of total obligations	Mandatory	3.81	16,929,544	4	4.44	16,929,544	4
Consolidated	Mandatory	— 0.14	3,386,000	11	— 0.14	3,386,000	11
PLUS	Mandatory	— 6.34	1,626,477	6	— 5.84	1,626,477	6
Stafford	Mandatory	13.65	7,670,617	3	14.65	7,670,617	3
Unsubsidized	Mandatory	— 6.93	4,246,450	4	— 6.43	4,246,450	4
Department of the Interior							
Bureau of Reclamation:							
Loan program	Discretionary	32.26	31,000	5,167	32.26	31,000	5,167
Department of State							
Bureau of Consular Affairs:							
Repatriation Loan Program	Discretionary	80.00	741	1	80.00	741	1
Department of Transportation							
Federal Highway Administration:							
Transportation Infrastructure Credit Program	Discretionary				8.60	1,155,000	165,000
Office of the Secretary:							
Short Term Lending Program	Discretionary	10.00	15,000	150	10.00	15,000	150
Alameda Corridor Project Loan	Discretionary	14.67	410	410			
Department of Treasury							
Community Development Financial Institutions:							
Community Development Financial Institutions Fund	Discretionary	38.08	23,634	985	38.08	52,521	991
Department of Veterans Affairs							
Veterans Benefits Administration:							
Veterans Housing Benefit Program Fund Direct Loans — Under Current Law ²	Mandatory	2.36	2,144,000	91	2.36	2,144,000	91
Veterans Housing Benefit Program Fund Direct Loans — Proposed Legislation	Mandatory				1.00	2,144,000	91
Miscellaneous Veterans Loan Program:							
Education	Discretionary	34.11	3	2	34.11	3	2
Native American Veteran Housing Loan Program	Discretionary	7.72	15,492	113	7.72	15,492	113

Table 1.—DIRECT LOANS: FY 1998 BASELINE AND POLICY SUBSIDY RATES, OBLIGATIONS, AND AVERAGE LOAN SIZE—Continued

(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	Baseline			Policy		
		Subsidy rate (percent)	Obligations	Average loan size	Subsidy rate (percent)	Obligations	Average loan size
Vocational Rehabilitation Loans	Discretionary	1.94	2,278	*	1.94	2,278	*
Small Business Administration							
General business loan programs:							
Section 7(m) Micro Loan Direct	Discretionary	10.28	19,000	³ 422	10.28	19,000	³ 422
Disaster loan program:							
Disaster Assistance	Discretionary	23.46	383,000	16	11.44	785,000	16
Other Independent Agencies							
Export-Import Bank of the United States:							
Long and Medium Term Loans	Discretionary	⁴ 1.69	1,660	31	⁴ 1.69	1,660	31
Federal Communications Commission:							
Spectrum Auction Financing	Mandatory	11.98	3,220,000	38,333	11.98	3,220,000	38,333
Federal Emergency Management Agency:							
State Share Loans	Discretionary	5.98	25,000	25,000	5.98	25,000	25,000
Community Disaster Loans	Discretionary	96.58	.....	.....	96.58	.....	.....

* Nonzero amount rounds to zero, based on units for this column.

¹ P.L.104-297 authorizing language enacted in FY 1997 changed this program from a loan guarantee to a direct loan program. FY 1997 appropriations action provided funding for a loan guarantee program; however, the FY 1998 President's Budget requests funding as a direct loan program.

² In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program and Guaranty and Indemnity Fund direct loans are proposed to be consolidated.

³ SBA lends to nonprofit intermediaries which lend to small businesses. The average small business micro loan is \$10,000.

⁴ Risk premia used represents weighted average of all direct lending risk categories.

Table 2.—LOAN GUARANTEES: FY 1998 BASELINE AND POLICY SUBSIDY RATES, COMMITMENTS, AND AVERAGE LOAN SIZE

(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	Baseline			Policy		
		Subsidy rate (percent)	Commitments	Average loan size	Subsidy rate (percent)	Commitments	Average loan size
Funds Appropriated to the President							
Agency for International Development:							
Urban and Environmental Credit Program ¹	Discretionary	² 8.57	35,000	8,750	² 8.57	35,000	8,750
Micro and Small Enterprise Development	Discretionary	3.70	47,500	3,654	3.70	47,500	3,654
Overseas Private Investment Corporation:							
Guaranteed Loan Financing	Discretionary	3.00	2,500,000	100,000	3.00	2,500,000	100,000
Department of Agriculture							
Farm Service Agency:							
CCC Export Guarantee Program	Mandatory	9.26	5,700,000	335	9.26	5,700,000	335
Agricultural credit insurance fund:							
Guaranteed Farm Ownership, Unsubsidized	Discretionary	3.86	410,389	171	3.86	400,000	171
Guaranteed Farm Operating, Subsidized	Discretionary	9.64	196,680	121	9.64	200,000	121
Guaranteed Farm Operating, Unsubsidized	Discretionary	1.17	1,700,000	114	1.17	1,700,000	114
Rural Community Advancement Program:							
Guaranteed Water and Waste Disposal Loans	Discretionary	- 1.90	76,950	681	- 1.90	75,000	681
Guaranteed Community Facilities Loans	Discretionary	0.40	77,720	1,359	0.40	209,445	1,359
Guaranteed Business and Industry Loans	Discretionary	0.97	706,064	1,393	0.97	610,412	1,394
Rural Housing Service:							
Single Family Housing, unsubsidized	Discretionary	0.23	2,770,000	70	0.23	3,000,000	70
Single Family Housing, unsubsidized — Refinancing — Proposed Legislation	Discretionary	.....	(³)	.....	0.02	100,000	35
Department of Defense							
Department of Defense:							
Defense Export Loan Guarantee Program	Discretionary	.....	250,000	83,333	.....	250,000	83,333
Family Housing Improvement Fund	Discretionary	15.00	138,000	9,200	15.00	138,000	9,200
Department of Education							
Bureau of Postsecondary Education:							
Federal family education loan program:							
Federal Family Education Loan Program — weighted average of total commitments	Mandatory	11.04	22,995,227	5	9.04	22,995,227	5
Consolidated	Mandatory	0.75	4,438,000	14	0.22	4,438,000	14
PLUS	Mandatory	3.65	1,799,310	7	3.32	1,799,310	7
Stafford	Mandatory	18.80	10,596,209	4	15.10	10,596,209	4
Unsubsidized	Mandatory	7.27	6,161,708	4	6.63	6,161,708	4
Department of Health and Human Services							
Health Resources and Services Administration:							
Health Professions Graduate Student Loan Insurance	Discretionary	1.09	85,000	11	1.09	85,000	11
Health Centers Guaranteed Loan Program	Discretionary	7.67	13,000	2,167	.....	(⁴)	.....
Department of Housing and Urban Development							
Public and Indian Housing Programs:							
Indian Home Loan Guarantee Program	Discretionary	8.13	36,900	87	8.13	36,900	87

Table 2.—LOAN GUARANTEES: FY 1998 BASELINE AND POLICY SUBSIDY RATES, COMMITMENTS, AND AVERAGE LOAN SIZE—Continued

(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	Baseline			Policy		
		Subsidy rate (percent)	Commitments	Average loan size	Subsidy rate (percent)	Commitments	Average loan size
Community Planning and Development:							
Community Development Loan Guarantees (Sec. 108)	Discretionary	2.30	1,416	10	2.30	1,261	10
Housing programs:							
FHA general and special risk insurance fund:							
Manufactured Housing	Discretionary	- 3.12	150,000	26	- 3.12	150,000	26
Cooperatives	Discretionary	29.21	44,375	4,931	29.21	44,375	4,931
Multifamily Development	Discretionary	8.51	1,053,125	7,462	8.51	1,053,125	7,462
Home Improvement Loans	Discretionary	- 1.39	2,250,000	14	- 1.39	2,250,000	14
Mixed Income	Discretionary	12.13	150,000	6,000	12.13	150,000	5,947
Mixed Use Continuum Facility	Discretionary	- 0.69	305,910	8,955	- 0.69	305,910	8,955
Multifamily Refinance	Discretionary	- 0.75	927,000	4,138	- 0.75	927,000	4,146
Residential Care Facilities	Discretionary	- 0.69	277,585	8,126	- 0.69	277,585	8,126
Section 234(c)/Other single family	Discretionary	- 1.32	8,363,785	86	- 1.32	8,363,785	86
Skilled Nursing Facilities	Discretionary	- 0.70	668,470	9,830	- 0.70	668,470	9,784
Indian Single Family Housing	Discretionary	9.12	2,000	50	9.12	2,000	50
Section 242 Hospitals	Discretionary	⁵ 1.49	800,000	176	⁵ 1.49	800,000	176
FHA mutual mortgage insurance fund:							
Mutual Mortgage Insurance Fund	Discretionary	- 2.62	83,450,088	84	- 2.99	93,481,754	88
Government National Mortgage Association:							
Mortgage-backed securities	Discretionary	- 32.00	130,000,000	⁶ 1,400	- 32.00	130,000,000	⁶ 1,400
Department of the Interior							
Bureau of Indian Affairs:							
Indian Guaranteed Loan Program	Discretionary	13.00	34,615	692	13.00	34,615	692
Department of Transportation							
Maritime Administration:							
Loan guarantee program:							
Maritime Guaranteed Loans (Title XI) — average ⁷	Discretionary	7.00	477,000	47,700	7.00	477,000	47,700
Department of Veterans Affairs							
Veterans Benefits Administration:							
Veterans Housing Benefit Program Fund Guaranteed Loans ⁸	Mandatory	0.49	28,948,000	103	0.49	28,948,000	103
Small Business Administration							
General business loan programs:							
Section 504 CDC Program	Discretionary	.....	2,300,000	342	.....	2,300,000	342
Section 504 CDC Program: DELTA ⁹	Discretionary	0.72	139,000	488	0.72	139,000	488
Section 7(a) General Business Guaranty	Discretionary	2.32	6,594,597	200	1.80	8,500,000	200
Section 7(a) General Business Guaranty: DELTA ⁹	Discretionary	3.25	87,500	486	3.77	87,500	486
Section 7(m) Micro Loan Guaranty	Discretionary	8.12	25,000	357	8.12	25,000	357
SBIC — Debentures	Discretionary	2.30	376,000	3,008	2.30	376,000	3,008
SBIC — Participating Securities	Discretionary	2.54	456,000	4,560	2.54	456,000	4,560

Table 2.—LOAN GUARANTEES: FY 1998 BASELINE AND POLICY SUBSIDY RATES, COMMITMENTS, AND AVERAGE LOAN SIZE—Continued

(in thousands of dollars, unless noted otherwise)

Agency, Bureau, Program and Risk Category	BEA Category	Baseline			Policy		
		Subsidy rate (percent)	Commitments	Average loan size	Subsidy rate (percent)	Commitments	Average loan size
Other Independent Agencies							
Export-Import Bank of the United States:							
Short, Medium and Long Term Guarantees and Insurance Programs	Discretionary	¹⁰ 3.85	15,413	4	¹⁰ 3.85	15,413	4

¹ In FY 1998 USAID is proposing to change the name of its Housing Guaranty Program to Urban and Environmental Credit Program.

² Weighted average.

³ No baseline estimates available; new program proposed for FY 1998.

⁴ No new loan guarantee commitments are proposed for FY 1998.

⁵ Subsidy rate does not match rate published in the FY 1998 Budget Appendix. See note on page ii of this Supplement.

⁶ Represents the average size of pools of FHA, VA and RHS mortgage loans guaranteed by GNMA, not individual loans.

⁷ Under normal circumstances the Credit Supplement would display seven risk categories for MARAD's Title XI Loan Guaranty Program. However, the necessary data was not available to complete the supplement.

⁸ In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

⁹ Using funds transferred from the Department of Defense in FY 1995, the Defense Loan and Technical Assistance (DELTA) programs were created to provide credit to small businesses adversely affected by military base closings.

¹⁰ Risk Premia and fees represent weighted average of all guaranteed lending risk categories.

Table 3.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1998 BASELINE SUBSIDY ESTIMATES

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Baseline subsidy rate	Composition of Subsidy				Loan Characteristics							
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²
Funds Appropriated to the President													
Agency for International Development:													
Micro and Small Enterprise Development Loans	10.16	11.51	- 1.35	.....	.....	8	5.16	4	.....	.....	.....	15.40	.....
International Security Assistance:													
Foreign Military Financing Direct Loans	9.44	12.69	- 3.25	.....	.....	12	7.01	5	.....	.....	.....	12.69	100.00
Overseas Private Investment Corporation:													
Direct Loan Financing	3.00	15.56	.....	- 12.56	.....	11	.....	3	0.05	3.00	.....	20.00	35.00
Department of Agriculture													
Farm Service Agency:													
Agricultural credit insurance fund:													
Credit Sales of Acquired Property	13.02	4.52	9.61	.....	- 1.12	39	5.43	.....	.....	.....	.....	16.00	70.00
Direct Farm Ownership	13.04	4.52	9.99	.....	- 1.47	39	5.43	.....	.....	.....	.....	16.00	70.00
Direct Farm Operating	6.57	6.23	0.16	.....	0.17	3	5.70	.....	.....	.....	.....	10.00	40.00
Indian Tribe Land Acquisition	13.18	.....	13.18	.....	.....	40	5.00	.....	.....	.....	.....	.....	.....
Emergency Disaster	24.03	11.93	11.25	.....	0.85	10	3.75	.....	.....	.....	.....	32.00	60.00
Rural Community Advancement Program:													
Direct Business and Industry Loans	- 7.16	2.55	- 10.22	.....	0.52	22	6.94	1	.....	.....	.....	6.60	60.00
Community Facility Direct Loans	8.38	0.51	7.82	.....	0.05	26	4.89	.....	.....	.....	.....	1.62	49.57
Water and Waste Disposal Direct Loans	9.76	0.09	10.22	.....	- 0.55	37	4.79	.....	.....	.....	.....	0.21	0.70
Rural Utilities Service:													
Distance learning and telemedicine program:													
Distance Learning and Telemedicine Direct Loans	0.02	0.02	.....	.....	.....	10	5.71	.....	.....	.....	.....	0.03	*
Rural electrification and telephone program:													
Electrification:													
Direct, Electric 5%	7.46	0.06	7.40	.....	.....	35	5.00	2	.....	.....	.....	0.27	80.00
Direct, Municipal Rate Electric	4.22	0.08	4.14	.....	.....	35	5.62	2	.....	.....	.....	0.23	80.00
Direct, FFB Electric	0.92	1.04	.....	- 0.12	.....	35	6.28	2	.....	*	.....	2.68	15.61
Telephone:													
Direct, Telecommunication 5%	3.92	0.01	3.91	.....	.....	25	5.00	2	.....	.....	.....	0.03	70.83
Direct, Treasury Rate Telecommunication	0.02	0.02	.....	.....	.....	25	6.16	2	.....	.....	.....	0.03	70.80
Direct, FFB Telecommunication	- 0.07	0.05	.....	- 0.12	.....	35	6.28	2	.....	*	.....	0.11	71.64
Rural Telephone Bank:													
Direct Rural Telephone Bank	2.12	0.02	2.10	.....	.....	22	6.16	2	.....	.....	.....	- 0.04	*
Rural Housing Service:													
Rural housing insurance fund:													
Single Family Housing	12.81	1.13	15.69	.....	- 4.01	33	³ 3.62	.....	.....	.....	.....	9.78	77.77
Multi-Family Housing	53.44	- 0.07	53.40	.....	0.11	48	³ 1.40	.....	.....	.....	.....	0.31	75.89
Housing Repair	34.36	2.07	32.52	.....	- 0.23	18	1.00	.....	.....	.....	.....	5.68	51.90
Farm Labor Housing	49.25	0.16	48.78	.....	0.31	33	1.00	.....	.....	.....	.....	1.32	51.54
Credit Sales of Acquired Property	13.97	0.81	18.95	.....	- 5.79	33	³ 3.86	.....	.....	.....	.....	8.81	77.77
Self-Help Land Development	3.41	.....	3.41	.....	.....	2	3.00	.....	.....	.....	.....	.....	.....

Table 3.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1998 BASELINE SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Baseline subsidy rate	Composition of Subsidy				Loan Characteristics							
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²
Site Development	-1.19	.....	-1.19	.....	.....	2	6.26	.....	.....	.....	.....	.....	.....
Rural Business — Cooperative Service:													
Rural Development Loan Fund	48.25	.....	48.02	-2.59	2.82	30	1.00	2	.....	.....	.....	1.26	60.00
Rural Economic Development Loan Program	23.91	.....	23.91	.....	.....	10	.....	1	.....	.....	.....	.....	.....
Foreign Agricultural Service:													
P.L. 480 Direct Credits	77.83	44.16	21.39	.....	412.28	30	⁵ 3.00	5	.....	.....	.....	97.82	.....
Department of Education													
Office of Postsecondary Education:													
Ford direct loan program:													
Federal Direct Student Loan Program — weighted average of total obligations	3.81	6.44	-1.30	-3.16	1.83	16	⁶ 7.22	⁷ 4	3.20	.....	.....	15.05	58.49
Consolidated	-0.14	2.65	-4.95	.....	2.16	16	⁸ 7.15	⁷ 4	.....	.....	.....	10.50	58.60
PLUS	-6.34	4.97	-10.13	-4.00	2.82	16	⁶ 8.21	⁹ 3	4.00	.....	.....	8.68	57.00
Stafford	13.65	8.13	8.19	-3.95	1.28	16	⁶ 7.11	⁷ 4	4.00	.....	.....	17.32	58.66
Unsubsidized	-6.93	6.99	-12.15	-3.95	2.18	16	⁶ 7.11	⁷ 4	4.00	.....	.....	17.02	58.66
Department of the Interior													
Bureau of Reclamation:													
Loan program	32.26	.....	32.26	.....	.....	30	5.27	.....	.....	.....	.....	.....	.....
Department of State													
Bureau of Consular Affairs:													
Repatriation Loan Program	80.00	80.00	.....	.....	.....	*	.....	*	.....	.....	.....	83.00	3.00
Department of Transportation													
Office of the Secretary:													
Short Term Lending Program	10.00	10.00	.....	.....	.....	¹⁰ 1	¹¹ 8.25	.....	.....	.....	.....	10.00	60.00
Alameda Corridor Project Loan	14.67	1.63	13.04	.....	.....	32	5.24	¹² 7	.....	.....	.....	(¹³)	.....
Department of Treasury													
Community Development Financial Institutions:													
Community Development Financial Institutions Fund	38.08	15.64	22.44	.....	.....	11	2.61	2	.....	.....	.....	25.00	15.00
Department of Veterans Affairs													
Veterans Benefits Administration:													
Veterans Housing Benefit Program Fund Direct Loans ¹⁴	2.36	23.48	-17.32	-3.80	.....	30	7.64	.....	1.00	.....	¹⁵ 3.00	59.62	60.00
Miscellaneous Veterans Loan Program:													
Education	34.11	0.06	37.05	-3.00	.....	10	5.80	.....	.....	.....	.....	0.09	.....
Native American Veteran Housing Loan Program	7.72	7.72	.....	.....	.....	30	7.64	.....	.....	.....	.....	15.57	78.00
Vocational Rehabilitation Loans	1.94	.....	1.72	.....	0.27	2	.....	.....	.....	.....	.....	.....	.....

Table 3.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1998 BASELINE SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Baseline subsidy rate	Composition of Subsidy				Loan Characteristics							
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²
Small Business Administration													
General business loan programs:													
Section 7(m) Micro Loan Direct	10.28	2.32	7.95	.....	.....	9	¹⁶ 4.59	1	.....	.....	.....	5.00	50.00
Disaster loan program:													
Disaster Assistance	23.46	9.97	14.76	.....	- 1.26	16	¹⁷ 3.96	1	.....	.....	.....	¹⁸ 14.50	.....
Other Independent Agencies													
Export-Import Bank of the United States:													
Long and Medium Term Loans	¹⁹ 1.69	8.55	- 3.83	- 3.03	.....	²⁰ 10	²⁰ 7.41	3	0.50	²⁰ 2.42	.....	¹⁸ 13.80	.....
Federal Communications Commission:													
Spectrum Auction Financing	11.98	11.10	0.88	.....	.....	10	6.69	6	.....	.....	.....	18.91	50.00
Federal Emergency Management Agency:													
State Share Loans	5.98	4.07	1.91	.....	.....	5	6.56	.....	.....	.....	.....	5.00	.....
Community Disaster Loans	96.58	12.58	84.00	.....	.....	5	6.67	.....	.....	.....	.....	95.00	.....

* Nonzero amount rounds to zero, based on units for this column.

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ Represents effective note rate of borrower.

⁴ Represents Title I Food for Progress Grants at 100% subsidy.

⁵ Represents interest after grace period. Average interest rate during grace period is 2%.

⁶ Interest rates shown, which are based on the 10–20 year Treasury Bond rate, are effective beginning July 1, 1998.

⁷ Includes 6 month grace period and maximum three year deferment.

⁸ Interest rates shown, which are based on Treasury securities with a maturity of 10–20 years, are effective beginning July 1, 1998. For consolidated loans, interest rates reflect a weighted average of the rates of the loans consolidated, rounded upward to the nearest whole percentage.

⁹ Includes a maximum three year deferment.

¹⁰ Loans have maturities of generally one year.

¹¹ Interest rate is the prime rate. Current prime rate (8.25%) projected to prevail through fiscal year 1998.

¹² Estimated construction period during which time no loan payments are due, but interest is capitalized.

¹³ A risk premium was used for estimating default risk therefore undiscounted defaults as a percent of loans disbursed is not applicable.

¹⁴ In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Fund, and Guaranty and Indemnity Fund direct loans are proposed to be consolidated.

¹⁵ Downpayment collected when home is sold through vendee financing.

¹⁶ SBA lends to nonprofit intermediaries at an interest rate equal to the Treasury rate minus varying levels of buy-downs. The intermediaries lend to small businesses at a rate no more than 4% above Prime.

¹⁷ The borrower interest rate for those without credit elsewhere cannot exceed 4%. The rate for borrowers with credit elsewhere cannot exceed 8%. Approximately 95% of borrowers fall into the former category.

¹⁸ Default rate net of recoveries.

¹⁹ Risk Premia used represents weighted average of all direct lending risk categories.

²⁰ Represents weighted average for all direct lending programs.

Table 4.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1998 BASELINE SUBSIDY ESTIMATES

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Baseline subsidy rate	Composition of Subsidy				Loan Characteristics								
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²	Percent guaranteed
Funds Appropriated to the President														
Agency for International Development:														
Urban and Environmental Credit Program ³	4 8.57	4 15.24	.....	4 - 6.67	.....	4 24	6.61	10	1.00	0.50	.....	4 33.75	.....	100.00
Micro and Small Enterprise Development	3.70	6.58	.....	- 2.88	.....	5	.....	.....	0.25	0.75	.....	7.70	.....	50.00
Overseas Private Investment Corporation:														
Guaranteed Loan Financing	3.00	15.56	.....	- 12.56	.....	11	.....	3	0.50	3.00	.....	20.00	35.00	100.00
Department of Agriculture														
Farm Service Agency:														
CCC Export Guarantee Program	9.26	10.02	.....	- 0.76	.....	3	.....	.....	1.00	.....	.....	5 8.85	.....	98.00
Agricultural credit insurance fund:														
Guaranteed Farm Ownership, Unsubsidized	3.86	5.16	.....	- 0.90	- 0.40	20	9.51	.....	1.00	.....	.....	8.50	3.00	87.00
Guaranteed Farm Operating, Subsidized	9.64	2.19	7.50	.....	- 0.04	4	9.02	.....	1.00	.....	.....	6.00	3.00	90.00
Guaranteed Farm Operating, Unsubsidized	1.17	2.11	.....	- 0.90	.....	4	9.02	.....	1.00	.....	.....	6.00	3.00	90.00
Rural Community Advancement Program:														
Guaranteed Water and Waste Disposal Loans	- 1.90	8.42	.....	- 0.80	- 9.52	20	6.71	.....	1.00	.....	.....	9.55	50.00	80.00
Guaranteed Community Facilities Loans	0.40	1.20	.....	- 0.80	.....	20	6.71	.....	1.00	.....	.....	1.32	50.00	80.00
Guaranteed Business and Industry Loans	0.97	2.74	.....	- 1.54	- 0.23	16	8.44	.....	1.93	.....	.....	3.00	8.30	79.80
Rural Housing Service:														
Single Family Housing, unsubsidized	0.23	1.14	.....	- 0.92	0.01	30	7.93	.....	1.00	.....	.....	1.58	1.00	90.00
Department of Defense														
Department of Defense:														
Defense Export Loan Guarantee Program .....	.....	9.90	.....	- 9.90	.....	10	5.00	.....	6 9.90	.....	.....	14.00	.....	85.00
Family Housing Improvement Fund	15.00	15.00	.....	.....	.....	30	8.75	.....	.....	.....	.....	34.00	30.00	80.00
Department of Education														
Bureau of Postsecondary Education:														
Federal family education loan program:														
Federal Family Education Loan Program — weighted average of total commitments	11.04	6.77	6.52	- 4.03	1.79	10	7 7.20	8 4	2.92	0.20	9 0.11	15.49	60.22	94.72
Consolidated	0.75	4.34	.....	- 5.41	1.82	10	7 7.15	8 4	0.50	1.05	9 0.11	10.50	60.60	94.72
PLUS	3.65	4.27	.....	- 3.50	2.88	10	7 8.21	8 3	3.50	.....	9 0.11	9.16	57.00	94.72
Stafford	18.80	7.19	14.14	- 3.89	1.36	10	7 7.11	8 4	3.50	.....	9 0.11	17.67	60.60	94.72
Unsubsidized	7.27	8.52	.....	- 3.44	2.19	10	7 7.11	8 4	3.50	.....	9 0.11	17.19	60.22	94.72
Department of Health and Human Services														
Health Resources and Services Administration:														
Health Professions Graduate Student Loan Insurance	1.09	8.09	.....	- 7.00	.....	33	6.09	1	7.00	.....	.....	6.27	90.00	100.00
Health Centers Guaranteed Loan Program	7.67	8.62	.....	- 0.95	.....	18	7.00	1	1.00	.....	.....	11.24	58.33	85.00

Table 4.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1998 BASELINE SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Baseline subsidy rate	Composition of Subsidy				Loan Characteristics								
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²	Percent guaranteed
Department of Housing and Urban Development														
Public and Indian Housing Programs:														
Indian Home Loan Guarantee Program	8.13	9.13	.....	-1.00	.....	30	.....	.....	1.00	.....	.....	¹⁰ 35.71	¹⁰ 7.04	98.75
Community Planning and Development:														
Community Development Loan Guarantees (Sec. 108)	2.30	2.30	.....	.....	.....	10	(¹¹)	.....	.....	.....	.....	¹² 5.80	¹² 50.00	100.00
Housing programs:														
FHA general and special risk insurance fund:														
Manufactured Housing	-3.12	2.28	.....	-5.40	.....	17	.....	.....	1.00	0.75	.....	3.46	19.94	90.00
Cooperatives	29.21	34.11	.....	-4.89	.....	40	.....	.....	1.25	0.50	.....	73.91	29.97	100.00
Multifamily Development	8.51	15.02	.....	-6.51	.....	40	.....	.....	¹³ 2.83	0.50	.....	40.64	46.66	100.00
Home Improvement Loans	-1.39	1.54	.....	-2.93	.....	5	.....	.....	0.50	0.50	.....	2.93	36.81	90.00
Mixed Income	12.13	18.18	.....	-6.05	.....	40	.....	.....	1.50	0.50	.....	33.67	30.00	100.00
Mixed Use Continuum Facility	-0.69	6.00	.....	-6.70	.....	40	.....	.....	1.50	0.50	.....	13.68	44.65	100.00
Multifamily Refinance	-0.75	5.02	.....	-5.77	.....	21	.....	.....	¹³ 2.28	0.50	.....	15.74	49.50	100.00
Residential Care Facilities	-0.69	6.00	.....	-6.70	.....	40	.....	.....	1.50	0.50	.....	13.68	44.65	100.00
Section 234(c)/Other single family	-1.32	2.61	.....	-3.93	.....	30	.....	.....	0.50	0.50	.....	7.84	54.93	100.00
Skilled Nursing Facilities	-0.70	6.00	.....	-6.70	.....	40	.....	.....	1.50	0.50	.....	13.68	44.65	100.00
Indian Single Family Housing	9.12	10.10	.....	-0.98	.....	30	.....	.....	1.00	.....	.....	15.73	7.08	100.00
Section 242 Hospitals	¹⁴ 1.49	6.95	.....	-5.46	.....	25	.....	.....	1.30	0.50	.....	7.60	-32.09	100.00
FHA mutual mortgage insurance fund:														
Mutual Mortgage Insurance Fund	-2.62	1.46	.....	-4.88	0.80	30	.....	.....	¹⁵ 2.25	¹⁶ 0.50	.....	7.10	82.39	100.00
Government National Mortgage Association:														
Mortgage-backed securities	-32.00	3.00	.....	-31.00	.....	30	800.00	.....	.....	6.00	.....	.....	.....	100.00
Department of the Interior														
Bureau of Indian Affairs:														
Indian Guaranteed Loan Program	13.00	9.38	5.15	-1.53	.....	15	7.50	.....	2.00	.....	.....	13.10	15.00	86.00
Department of Transportation														
Maritime Administration:														
Loan guarantee program:														
Maritime Guaranteed Loans (Title XI) — average ¹⁷	7.00	12.59	.....	-5.59	.....	¹⁸ 12	7.00	.....	0.13	0.75	.....	.....	45.00	¹⁸ 80.00
Department of Veterans Affairs														
Veterans Benefits Administration:														
Veterans Housing Benefit Program Fund Guaranteed Loans ¹⁹	0.49	2.40	.....	-1.91	.....	30	7.64	.....	1.92	.....	.....	3.55	74.42	(²⁰)
Small Business Administration														
General business loan programs:														
Section 504 CDC Program .....	.....	8.42	.....	-8.42	.....	19	²¹ 7.00	.....	1.14	0.94	.....	15.77	34.27	100.00
Section 504 CDC Program: DELTA ²²	0.72	9.09	.....	-8.36	.....	19	²¹ 7.00	.....	1.14	0.94	.....	17.02	34.27	100.00
Section 7(a) General Business Guaranty	2.32	5.86	.....	-3.53	.....	12	²³ 9.81	.....	2.97	0.50	.....	16.25	51.20	76.00
Section 7(a) General Business Guaranty: DELTA ²²	3.25	6.78	.....	-3.53	.....	12	²³ 9.81	.....	2.97	0.50	.....	20.25	51.20	76.00
Section 7(m) Micro Loan Guaranty	8.12	1.65	6.47	.....	.....	9	²⁴ 4.89	1	.....	.....	.....	5.00	50.00	100.00

Table 4.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1998 BASELINE SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Baseline subsidy rate	Composition of Subsidy				Loan Characteristics								
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²	Percent guaranteed
SBIC — Debentures	2.30	11.63	.....	-2.70	-6.63	12	²¹ 7.00	.....	3.00	1.00	.....	28.00	50.00	100.00
SBIC — Participating Securities	2.54	6.66	.....	-2.70	-1.42	12	²¹ 7.00	.....	3.00	1.00	.....	20.00	50.00	100.00
Other Independent Agencies														
Export-Import Bank of the United States:														
Short, Medium and Long Term Guarantees and Insurance Programs	²⁵ 3.85	7.97	.....	-4.12	.....	5	²⁶ 6.38	2	0.12	²⁵ 4.20	.....	⁵ 10.13	(⁵)	100.00

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ In FY 1998 USAID is proposing to change the name of its Housing Guaranty Program to Urban and Environmental Credit Program.

⁴ Weighted average.

⁵ Default rate net of recoveries.

⁶ Does not include administrative fees.

⁷ Interest rates shown, which are based on Treasury securities with a maturity of 10–20 years, are effective beginning July 1, 1998. For consolidated loans, interest rates reflect a weighted average of the rates of the loans consolidated, rounded upward to the nearest whole percentage.

⁸ Includes 6 month grace period and maximum three year deferment.

⁹ SLMA offset fee.

¹⁰ Used FY 97 baseline/policy estimate.

¹¹ Interest rate determined at time of note sale.

¹² Reflects weighted average of three risk categories.

¹³ Represents total initial fees and first year premiums.

¹⁴ Subsidy rate does not match rate published in the FY 1998 Budget Appendix. See note on page ii of this Supplement.

¹⁵ The upfront fee is 2.25%, but because it can be financed, the income is 2.20%.

¹⁶ Depending on the loan-to-value ratio, the annual fee is required for 7, 12, or 30 years.

¹⁷ Under normal circumstances the Credit Supplement would display seven risk categories for MARAD's Title XI Loan Guaranty Program. However, the necessary data was not available to complete the supplement.

¹⁸ Based on ratification by all parties of the OECD Shipbuilding Agreement by FY 1998.

¹⁹ In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

²⁰ The percent guaranteed varies from 25 to 50, depending on the value of the loan. The maximum guaranteed amount cannot exceed \$50,750.

²¹ Borrower interest rate is equal to the Treasury rate plus—on average—80 basis points.

²² Using funds transferred from the Department of Defense in FY 1995, the Defense Loan and Technical Assistance (DELTA) programs were created to provide credit to small businesses adversely affected by military base closings.

²³ Borrower interest rate is up to 2.25% above Prime for loans with a maturity of up to 7 years and 2.75% above Prime for loans with maturities greater than or equal to 7 years.

²⁴ SBA lends to nonprofit intermediaries at an interest rate equal to the Treasury rate minus varying levels of buy-downs. The intermediaries lend to small businesses at a rate no more than 4% above Prime.

²⁵ Risk Premia and fees represent weighted average of all guaranteed lending risk categories.

²⁶ Represents six month Libor rate plus 0.5 percent.

Table 5.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1998 POLICY SUBSIDY ESTIMATES

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Policy subsidy rate	Composition of Subsidy				Loan Characteristics							
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²
Funds Appropriated to the President													
Agency for International Development:													
Micro and Small Enterprise Development Loans	10.16	11.51	- 1.35	.....	.....	8	5.16	4	.....	.....	.....	15.40	.....
International Security Assistance:													
Foreign Military Financing Direct Loans	9.44	12.69	- 3.25	.....	.....	12	7.01	5	.....	.....	.....	12.69	100.00
Overseas Private Investment Corporation:													
Direct Loan Financing	3.00	15.56	.....	- 12.56	.....	11	.....	3	0.05	3.00	.....	20.00	35.00
Department of Agriculture													
Farm Service Agency:													
Agricultural credit insurance fund:													
Credit Sales of Acquired Property	13.02	4.52	9.61	.....	- 1.12	39	5.43	.....	.....	.....	.....	16.00	70.00
Direct Farm Ownership	13.04	4.52	9.99	.....	- 1.47	39	5.43	.....	.....	.....	.....	16.00	70.00
Direct Farm Operating	6.57	6.23	0.16	.....	0.17	3	5.70	.....	.....	.....	.....	10.00	40.00
Indian Tribe Land Acquisition	13.18	.....	13.18	.....	.....	40	5.00	.....	.....	.....	.....	.....	.....
Emergency Disaster	24.03	11.93	11.25	.....	0.85	10	3.75	.....	.....	.....	.....	32.00	60.00
Rural Community Advancement Program:													
Direct Business and Industry Loans	- 7.16	2.55	- 10.22	.....	0.52	22	6.94	1	.....	.....	.....	6.60	60.00
Community Facility Direct Loans	8.38	0.51	7.82	.....	0.05	26	4.89	.....	.....	.....	.....	1.62	49.57
Water and Waste Disposal Direct Loans	9.76	0.09	10.22	.....	- 0.55	37	4.79	.....	.....	.....	.....	0.21	0.70
Rural Utilities Service:													
Distance learning and telemedicine program:													
Distance Learning and Telemedicine Direct Loans	0.02	0.02	.....	.....	.....	10	5.71	.....	.....	.....	.....	0.03	*
Rural electrification and telephone program:													
Electrification:													
Direct, Electric 5%	7.46	0.06	7.40	.....	.....	35	5.00	2	.....	.....	.....	0.27	80.00
Direct, Municipal Rate Electric	4.22	0.08	4.14	.....	.....	35	5.62	2	.....	.....	.....	0.23	80.00
Direct, FFB Electric	0.92	1.04	.....	- 0.12	.....	35	6.28	2	.....	*	.....	2.68	15.61
Telephone:													
Direct, Telecommunication 5%	3.92	0.01	3.91	.....	.....	25	5.00	2	.....	.....	.....	0.03	70.83
Direct, Treasury Rate Telecommunication	0.02	0.02	.....	.....	.....	25	6.16	2	.....	.....	.....	0.03	70.80
Direct, FFB Telecommunication	- 0.07	0.05	.....	- 0.12	.....	35	6.28	2	.....	.....	.....	0.11	71.64
Rural Telephone Bank:													
Direct Rural Telephone Bank	2.12	0.02	2.10	.....	.....	22	6.16	2	.....	.....	.....	- 0.04	*
Rural Housing Service:													
Rural housing insurance fund:													
Single Family Housing	12.81	1.13	15.69	.....	- 4.01	33	³ 3.62	.....	.....	.....	.....	9.78	77.77
Multi-Family Housing — Under Current Law	53.44	- 0.07	53.40	.....	0.11	48	³ 1.40	.....	.....	.....	.....	0.31	75.89
Multi-Family Housing — Proposed Legislation	45.83	- 0.07	53.40	.....	- 7.50	⁴ 30	³ 1.40	.....	.....	.....	.....	0.31	75.89
Housing Repair	34.36	2.07	32.52	.....	- 0.23	18	1.00	.....	.....	.....	.....	5.68	51.90
Farm Labor Housing	49.25	0.16	48.78	.....	0.31	33	1.00	.....	.....	.....	.....	1.32	51.54
Credit Sales of Acquired Property	13.97	0.81	18.95	.....	- 5.79	33	³ 3.86	.....	.....	.....	.....	8.81	77.77

Table 5.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1998 POLICY SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Policy subsidy rate	Composition of Subsidy				Loan Characteristics							
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²
Self-Help Land Development	3.41	.....	3.41	.....	.....	2	3.00	.....	.....	.....	.....	.....	.....
Site Development	-1.19	.....	-1.19	.....	.....	2	6.26	.....	.....	.....	.....	*	.....
Rural Business — Cooperative Service:													
Rural Development Loan Fund	48.25	.....	48.02	-2.59	2.82	30	1.00	2	.....	.....	.....	1.26	60.00
Rural Economic Development Loan Program	23.91	.....	23.91	.....	.....	10	.....	1	.....	.....	.....	.....	.....
Foreign Agricultural Service:													
P.L. 480 Direct Credits	77.83	44.16	21.39	.....	⁵ 12.28	30	⁶ 3.00	5	.....	.....	.....	97.82	.....
Department of Commerce													
National Oceanic and Atmospheric Administration:													
Fisheries Finance	1.00	6.12	.....	-5.12	.....	10	8.00	.....	0.50	2.00	.....	18.00	25.00
Department of Education													
Office of Postsecondary Education:													
Ford direct loan program:													
Federal Direct Student Loan Program — weighted average of total obligations	4.44	6.44	-1.30	-2.54	1.83	16	⁷ 7.22	⁸ 4	1.95	.....	.....	15.05	58.49
Consolidated	-0.14	2.65	-4.95	.....	2.16	16	⁹ 7.15	⁸ 4	.....	.....	.....	10.50	58.60
PLUS	-5.84	4.97	-10.13	-3.50	2.82	16	⁷ 8.21	¹⁰ 3	3.00	.....	.....	8.68	57.00
Stafford	14.65	8.13	8.19	-2.95	1.28	16	⁷ 7.11	⁸ 4	2.00	.....	.....	17.32	58.66
Unsubsidized	-6.43	6.99	-12.15	-3.45	2.18	16	⁷ 7.11	⁸ 4	3.00	.....	.....	17.02	58.66
Department of the Interior													
Bureau of Reclamation:													
Loan program	32.26	.....	32.26	.....	.....	30	5.27	.....	.....	.....	.....	.....	.....
Department of State													
Bureau of Consular Affairs:													
Repatriation Loan Program	80.00	80.00	.....	.....	.....	*	.....	*	.....	.....	.....	83.00	3.00
Department of Transportation													
Federal Highway Administration:													
Transportation Infrastructure Credit Program	8.60	8.60	.....	.....	.....	30	7.00	30	.....	.....	.....	23.00	63.00
Office of the Secretary:													
Short Term Lending Program	10.00	10.00	.....	.....	.....	¹¹ 1	¹² 8.25	.....	.....	.....	.....	10.00	60.00
Department of Treasury													
Community Development Financial Institutions:													
Community Development Financial Institutions Fund	38.08	15.64	22.44	.....	.....	11	2.61	2	.....	.....	.....	25.00	15.00
Department of Veterans Affairs													
Veterans Benefits Administration:													
Veterans Housing Benefit Program Fund Direct Loans — Under Current Law ¹³	2.36	23.48	-17.32	-3.80	.....	30	7.64	.....	1.00	.....	¹⁴ 3.00	59.62	60.00

Table 5.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1998 POLICY SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Policy subsidy rate	Composition of Subsidy				Loan Characteristics							
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²
Veterans Housing Benefit Program Fund Direct Loans — Proposed Legislation	1.00	23.48	-17.32	-4.97	.....	30	7.64	.....	2.25	.....	3.00	59.62	.....
Miscellaneous Veterans Loan Program:													
Education	34.11	0.06	37.05	-3.00	.....	10	5.80	.....	.....	.....	.....	0.09	.....
Native American Veteran Housing Loan Program	7.72	7.72	.....	.....	.....	30	7.64	.....	.....	.....	.....	15.57	78.00
Vocational Rehabilitation Loans	1.94	.....	1.72	.....	0.27	2	.....	.....	.....	.....	.....	.....	.....
Small Business Administration													
General business loan programs:													
Section 7(m) Micro Loan Direct	10.28	2.32	7.95	.....	.....	9	¹⁵ 4.59	1	.....	.....	.....	5.00	50.00
Disaster loan program:													
Disaster Assistance	11.44	11.15	0.89	.....	-0.59	16	¹⁶ 6.16	1	.....	.....	.....	¹⁷ 14.50	.....
Other Independent Agencies													
Export-Import Bank of the United States:													
Long and Medium Term Loans	¹⁸ 1.69	8.55	-3.83	-3.03	.....	¹⁹ 10	¹⁹ 7.41	3	0.50	¹⁹ 2.42	.....	¹⁷ 13.80	.....
Federal Communications Commission:													
Spectrum Auction Financing	11.98	11.10	0.88	.....	.....	10	6.69	6	.....	.....	.....	18.91	50.00
Federal Emergency Management Agency:													
State Share Loans	5.98	4.07	1.91	.....	.....	5	6.56	.....	.....	.....	.....	5.00	.....
Community Disaster Loans	96.58	12.58	84.00	.....	.....	5	6.67	.....	.....	.....	.....	95.00	.....

* Nonzero amount rounds to zero, based on units for this column.

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ Represents effective note rate of borrower.

⁴ 30 year loan amortized over average 48 year term.

⁵ Represents Title I Food for Progress Grants at 100% subsidy.

⁶ Represents interest after grace. Average interest rate during grace is 2%.

⁷ Interest rates shown, which are based on the 10–20 year Treasury Bond rate, are effective beginning July 1, 1998.

⁸ Includes 6 month grace period and maximum three year deferment.

⁹ Interest rates shown, which are based on Treasury securities with a maturity of 10–20 years, are effective beginning July 1, 1998. For consolidated loans, interest rates reflect a weighted average of the rates of the loans consolidated, rounded upward to the nearest whole percentage.

¹⁰ Includes a maximum three year deferment.

¹¹ Loans have maturities of generally one year.

¹² Interest rate is the prime rate. Current prime rate (8.25%) projected to prevail through fiscal year 1998.

¹³ In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program and Guaranty and Indemnity Fund direct loans are proposed to be consolidated.

¹⁴ Downpayment collected when home is sold through vendee financing.

¹⁵ SBA lends to nonprofit intermediaries at an interest rate equal to the Treasury rate minus varying levels of buy-downs. The intermediaries lend to small businesses at a rate no more than 4% above Prime.

¹⁶ The borrower interest rate for those without credit elsewhere equals the Treasury rate. For borrowers with credit elsewhere, the interest rate is pegged above Treasury.

¹⁷ Default rate net of recoveries.

¹⁸ Risk Premia used represents weighted average of all direct lending risk categories.

¹⁹ Represents weighted averages for all direct lending programs.

Table 6.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1998 POLICY SUBSIDY ESTIMATES

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Policy subsidy rate	Composition of Subsidy				Loan Characteristics								
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²	Percent guaranteed
Funds Appropriated to the President														
Agency for International Development:														
Urban and Environmental Credit Program ³	4 8.57	4 15.24	.....	4 - 6.67	.....	4 24	6.61	10	1.00	0.50	.....	4 33.75	.....	100.00
Micro and Small Enterprise Development	3.70	6.58	.....	- 2.88	.....	5	.....	.....	0.25	0.75	.....	7.70	.....	50.00
Overseas Private Investment Corporation:														
Guaranteed Loan Financing	3.00	15.56	.....	- 12.56	.....	11	.....	3	0.50	3.00	.....	20.00	35.00	100.00
Department of Agriculture														
Farm Service Agency:														
CCC Export Guarantee Program	9.26	10.02	.....	- 0.76	.....	3	.....	.....	1.00	.....	.....	5 8.85	.....	98.00
Agricultural credit insurance fund:														
Guaranteed Farm Ownership, Unsubsidized	3.86	5.16	.....	- 0.90	- 0.40	20	9.51	.....	1.00	.....	.....	8.50	3.00	87.00
Guaranteed Farm Operating, Subsidized	9.64	2.19	7.50	.....	- 0.04	4	9.02	.....	1.00	.....	.....	6.00	3.00	90.00
Guaranteed Farm Operating, Unsubsidized	1.17	2.11	.....	- 0.90	.....	4	9.02	.....	1.00	.....	.....	6.00	3.00	90.00
Rural Community Advancement Program:														
Guaranteed Water and Waste Disposal Loans	- 1.90	8.42	.....	- 0.80	- 9.52	20	6.71	.....	1.00	.....	.....	9.55	50.00	80.00
Guaranteed Community Facilities Loans	0.40	1.20	.....	- 0.80	.....	20	6.71	.....	1.00	.....	.....	1.32	50.00	80.00
Guaranteed Business and Industry Loans	0.97	2.74	.....	- 1.54	- 0.23	16	8.44	.....	1.93	.....	.....	3.00	8.30	79.80
Rural Housing Service:														
Single Family Housing, unsubsidized	0.23	1.14	.....	- 0.92	0.01	30	7.93	.....	1.00	.....	.....	1.58	1.00	90.00
Single Family Housing, unsubsidized — Refinancing — Proposed Legislation	0.02	0.91	.....	- 0.90	0.01	30	7.93	.....	1.00	.....	.....	1.27	1.00	90.00
Department of Defense														
Department of Defense:														
Defense Export Loan Guarantee Program .....	.....	9.90	.....	- 9.90	.....	10	5.00	.....	9.90	.....	.....	14.00	.....	85.00
Family Housing Improvement Fund	15.00	15.00	.....	.....	.....	30	8.75	.....	.....	.....	.....	34.00	30.00	80.00
Department of Education														
Bureau of Postsecondary Education:														
Federal family education loan program:														
Federal Family Education Loan Program — weighted average of total commitments	9.04	6.31	4.77	- 3.83	1.78	10	6 7.20	7 4	2.46	0.20	8 0.11	15.49	60.22	95.28
Consolidated	0.22	3.84	.....	- 5.41	1.79	10	6 7.15	7 4	0.50	1.05	8 0.11	10.50	60.60	95.28
PLUS	3.32	3.96	.....	- 3.50	2.86	10	6 8.21	7 3	3.50	.....	8 0.11	9.16	57.00	95.28
Stafford	15.10	6.81	10.35	- 3.45	1.39	10	6 7.11	7 4	2.50	.....	8 0.11	17.67	60.60	95.28
Unsubsidized	6.63	7.93	.....	- 3.44	2.14	10	6 7.11	7 4	3.50	.....	8 0.11	17.19	60.22	95.28
Department of Health and Human Services														
Health Resources and Services Administration:														
Health Professions Graduate Student Loan Insurance	1.09	8.09	.....	- 7.00	.....	33	6.09	1	7.00	.....	.....	6.27	90.00	100.00
Health Centers Guaranteed Loan Program .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

Table 6.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1998 POLICY SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Policy subsidy rate	Composition of Subsidy				Loan Characteristics								
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²	Percent guaranteed
Department of Housing and Urban Development														
Public and Indian Housing Programs:														
Indian Home Loan Guarantee Program	8.13	9.13	.....	-1.00	.....	30	.....	.....	1.00	.....	.....	⁹ 35.71	⁹ 7.04	98.75
Community Planning and Development:														
Community Development Loan Guarantees (Sec. 108)	2.30	2.30	.....	.....	.....	10	(¹⁰)	.....	.....	.....	.....	¹¹ 5.80	¹¹ 50.00	100.00
Housing programs:														
FHA general and special risk insurance fund:														
Manufactured Housing	-3.12	2.28	.....	-5.40	.....	17	.....	.....	1.00	0.75	.....	3.46	19.94	90.00
Cooperatives	29.21	34.11	.....	-4.89	.....	40	.....	.....	1.25	0.50	.....	73.91	29.97	100.00
Multifamily Development	8.51	15.02	.....	-6.51	.....	40	.....	.....	¹² 2.83	0.50	.....	40.64	46.66	100.00
Home Improvement Loans	-1.39	1.54	.....	-2.93	.....	5	.....	.....	0.50	0.50	.....	2.93	36.81	90.00
Mixed Income	12.13	18.18	.....	-6.05	.....	40	.....	.....	1.50	0.50	.....	33.67	30.00	100.00
Mixed Use Continuum Facility	-0.69	6.00	.....	-6.70	.....	40	.....	.....	1.50	0.50	.....	13.68	44.65	100.00
Multifamily Refinance	-0.75	5.02	.....	-5.77	.....	21	.....	.....	¹² 2.28	0.50	.....	15.74	49.50	100.00
Residential Care Facilities	-0.69	6.00	.....	-6.70	.....	40	.....	.....	1.50	0.50	.....	13.68	44.65	100.00
Section 234(c)/Other single family	-1.32	2.61	.....	-3.93	.....	30	.....	.....	0.50	0.50	.....	7.84	54.93	100.00
Skilled Nursing Facilities	-0.70	6.00	.....	-6.70	.....	40	.....	.....	1.50	0.50	.....	13.68	44.65	100.00
Indian Single Family Housing	9.12	10.10	.....	-0.98	.....	30	.....	.....	1.00	.....	.....	15.73	7.80	100.00
Section 242 Hospitals	¹³ 1.49	6.95	.....	-5.46	.....	25	.....	.....	1.30	0.50	.....	7.60	-32.09	100.00
FHA mutual mortgage insurance fund:														
Mutual Mortgage Insurance Fund	-2.99	1.29	.....	-4.92	0.64	30	.....	.....	¹⁴ 2.25	¹⁵ 0.50	.....	5.37	66.90	100.00
Government National Mortgage Association:														
Mortgage-backed securities	-32.00	3.00	.....	-31.00	.....	30	800.00	.....	.....	6.00	.....	(¹⁶)	.....	10,000.00
Department of the Interior														
Bureau of Indian Affairs:														
Indian Guaranteed Loan Program	13.00	10.35	4.27	-1.63	.....	15	8.00	.....	2.00	.....	.....	13.10	5.00	86.00
Department of Transportation														
Maritime Administration:														
Loan guarantee program:														
Maritime Guaranteed Loans (Title XI) — average ¹⁷	7.00	12.59	.....	-5.59	.....	¹⁸ 12	7.00	.....	0.13	0.75	.....	.....	45.00	¹⁸ 80.00
Department of Veterans Affairs														
Veterans Benefits Administration:														
Veterans Housing Benefit Program Fund Guaranteed Loans ¹⁹ ...	0.49	2.40	.....	-1.91	.....	30	7.64	.....	1.92	.....	.....	3.55	74.42	(²⁰)
Small Business Administration														
General business loan programs:														
Section 504 CDC Program .....	.....	8.42	.....	-8.42	.....	19	²¹ 7.00	.....	1.14	0.94	.....	15.77	34.27	100.00
Section 504 CDC Program: DELTA ²²	0.72	9.09	.....	-8.36	.....	19	²¹ 7.00	.....	1.14	0.94	.....	17.02	34.27	100.00
Section 7(a) General Business Guaranty	1.80	5.33	.....	-3.53	.....	12	²³ 9.81	.....	2.97	0.50	.....	15.70	52.20	76.00
Section 7(a) General Business Guaranty: DELTA ²²	3.77	7.30	.....	-3.53	.....	12	²³ 9.81	.....	2.97	0.50	.....	19.70	52.20	76.00
Section 7(m) Micro Loan Guaranty	8.12	1.65	6.47	.....	.....	9	²⁴ 4.89	1	.....	.....	.....	5.00	50.00	100.00

Table 6.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1998 POLICY SUBSIDY ESTIMATES—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program and Risk Category	Policy subsidy rate	Composition of Subsidy				Loan Characteristics								
		Defaults, net of recoveries	Interest	Fees	All other	Loan maturity (years)	Borrower rate	Grace period (years)	Upfront fees	Annual fees	Other fees	Default rate ¹	Recovery rate ²	Percent guaranteed
SBIC — Debentures	2.30	11.63	.....	- 2.70	- 6.63	12	²¹ 7.00	.....	3.00	1.00	.....	28.00	50.00	100.00
SBIC — Participating Securities	2.54	6.66	.....	- 2.70	- 1.42	12	²¹ 7.00	.....	3.00	1.00	.....	20.00	50.00	100.00
Other Independent Agencies														
Export-Import Bank of the United States:														
Short, Medium and Long Term Guarantees and Insurance Programs	²⁵ 3.85	7.97	.....	- 4.12	.....	5	²⁶ 6.38	2	0.12	²⁵ 4.20	.....	⁵ 10.13	(⁵)	100.00

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ In FY 1998 USAID is proposing to change the name of its Housing Guaranty Program to Urban and Environmental Credit Program.

⁴ Weighted average.

⁵ Default rate net of recoveries.

⁶ Interest rates shown, which are based on Treasury securities with a maturity of 10–20 years, are effective beginning July 1, 1998. For consolidated loans, interest rates reflect a weighted average of the rates of the loans consolidated, rounded upward to the nearest whole percentage.

⁷ Includes 6 month grace period and maximum three year deferment.

⁸ SLMA offset fee.

⁹ Used FY 97 baseline/policy estimate.

¹⁰ Interest rate determined at time of note sale.

¹¹ Reflects weighted average of three risk categories.

¹² Represents total initial fees and first year premiums.

¹³ Subsidy rate does not match rate published in the FY 1998 Budget Appendix. See note on page iii of this Supplement.

¹⁴ The upfront fee is 2.25%, but because it can be financed, the income is 2.20%.

¹⁵ Depending on the loan-to-value ratio, the annual fee is required for 7, 12, or 30 years.

¹⁶ GNMA is a secondary guarantee. As such it does not assume credit risk on underlying FHA, VA, and RHS loans.

¹⁷ Under normal circumstances the Credit Supplement would display seven risk categories for MARAD's Title XI Loan Guaranty Program. However, the necessary data was not available to complete the supplement.

¹⁸ Based on ratification by all parties of the OECD Shipbuilding Agreement by FY 1998.

¹⁹ In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

²⁰ The percent guaranteed varies from 25 to 50, depending on the value of the loan. The maximum guaranteed amount cannot exceed \$50,750.

²¹ Borrower interest rate is equal to the Treasury rate plus—on average—80 basis points.

²² Using funds transferred from the Department of Defense in FY 1995, the Defense Loan and Technical Assistance (DELTA) programs were created to provide credit to small businesses adversely affected by military base closings.

²³ Borrower interest rate is up to 2.25% above Prime for loans with a maturity of up to 7 years and 2.75% above Prime for loans with maturities greater than or equal to 7 years.

²⁴ SBA lends to nonprofit intermediaries at an interest rate equal to the Treasury rate minus varying levels of buy-downs. The intermediaries lend to small businesses at a rate no more than 4% above Prime.

²⁵ Risk Premia and fees represent weighted average of all guaranteed lending risk categories.

²⁶ Represents six month Libor rate plus 0.5 percent.

Table 7.—DIRECT LOANS: SUBSIDY REESTIMATES ¹

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
Funds Appropriated to the President					
Agency for International Development:					
Foreign Military Financing Direct Loans					
FY 1992	14.52	12.05	100.00	.....	- 8,521
FY 1993	15.99	15.79	100.00	.....	- 1,771
FY 1994	4.95	7.92	100.00	.....	22,850
Department of Agriculture					
Farm Service Agency:					
Agricultural credit insurance fund:					
Credit Sales of Acquired Property					
FY 1992	29.76	- 8.05	- 12.83	- 24.98	- 12,376
FY 1993	21.67	21.41	0.38	- 0.64	117
FY 1994	15.02	16.06	1.01	0.03	756
FY 1995	(⁴)	.....	.....	.....	.....
FY 1996	14.97	(⁵)	.....	.....	.....
Emergency Disaster					
FY 1992	20.26	30.60	19.18	- 8.84	8,327
FY 1993	24.27	27.12	0.82	2.03	1,739
FY 1994	28.00	33.64	3.16	2.48	9,018
FY 1995	31.90	32.64	- 1.77	2.51	488
FY 1996	29.34	(⁵)	.....	.....	.....
Direct Farm Ownership					
FY 1992	22.64	26.17	2.41	1.12	3,143
FY 1993	8.50	10.57	1.81	0.26	1,933
FY 1994	9.81	15.09	4.95	0.33	4,568
FY 1995	22.31	23.48	2.11	- 0.94	628
FY 1996	19.04	(⁵)	.....	.....	.....
Direct Farm Operating					
FY 1992	15.71	14.32	- 12.04	10.65	3,714
FY 1993	12.75	10.72	- 2.49	0.46	- 11,295
FY 1994	12.36	14.18	1.60	0.22	12,632
FY 1995	12.63	13.07	0.30	0.14	1,973
FY 1996	12.98	(⁵)	.....	.....	.....
Indian Tribe Land Acquisition					
FY 1992	29.76	- 8.05	- 12.83	- 24.98	- 12,376
FY 1993	21.67	21.41	0.38	- 0.64	117
FY 1994	15.02	16.06	1.01	0.03	756
FY 1995	22.36	27.17	- 1.70	6.51	29
FY 1996	(⁵)	.....	.....	.....	.....
Rural community advancement program:					
Community Facility Direct Loans					
FY 1992	10.59	12.91	3.42	- 1.10	2,176

Table 7.—DIRECT LOANS: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
FY 1993	8.43	15.80	8.45	-0.79	6,664
FY 1994	9.99	19.31	7.02	0.66	6,178
FY 1995	12.14	17.91	5.37	0.40	1,273
FY 1996	(⁵)				
Water and Waste Disposal Direct Loans					
FY 1992	14.08	19.36	4.45	0.83	27,391
FY 1993	13.01	27.49	9.17	5.31	55,106
FY 1994	14.51	25.50	10.86	0.13	20,505
FY 1995	15.32	26.04	9.71	1.01	6,032
FY 1996	(⁵)				
Rural Utilities Service:					
Rural electrification and telephone program:					
Electrification:					
Direct, Electric 5%					
FY 1992	18.73	20.42	4.84	-3.15	9
FY 1993	13.09	18.91	10.88	-5.06	36
FY 1994	16.25	19.80	8.39	-4.84	3
FY 1995	13.09	11.18	-0.77	-1.14	
FY 1996	(⁵)				
Direct, Municipal Rate Electric					
FY 1994	11.10	8.14	0.61	-3.57	-4
FY 1995	8.58	4.66	-0.49	-3.43	-2
FY 1996	(⁵)				
Direct, FFB Electric					
FY 1992	1.80	0.92	-0.92	0.04	-13
FY 1993	4.49	0.92	-3.60	0.03	-25
FY 1996	(⁵)				
Telephone:					
Direct, Telecommunication 5%					
FY 1992	16.84	12.55	3.25	-7.54	-4
FY 1993	11.79	11.80	8.60	-8.59	
FY 1994	13.96	7.18	0.01	-6.79	-1
FY 1996	(⁵)				
Direct, FFB Telecommunication					
FY 1992		0.03	0.02	0.01	
FY 1993	0.08	-0.05	-0.09	-0.04	
FY 1994	-5.07	-0.03	5.06	-0.02	
FY 1996	(⁵)				
Rural Telephone Bank:					
Direct Rural Telephone Bank					
FY 1992	2.05	5.93	3.23	0.65	2,794
FY 1993	0.02	3.31	4.37	-1.08	1,440
FY 1994	0.37	2.58	-5.59	7.80	1,287
FY 1995	(⁶)				

Table 7.—DIRECT LOANS: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
FY 1996	(⁵)				
Rural Housing Service:					
Rural housing insurance fund:					
Single Family Housing					
FY 1992	22.64	24.78	-0.40	2.54	27,694
FY 1993	18.76	18.90	5.08	-4.94	109
FY 1994	20.08	22.60	1.93	0.59	44,716
FY 1995	24.36	23.66	-0.05	-0.65	-7,025
FY 1996	⁵ 14.30				
Multi-Family Housing — Under Current Law					
FY 1992	43.30	59.28	-3.23	19.21	95,778
FY 1993	49.61	60.20	6.48	4.11	62,946
FY 1994	57.31	62.30	3.63	1.36	18,853
FY 1995	54.55	63.10	6.40	2.15	726
FY 1996	⁵ 53.80	53.80			
Housing Repair					
FY 1992	42.92	36.92	0.45	-6.45	-729
FY 1993	38.29	32.90	1.77	-7.16	-658
FY 1994	37.59	36.15	2.83	-4.27	-402
FY 1995	39.61	39.60	0.46	-0.47	-3
FY 1996	⁵ 37.55				
Farm Labor Housing					
FY 1992	55.20	55.80	-0.65	1.25	60
FY 1993	45.50	55.52	10.38	-0.36	1,386
FY 1994	49.39	56.47	4.50	2.58	841
FY 1995	52.48	60.83	5.39	2.96	550
FY 1996	⁵ 56.80				
Credit Sales of Acquired Property					
FY 1992	14.68	15.49	-0.25	1.06	1,688
FY 1993	11.68	11.29	0.30	-0.69	-818
FY 1994	16.25	15.07	-0.31	-0.87	-1,726
FY 1996	(⁵)				
Self-Help Land Development					
FY 1992	5.63	2.51	-1.83	-1.29	-16
FY 1993		(⁷)			
FY 1994		(⁷)			
FY 1996	⁵ 5.21	5.21			
Site Development					
FY 1992	0.31	-7.21	-5.66	-1.86	-25
FY 1993	-4.22	-1.49	0.70	2.03	18
FY 1994	-2.33		1.68	0.65	1
FY 1995	-1.43		2.23	-0.80	
FY 1996	⁵ -1.51				

Table 7.—DIRECT LOANS: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
Rural Business — Cooperative Service:					
Rural Development Loan Fund					
FY 1992	50.03	56.12	6.19	-0.10	1,431
FY 1993	54.34	57.37	3.94	-0.91	702
FY 1994	57.42	58.69	2.61	-1.34	402
FY 1995	54.02	59.11	6.23	-1.14	239
FY 1996	⁵ 59.65	.....	.....	.....	.....
Rural Economic Development Loan Program					
FY 1992	30.29	29.02	-2.63	1.36	-62
FY 1993	25.72	29.27	1.77	1.78	471
FY 1994	25.25	29.52	3.22	1.05	582
FY 1995	24.92	29.01	4.08	0.01	97
FY 1996	⁵ 28.48	.....	.....	.....	.....
Foreign Agricultural Service:					
P.L. 480 Direct Credits ⁸					
FY 1992	65.75	67.28	.....	1.53	12,035
FY 1993	64.23	69.75	.....	5.52	36,937
FY 1994	76.54	74.87	3.34	-5.01	3,221
FY 1995	80.15	77.39	0.39	-3.15	-690
FY 1996	(⁵)	.....	.....	.....	.....
Department of Education					
Office of Postsecondary Education:					
Ford direct loan program:					
Federal Direct Student Loan Program — weighted average of total obligations					
FY 1994	11.13	5.47	.....	-5.66	-43,603
FY 1995	8.90	5.57	.....	-3.33	-228,176
FY 1996	3.61	4.22	.....	0.61	-17,562
Consolidated					
FY 1995	0.28	3.69	.....	3.41	12,019
FY 1996	-5.49	3.46	.....	8.95	80,433
PLUS					
FY 1994	-2.32	-6.29	.....	-3.97	2,330
FY 1995	-5.35	-5.77	.....	-0.42	3,539
FY 1996	-8.34	-6.89	.....	1.45	20,403
Stafford					
FY 1994	19.47	14.29	.....	-5.18	-23,478
FY 1995	17.51	15.47	.....	-2.04	-120,356
FY 1996	13.13	14.40	.....	1.27	-126,126
Unsubsidized					
FY 1994	-4.91	-12.71	.....	-7.80	-22,455
FY 1995	-2.92	-12.11	.....	-9.19	-123,378
FY 1996	-8.83	-12.28	.....	-3.45	7,728

Table 7.—DIRECT LOANS: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
Department of the Interior					
Bureau of Reclamation:					
Loan program					
FY 1992	55.21	57.12		⁹ 1.91	57
FY 1993	66.58	66.26		⁹ - 0.33	- 91
FY 1994	59.47	65.90		⁹ 6.43	420
FY 1995	64.65	56.59		⁹ - 8.06	- 339
FY 1996	47.97	65.05		⁹ 17.08	1,618
Department of Veterans Affairs					
Veterans Benefits Administration:					
Veterans Housing Benefit Program Fund Direct Loans — Under Current Law ¹⁰					
FY 1992	7.08	0.21	0.41	- 1.28	- 112,272
FY 1993	8.92	0.41	- 0.32	- 8.19	- 139,857
FY 1994	2.11	2.05	0.53	- 0.59	- 1,715
FY 1995	1.83	1.38	0.49	- 0.94	- 2,189
FY 1996	2.20	1.76	- 1.32	- 0.88	- 5,432
Other Independent Agencies					
Export-Import Bank of the United States: ¹¹					
Long and Medium Term Loans					
FY 1992					
FY 1993					
FY 1994					
FY 1995					
FY 1996					

¹ Reestimates for some programs did not appear in the FY 1998 Budget because they were less than \$500,000

² In December 1996, OMB revised its guidance for calculating subsidy reestimates for international lending agencies' sovereign loans and loan guarantees. The new procedures are designed to provide better loan performance information that can be used to refine future subsidy estimates. DSAA and USAID implemented the new procedures, and had no technical reestimates for the FY 1998 Budget. Export-Import Bank and USDA plan to implement the new technical reestimate procedures in the spring of 1997.

³ Total (net cumulative) reestimates, including interest on reestimates.

⁴ No appropriation was made for this program in FY 1995.

⁵ FY 1996 reestimates have not yet been calculated.

⁶ There were no advances; therefore reestimates were not required.

⁷ As of 9/30/96, no disbursements were made of the FY 1993/1994 cohort funding.

⁸ Weighted average rates based on credits disbursed through FY 1995.

⁹ Breakout between interest and technical/default portion is not available.

¹⁰ In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program, and Guaranty and Indemnity Fund direct loans are proposed to be consolidated.

¹¹ Interest reestimates have not yet been calculated, pending refinements in Export-Import Bank's systems and methodologies for determining reestimated subsidy rates.

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES ¹

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
Funds Appropriated to the President					
Agency for International Development:					
Urban and Environmental Credit Program ⁴					
FY 1992	⁵ 15.51	9.81	-2.44	-3.26	-3,024
FY 1993	⁵ 22.34	15.22	-5.90	-1.22	-4,985
FY 1994	⁵ 7.61	8.99	-1.14	2.52	1,122
FY 1995	⁵ 16.64	13.09	-1.56	-1.99	-1,246
FY 1996	(⁶)				
Micro and Small Enterprise Development					
FY 1992	⁷ 5.61	⁷ 1.34	-2.01	-2.26	-598
FY 1993	⁷ 2.82	⁷ 2.10	-0.71	-0.01	-57
FY 1994	⁷ 6.11	⁷ 6.50	-1.34	1.73	19
FY 1995	⁷ 4.38	⁷ 4.39	-0.16	0.18	2
FY 1996	(⁸)				
Department of Agriculture					
Farm Service Agency:					
CCC Export Guarantee Program					
FY 1992	4.67	7.17	0.18	6.99	-155,754
FY 1993	13.19	12.68	-0.31	12.99	28,639
FY 1994	7.07	9.01	-0.29	9.30	42,430
FY 1995	6.92	5.14	-0.01	5.15	26,869
FY 1996		(⁹)			
Agricultural credit insurance fund:					
Guaranteed Farm Ownership, Unsubsidized					
FY 1992	4.89	3.03	-1.41	-0.45	-9,032
FY 1993	4.58	3.63	-0.89	-0.06	-4,045
FY 1994	3.82	3.62	-0.08	-0.12	-1,211
FY 1995	3.71	3.73	-0.02		-2
FY 1996		(⁹)			
Guaranteed Farm Operating, Subsidized					
FY 1992	7.82	12.27	3.81	0.64	7,279
FY 1993	9.12	9.18	0.07	-0.01	-216
FY 1994	11.95	10.01	-1.93	-0.01	-4,518
FY 1995	12.47	9.95	-3.44	0.92	-5,196
FY 1996		(⁹)			
Guaranteed Farm Operating, Unsubsidized					
FY 1992	1.55	0.18	-1.02	0.35	-15,047
FY 1993	1.31	0.55	-0.77	0.01	-6,833
FY 1994	0.48	1.20	0.61	0.06	8,363
FY 1995	0.49	1.32		22.00	10,789
FY 1996		(⁹)			

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
Rural Community Advancement Program:					
Guaranteed Water and Waste Disposal Loans					
FY 1992	-0.73	-0.24	-0.78	0.54	17
FY 1993	-0.73	0.51	-0.77	1.28	5
FY 1994	1.11	-0.19	-1.38	1.19	-41
FY 1995	(¹⁰)	(¹⁰)	(¹⁰)	(¹⁰)	.....
FY 1996 .....	.....	(⁹)	.....	.....	.....
Guaranteed Community Facilities Loans					
FY 1992	-0.22	1.42	0.20	1.44	154
FY 1993	-0.42	0.12	-0.30	0.84	113
FY 1994	5.06	-0.04	-5.09	-0.01	-468
FY 1995	4.94	0.62	-0.17	-4.15	-104
FY 1996 .....	.....	(⁹)	.....	.....	.....
Guaranteed Business and Industry Loans					
FY 1992	5.80	0.51	-0.48	-4.81	-4,117
FY 1993	5.44	0.81	-0.11	-4.52	-7,363
FY 1994	0.93	0.75	0.06	-0.24	-356
FY 1995	0.94	1.07	-0.03	0.16	116
FY 1996 .....	.....	(⁹)	.....	.....	.....
Rural Housing Service:					
Single Family Housing, unsubsidized					
FY 1992	1.13	0.76	0.04	-0.41	-999
FY 1993	1.85	0.62	-0.01	-1.22	-7,274
FY 1994	1.70	0.73	-0.11	-0.86	-7,662
FY 1995	1.64	1.57	-0.02	-0.05	-5,824
FY 1996 .....	.....	(⁹)	.....	.....	.....
Department of Education					
Bureau of Postsecondary Education:					
Federal family education loan program:					
Federal Family Education Loan Program — weighted average of total commitments					
FY 1992	22.25	14.69	.....	-7.56	-951,632
FY 1993	17.50	14.81	.....	-2.69	86,842
FY 1994	14.47	13.63	.....	-0.84	35,813
FY 1995	15.32	13.00	.....	-2.32	231,003
FY 1996	11.42	11.52	.....	0.11	131,483
Consolidated					
FY 1994	-2.70	0.93	.....	3.63	-84,082
FY 1995	0.77	1.01	.....	0.24	-268,468
FY 1996	-0.34	0.78	.....	1.12	49,580
PLUS					
FY 1992	13.22	2.46	.....	-10.76	7,585
FY 1993	1.40	2.61	.....	1.21	89,465
FY 1994	2.34	2.98	.....	0.64	32,269

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
FY 1995	3.58	3.95	.....	0.37	43,173
FY 1996	2.25	3.83	.....	1.58	19,113
Stafford					
FY 1992	26.30	17.74	.....	- 8.56	- 959,217
FY 1993	22.74	18.96	.....	- 3.78	- 552,227
FY 1994	22.13	20.00	.....	- 2.13	- 291,228
FY 1995	25.02	20.60	.....	- 4.42	- 93,899
FY 1996	21.40	19.55	.....	- 1.85	97,689
Unsubsidized					
FY 1993	4.71	7.07	.....	2.36	86,842
FY 1994	7.55	6.02	.....	- 1.53	35,813
FY 1995	7.77	8.03	.....	0.26	231,003
FY 1996	5.10	7.56	.....	2.46	131,483
Department of Health and Human Services					
Health Resources and Services Administration:					
Health Professions Graduate Student Loan Insurance					
FY 1992	10.34	- 10.36	- 4.24	- 6.12	29,630
FY 1993	6.53	- 6.22	- 0.64	- 5.58	21,148
FY 1994	6.27	- 4.14	0.22	- 4.36	15,525
FY 1995	5.88	- 5.42	- 0.66	- 4.76	20,325
FY 1996	0.06	0.15	0.23	- 0.08	315
Department of Housing and Urban Development					
Housing programs:					
FHA general and special risk insurance fund:					
Cooperatives					
FY 1992	1.51	¹¹ 63.09	.....	.....	12,720
FY 1993	28.31	¹¹ 13.22	.....	.....	- 1,244
FY 1994	28.89	¹¹ 2.47	.....	.....	- 1,239
FY 1995	29.84	¹¹ 23.82	.....	.....	- 804
Multifamily Development					
FY 1992	1.51	¹¹ - 0.38	.....	.....	- 6,338
FY 1993	12.41	¹¹ 4.47	.....	.....	- 19,744
FY 1994	12.54	¹¹ 8.67	.....	.....	- 24,181
FY 1995	12.68	¹¹ 11.25	.....	.....	- 6,074
Multifamily Refinance — Section 223(a)(7)					
FY 1994	3.14	¹¹ 2.10	.....	.....	- 1,630
FY 1995	3.08	¹¹ 3.23	.....	.....	112
Multifamily Refinance — Section 207/223(f)					
FY 1992	1.50	¹¹ - 0.21	.....	.....	- 13,688
FY 1993	2.98	¹¹ 0.71	.....	.....	- 24,431
FY 1994	3.14	¹¹ 1.49	.....	.....	- 22,979
FY 1995	3.20	¹¹ 1.67	.....	.....	- 7,877

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
Multifamily Refinance — Section 241					
FY 1992	1.50	¹¹ - 5.50	.....	.....	- 12,549
FY 1993	- 0.34	¹¹ - 4.08	.....	.....	- 5,217
FY 1995	- 1.71	¹¹ - 1.89	.....	.....	- 1,487
Multifamily Refinance — Section 221(d)(4)					
FY 1994	3.14	¹¹ 2.54	.....	.....	- 1,539
FY 1995	3.08	¹¹ 3.32	.....	.....	138
Skilled Nursing Facilities					
FY 1992	1.51	¹¹ - 4.12	.....	.....	- 24,888
FY 1993	- 0.34	¹¹ - 3.02	.....	.....	- 14,290
FY 1994	- 3.28	¹¹ - 4.44	.....	.....	- 2,827
FY 1995	- 3.42	¹¹ - 3.80	.....	.....	- 782
Section 242 Hospitals					
FY 1992	1.50	¹¹ - 4.63	.....	.....	- 5,468
FY 1993	- 0.13	¹¹ - 1.57	.....	.....	- 327
FY 1994	- 3.60	¹¹ - 3.49	.....	.....	860
FY 1995	- 3.68	¹¹ - 3.15	.....	.....	208
FHA mutual mortgage insurance fund:					
Mutual Mortgage Insurance Fund					
FY 1992	¹² - 2.60	- 3.41	.....	.....	- 351,809
FY 1993	¹² - 2.57	- 3.84	.....	.....	- 909,390
FY 1994	¹² - 2.79	- 3.53	.....	.....	- 609,183
FY 1995	¹² - 1.95	- 2.33	.....	.....	- 107,911
FY 1996	¹² - 2.77	- 3.12	.....	.....	- 168,370
Department of the Interior					
Bureau of Indian Affairs:					
Indian Guaranteed Loan Program					
FY 1992	15.10	6.30	.....	- 8.80	- 5,580
FY 1993	11.73	42.75	.....	31.02	31,660
FY 1994	12.70	11.51	.....	- 1.19	- 559
FY 1995	13.00	11.25	.....	- 1.75	- 707
FY 1996	13.00	13.78	.....	0.78	53
Department of Veterans Affairs					
Veterans Benefits Administration:					
Veterans Housing Benefit Program Fund Guaranteed Loans ¹³					
FY 1992	2.19	1.15	0.21	- 1.25	- 327,613
FY 1993	2.33	1.14	.....	- 1.19	- 392,894
FY 1994	1.36	0.98	- 0.02	- 0.36	- 176,245
FY 1995	1.18	0.78	- 0.21	- 0.19	- 77,757
FY 1996	1.56	0.42	0.16	- 1.30	- 326,907

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES ¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates ²				
	Original Subsidy Rate	Current Reestimated Rate	Percentage point change due to changes in interest rates	Percentage point change due to changes in technical and default assumptions	Reestimate amount ³ (\$ thousands)
Small Business Administration					
General business loan programs:					
Section 504 CDC Program					
FY 1992	0.49	7.97	0.05	7.43	49,844
FY 1993	0.54	7.92	-0.02	7.40	59,175
FY 1994	0.51	7.63	.....	7.12	84,537
FY 1995	0.57	7.46	-0.01	6.90	79,336
FY 1996 .....	.....	7.54	0.05	7.49	36,390
Section 7(a) General Business Guaranty					
FY 1992	4.85	3.88	0.53	-1.50	-68,767
FY 1993	5.21	3.67	0.22	-1.76	-113,955
FY 1994	2.15	2.70	0.04	0.51	42,150
FY 1995	2.74	3.61	0.23	0.64	65,040
FY 1996	1.06	2.40	0.01	1.33	34,195
Other Independent Agencies					
Export-Import Bank of the United States ¹⁴:					
Short, Medium and Long Term Guarantees and Insurance Programs					
FY 1992 .....	.....	.....	.....	.....	.....
FY 1993 .....	.....	.....	.....	.....	.....
FY 1994 .....	.....	.....	.....	.....	.....
FY 1995 .....	.....	.....	.....	.....	.....
FY 1996 .....	.....	.....	.....	.....	.....

¹ Reestimates for some programs did not appear in the FY 1998 Budget because they were less than \$500,000

² In December 1996, OMB revised its guidance for calculating subsidy reestimates for international lending agencies' sovereign loans and loan guarantees. The new procedures are designed to provide better loan performance information that can be used to refine future subsidy estimates. DSAA and USAID implemented the new procedures, and had no technical reestimates for the FY 1998 Budget. Export-Import Bank and USDA plan to implement the new technical reestimate procedures in the spring of 1997.

³ Total (net cumulative) reestimates, including interest on reestimates.

⁴ In FY 1998 USAID is proposing to change the name of its Housing Guaranty Program to Urban and Environmental Credit Program.

⁵ Weighted average rate on disbursed transactions.

⁶ No disbursed transactions in FY 1996 cohort.

⁷ Averages for disbursed transactions only.

⁸ FY 1996 cohort did not disburse as of end of FY 1996.

⁹ FY 1996 reestimates have not yet been calculated.

¹⁰ No 1995 cohort was authorized.

¹¹ Breakout between interest and technical/default was not available.

¹² Includes subsidy rate reestimates for disbursements through FY 1995, plus FY 1996 legislative savings.

¹³ In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

¹⁴ Interest rate reestimates have not yet been calculated, pending changes in Export-Import Bank's systems and methodologies for determining reestimated subsidy rates.

TABLE 9. DIRECT LOAN TRANSACTIONS FOR SELECTED ACCOUNTS

(in millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997 estimate	Compound annual growth rate (1990-1997)
Funds Appropriated to the President									
Overseas Private Investment Corp:									
Obligations	20	40	19	5	63	15	49	133	31%
Disbursements	23	19	14	2	8	46	30	63	15%
Outstandings	63	63	66	51	47	81	125	161	14%
Department of Agriculture									
Agriculture Credit Insurance Fund:									
Obligations	1,034	693	742	723	970	564	833	663	-6%
Disbursements	910	654	729	715	923	587	806	672	-4%
Outstandings	20,016	17,842	16,007	14,190	13,020	12,081	10,809	9,720	-10%
Rural Electrification and Telephone:									
Obligations	939	1,605	1,647	2,077	1,116	1,320	865	1,319	5%
Disbursements	1,071	908	1,388	1,448	1,079	1,262	975	2,419	12%
Outstandings	35,212	37,282	36,640	36,027	36,057	35,841	33,965	34,730	0%
Rural Telephone Bank:									
Obligations	177	177	177	175	200	175	126	176	0%
Disbursements	108	163	89	109	112	73	76	233	12%
Outstandings	1,561	1,685	1,727	1,734	1,543	1,532	1,519	1,644	1%
Rural Housing Insurance Fund:									
Obligations	2,220	2,119	2,039	2,056	2,335	1,162	1,218	993	-11%
Disbursements	1,927	1,886	2,125	1,795	2,267	1,593	1,156	1,139	-7%
Outstandings	28,560	29,244	29,702	29,775	30,144	30,472	29,985	29,662	1%
Rural Development Loan Fund:									
Obligations	19	32	32	34	77	85	38	37	10%
Disbursements	7	13	20	22	26	52	60	69	39%
Outstandings	39	50	68	88	112	159	215	279	32%
Foreign Assistance Program (P.L. 480):									
Obligations	735	430	457	599	512	303	291	227	-15%
Disbursements	630	492	358	464	724	238	240	228	-14%
Outstandings	12,501	11,830	11,829	11,775	12,101	12,229	11,539	11,420	-1%
Department of Education									
Direct Student Loan Program:									
Obligations	N/A	N/A	N/A	N/A	813	11,547	9,262	12,527	149%
Disbursements	N/A	N/A	N/A	N/A	311	2,332	9,100	11,978	238%
Outstandings	N/A	N/A	N/A	N/A	311	2,801	11,565	23,153	321%
Department of Veterans Affairs									
VA Housing Benefit Program:									
Obligations	1,100	1,095	1,305	1,537	1,484	1,527	1,336	1,887	8%
Disbursements	1,272	1,152	1,871	2,202	1,560	1,565	1,434	1,918	6%
Outstandings	3,853	3,641	5,074	3,053	1,228	1,241	1,172	1,811	-10%

TABLE 9. DIRECT LOAN TRANSACTIONS FOR SELECTED ACCOUNTS—Continued

(in millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997 estimate	Compound annual growth rate (1990-1997)
VA Miscellaneous Programs:									
Obligations	N/A	N/A	N/A	N/A	N/A	N/A	8	15	88%
Disbursements	N/A	N/A	N/A	N/A	N/A	N/A	8	15	88%
Outstandings	N/A	N/A	N/A	N/A	N/A	N/A	16	28	75%
Other Independent Agencies									
Small Business Administration: Business loans:									
Obligations	63	58	75	76	56	23	9	24	- 13%
Disbursements	560	709	1,341	918	396	232	164	129	- 19%
Outstandings	2,384	2,469	2,541	4,077	2,705	2,163	1,832	1,486	- 7%
SBA Disaster Loan:									
Obligations	1,241	381	782	1,419	3,806	1,311	867	747	- 7%
Disbursements	768	511	544	1,049	2,559	1,816	946	874	2%
Outstandings	3,169	3,219	3,309	3,460	5,782	9,075	8,903	8,807	16%
Export-Import Bank:									
Obligations	612	750	817	1,721	3,016	1,598	1,236	1,900	18%
Disbursements	998	865	981	782	648	866	1,045	1,373	5%
Outstandings	9,408	8,963	8,745	8,209	7,485	7,545	7,887	7,770	- 3%

N/A = not available

TABLE 10. LOAN GUARANTEE TRANSACTIONS FOR SELECTED ACCOUNTS

(in millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997 estimate	Compound annual growth rate (1990-1997)
Funds Appropriated to the President									
Loan Guarantees to Israel:									
Commitments	N/A	N/A	N/A	2,000	1,563	1,783	2,000	2,000	0%
Disbursements	N/A	N/A	N/A	2,044	1,563	1,783	1,751	2,000	-1%
Outstandings	N/A	N/A	N/A	4,047	3,563	5,346	6,564	8,564	21%
Overseas Private Investment Corp:									
Commitments	212	250	256	310	1,918	1,891	2,000	2,250	40%
Disbursements	118	79	208	214	284	575	855	1,520	44%
Outstandings	445	452	629	563	743	1,235	1,551	2,942	31%
Department of Agriculture									
Agriculture Credit Insurance Fund:									
Commitments	1,258	1,407	1,561	1,079	1,079	1,938	1,851	2,547	11%
Disbursements	1,997	1,415	1,515	1,525	1,796	1,881	1,770	2,380	3%
Outstandings	4,666	5,014	5,419	5,618	5,940	6,295	6,878	7,791	8%
CCC Export Guarantees:									
Commitments	4,451	4,504	5,673	5,700	5,700	5,700	5,700	5,500	3%
Disbursements	4,127	4,360	5,083	3,022	3,164	2,518	3,312	5,500	4%
Outstandings	7,508	7,732	9,019	8,792	12,691	5,080	5,414	8,058	1%
Rural Housing Insurance Fund:									
Commitments		38	214	541	726	1,049	1,713	2,713	559%
Disbursements		1	129	476	726	859	1,496	2,319	545%
Outstandings	36	30	153	621	1,317	2,121	3,535	5,712	106%
Department of Education									
Federal Family Education Loan Program:									
Commitments	12,394	13,514	14,653	19,415	23,292	19,603	22,311	23,038	9%
Disbursements	10,969	11,969	17,698	14,751	20,094	20,340	19,816	20,948	10%
Outstandings	52,866	57,010	59,615	65,541	75,035	86,130	101,874	107,800	11%
Department of Housing and Urban Development									
FHA (mutual mortgage and general and special risk):									
Commitments	58,503	54,453	64,466	82,273	103,182	60,461	87,075	110,573	10%
Disbursements	54,005	53,635	49,818	72,271	103,670	49,764	71,441	80,092	6%
Outstandings	356,316	378,057	322,610	362,373	381,860	401,352	455,170	489,302	5%
Department of Veterans Affairs									
VA housing loan guarantees:									
Commitments	19,068	16,472	24,575	35,434	43,858	22,162	28,676	30,230	7%
Disbursements	18,419	15,454	24,575	35,434	43,858	22,162	28,676	30,230	7%
Outstandings	161,465	157,618	171,416	139,323	155,029	154,486	154,762	156,703	0%
Other Independent Agencies									
Small Business Administration:									
Commitments	4,352	4,659	6,352	7,336	9,432	9,709	10,154	10,641	14%

TABLE 10. LOAN GUARANTEE TRANSACTIONS FOR SELECTED ACCOUNTS—Continued

(in millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997 estimate	Compound annual growth rate (1990-1997)
Disbursements	3,635	4,192	5,769	6,627	8,124	8,406	6,774	6,956	10%
Outstandings	12,200	13,934	16,904	20,133	24,471	26,388	31,013	33,793	16%
Export-Import Bank:									
Commitments	7,345	10,588	11,521	13,315	11,871	10,267	10,281	14,643	10%
Disbursements	4,882	4,358	4,802	7,222	9,854	8,142	5,667	8,997	9%
Outstandings	5,045	5,803	7,608	12,488	16,766	17,746	17,785	17,999	20%

N/A = not available

Table 11.—DIRECT LOAN PROGRAM DISBURSEMENT RATES IN THE FY 1998 BUDGET ¹

Agency, Bureau, Program and Risk Category	Percentage of total disbursements made in the:									
	First year	Second year	Third year	Fourth year	Fifth year	Sixth year	Seventh year	Eighth year	Ninth year	Tenth year
Funds Appropriated to the President										
Agency for International Development:										
Micro and Small Enterprise Development Loans	100									
International Security Assistance:										
Foreign Military Financing Direct Loans	7	30	45	12	6					
Overseas Private Investment Corporation:										
Direct Loan Financing	6	40	42	12						
Department of Agriculture										
Farm Service Agency:										
Agricultural credit insurance fund:										
Credit Sales of Acquired Property	100									
Direct Farm Ownership	93	5	2							
Direct Farm Operating	95	5								
Indian Tribe Land Acquisition	100									
Emergency Disaster	90	5	5							
Rural Community Advancement Program:										
Direct Business and Industry Loans	25	40	20	10	5					
Community Facility Direct Loans	11	30	32	10	5	12				
Water and Waste Disposal Direct Loans	4	20	30	20	10	16				
Rural Utilities Service:										
Distance learning and telemedicine program:										
Distance Learning and Telemedicine Direct Loans	30	50	20							
Rural electrification and telephone program:										
Electrification:										
Direct, Electric 5%	15	35	20	20	10					
Direct, Municipal Rate Electric	10	25	20	20	15	10				
Direct, FFB Electric		5	25	25	25	20				
Telephone:										
Direct, Telecommunication 5%		17	20	25	19	19				
Direct, Treasury Rate Telecommunication		17	20	25	19	19				
Direct, FFB Telecommunication		17	20	25	19	19				
Rural Telephone Bank:										
Direct Rural Telephone Bank	*	17	20	25	19	18	1			
Rural Housing Service:										
Rural housing insurance fund:										
Single Family Housing	80	18	*							
Multi-Family Housing — Under Current Law	16	74	6	2	1					
Multi-Family Housing — Proposed Legislation	16	74	6	2	1					
Housing Repair	75	24								
Farm Labor Housing	30	36	17	12	3					
Credit Sales of Acquired Property	100									
Self-Help Land Development		100								
Site Development		100								

Table 11.—DIRECT LOAN PROGRAM DISBURSEMENT RATES IN THE FY 1998 BUDGET¹—Continued

Agency, Bureau, Program and Risk Category	Percentage of total disbursements made in the:									
	First year	Second year	Third year	Fourth year	Fifth year	Sixth year	Seventh year	Eighth year	Ninth year	Tenth year
Rural Business — Cooperative Service:										
Rural Development Loan Fund	3	27	25	25	20	.....	.....	.....	.....	.....
Rural Economic Development Loan Program	18	65	9	6	2	.....	.....	.....	.....	.....
Foreign Agricultural Service:										
P.L. 480 Direct Credits	57	37	6	.....	.....	.....	.....	.....	.....	.....
Department of Commerce										
National Oceanic and Atmospheric Administration:										
Fisheries Finance	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
Department of Education										
Office of Postsecondary Education:										
Ford direct loan program:										
Federal Direct Student Loan Program — weighted average of total obligations	69	31	.....	.....	.....	.....	.....	.....	.....	.....
Consolidated	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
PLUS	60	40	.....	.....	.....	.....	.....	.....	.....	.....
Stafford	60	40	.....	.....	.....	.....	.....	.....	.....	.....
Unsubsidized	62	38	.....	.....	.....	.....	.....	.....	.....	.....
Department of the Interior										
Bureau of Reclamation:										
Loan program	62	38	.....	.....	.....	.....	.....	.....	.....	.....
Department of State										
Bureau of Consular Affairs:										
Repatriation Loan Program	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
Department of Transportation										
Federal Highway Administration:										
Transportation Infrastructure Credit Program	50	25	25	.....	.....	.....	.....	.....	.....	.....
Office of the Secretary:										
Short Term Lending Program	85	15	.....	.....	.....	.....	.....	.....	.....	.....
Alameda Corridor Project Loan .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Department of Treasury										
Community Development Financial Institutions:										
Community Development Financial Institutions Fund	5	55	40	.....	.....	.....	.....	.....	.....	.....
Department of Veterans Affairs										
Veterans Benefits Administration:										
Veterans Housing Benefit Program Fund Direct Loans — Under Current Law ²	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
Veterans Housing Benefit Program Fund Direct Loans — Proposed Legislation	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
Miscellaneous Veterans Loan Program:										
Education	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
Native American Veteran Housing Loan Program .....	.....	1	10	11	21	26	31	.....	.....	.....
Vocational Rehabilitation Loans	100	.....	.....	.....	.....	.....	.....	.....	.....	.....

Table 11.—DIRECT LOAN PROGRAM DISBURSEMENT RATES IN THE FY 1998 BUDGET¹—Continued

Agency, Bureau, Program and Risk Category	Percentage of total disbursements made in the:									
	First year	Second year	Third year	Fourth year	Fifth year	Sixth year	Seventh year	Eighth year	Ninth year	Tenth year
Small Business Administration										
General business loan programs:										
Section 7(m) Micro Loan Direct	80	20	.....	.....	.....	.....	.....	.....	.....	.....
Disaster loan program:										
Disaster Assistance	44	25	3	.....	.....	.....	.....	.....	.....	.....
Other Independent Agencies										
Export-Import Bank of the United States:										
Long and Medium Term Loans	15	70	15	.....	.....	.....	.....	.....	.....	.....
Federal Communications Commission:										
Spectrum Auction Financing	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
Federal Emergency Management Agency:										
State Share Loans	62	26	10	2	.....	.....	.....	.....	.....	.....
Community Disaster Loans	65	35	.....	.....	.....	.....	.....	.....	.....	.....

* Nonzero amount rounds to zero, based on units for this column.

¹ In some cases, disbursement rates may not add to 100 percent due to cancellations between the time of obligation and disbursement.

² In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program, and Guaranty and Indemnity Fund direct loans are proposed to be consolidated.

Table 12.—LOAN GUARANTEE PROGRAM DISBURSEMENT RATES IN THE FY 1998 BUDGET 1

Agency, Bureau, Program and Risk Category	Percentage of total disbursements made in year:									
	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
Funds Appropriated to the President										
Agency for International Development:										
Urban and Environmental Credit Program ²	71	29								
Micro and Small Enterprise Development	20	40	40							
Overseas Private Investment Corporation:										
Guaranteed Loan Financing	4	19	32	14	17	4				
Department of Agriculture										
Farm Service Agency:										
CCC Export Guarantee Program	90	10								
Agricultural credit insurance fund:										
Guaranteed Farm Ownership, Unsubsidized	65	32	3							
Guaranteed Farm Operating, Subsidized	85	15								
Guaranteed Farm Operating, Unsubsidized	85	15								
Rural Community Advancement Program:										
Guaranteed Water and Waste Disposal Loans	4	22	34	20	20					
Guaranteed Community Facilities Loans	12	25	35	10	18					
Guaranteed Business and Industry Loans	25	40	20	10	5					
Rural Housing Service:										
Single Family Housing, unsubsidized	70	28	*							
Single Family Housing, unsubsidized — Refinancing — Proposed Legislation	70	28	2							
Department of Defense										
Department of Defense:										
Defense Export Loan Guarantee Program	40	60								
Family Housing Improvement Fund	20	33	28	13	4	2				
Department of Education										
Bureau of Postsecondary Education:										
Federal family education loan program:										
Federal Family Education Loan Program — weighted average of total commitments	68	32								
Consolidated	100									
PLUS	59	41								
Stafford	60	40								
Unsubsidized	61	39								
Department of Health and Human Services										
Health Resources and Services Administration:										
Health Professions Graduate Student Loan Insurance	100									
Health Centers Guaranteed Loan Program	(³)									
Department of Housing and Urban Development										
Public and Indian Housing Programs:										
Indian Home Loan Guarantee Program	426	438	420	414	42					
Community Planning and Development:										
Community Development Loan Guarantees (Sec. 108)	50	50								

Table 12.—LOAN GUARANTEE PROGRAM DISBURSEMENT RATES IN THE FY 1998 BUDGET ¹—Continued

Agency, Bureau, Program and Risk Category	Percentage of total disbursements made in year:									
	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
Housing programs:										
FHA general and special risk insurance fund:										
Manufactured Housing	100									
Cooperatives	75	25								
Multifamily Development	75	25								
Home Improvement Loans	100									
Mixed Income	75	25								
Mixed Use Continuum Facility	75	25								
Multifamily Refinance	75	25								
Residential Care Facilities	75	25								
Section 234(c)/Other single family	75	25								
Skilled Nursing Facilities	75	25								
Indian Single Family Housing	75	25								
Section 242 Hospitals	100									
FHA mutual mortgage insurance fund:										
Mutual Mortgage Insurance Fund	53	17								
Government National Mortgage Association:										
Mortgage-backed securities	100									
Department of the Interior										
Bureau of Indian Affairs:										
Indian Guaranteed Loan Program	20	80								
Department of Transportation										
Maritime Administration:										
Loan guarantee program:										
Maritime Guaranteed Loans (Title XI) — average ⁵	50	25	25							
Department of Veterans Affairs										
Veterans Benefits Administration:										
Veterans Housing Benefit Program Fund Guaranteed Loans ⁶	100									
Small Business Administration										
General business loan programs:										
Section 504 CDC Program	19	51	13							
Section 504 CDC Program: DELTA ⁷	19	51	13							
Section 7(a) General Business Guaranty	49	37	2							
Section 7(a) General Business Guaranty: DELTA ⁷	49	37	2							
Section 7(m) Micro Loan Guaranty	80	20								
SBIC — Debentures	100									
SBIC — Participating Securities	100									
Other Independent Agencies										
Export-Import Bank of the United States:										
Short, Medium and Long Term Guarantees and Insurance Programs	25	75								

* Nonzero amount rounds to zero, based on units for this column.

¹ In some cases, disbursement rates may not add to 100 percent due to cancellations between the time of obligation and disbursement.

² In FY 1998 USAID is proposing to change the name of its Housing Guaranty Program to Urban and Environmental Credit Program.

³ No new loan guarantee commitments are proposed for FY 1998.

⁴Used FY 95 and FY 96 historical data to estimate disbursement stream.

⁵Under normal circumstances the Credit Supplement would display seven risk categories for MARAD's Title XI Loan Guaranty Program. However, the necessary data was not available to complete the supplement.

⁶In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

⁷Using funds transferred from the Department of Defense in FY 1995, the Defense Loan and Technical Assistance (DELTA) programs were created to provide credit to small businesses adversely affected by military base closings.

Underwriting Federal Credit And Insurance

The Federal Government continues to be the largest financial institution in the United States, with a face value of \$6.0 trillion outstanding at the end of 1996. Of this, \$165 billion is direct loans, \$805 billion is loan guarantees, and \$5.0 trillion is insurance. Including Government-sponsored enterprises (GSEs), the total Federal and federally assisted credit and insurance outstanding is \$7.7 trillion.

These diverse financial programs offer credit for education, housing, business, and exports, and offer insurance for deposits, pensions, and other risks. They are now facing two challenges. Like all other Federal programs, they are operating in a period of tight budgetary constraints. And they are seeking to redefine their purpose and improve their effectiveness in the context of rapidly evolving private financial markets, that are making some of their functions less necessary and generating both new risks and new opportunities.

The introduction to this chapter summarizes key changes in financial markets and their effects on Federal programs. Its first section is a cross-cutting analysis of the rationale for a continued Federal role in providing credit and insurance, performance measures for credit programs, and criteria for re-engineering credit programs so as to enhance their benefits in relation to costs. The second section reviews Federal credit programs and GSEs for four sectors: education, housing, business and community development, and exports, noting the rationale and goals of these programs, and analyzing the efforts to improve their effectiveness. The final section of the chapter assesses recent developments in Federal deposit insurance, pension guarantees, and disaster insurance.

Evolving Financial Markets

Financial markets have been evolving rapidly in recent years. Both intermediaries—banks and the many non-bank firms engaged in financial services—and capital markets have been reaching out to new clients that they did not serve a few years ago. Competition for business within and across industry lines has become more intense as legal and regulatory restrictions segmenting financial markets have eased. Massive databanks and increasingly sophisticated analytical methods are being used to find creditworthy borrowers among people

and businesses previously thought ineligible for private credit. These systems are under development and may still screen out some creditworthy clients, but they are also a relatively inexpensive way of screening new potential borrowers.

Moreover, funds are flowing more readily to their most productive uses across the country and around the world. Interstate banking and branching are nationwide except for a few states that have opted out. Capital market financing is available to smaller companies and for a broader range of purposes than before. Secondary markets are the main source of financing for mortgages, and a rapidly growing source of financing for household durables, consumer credit, and small business loans. Nonbanks and nonfinancial firms that sell construction, equipment, and supplies are helping to funnel funds from capital markets to small clients in cities and in rural areas.

Fast and cheaper information and communications systems have revolutionized “back office” functions. These can be consolidated to achieve economies of scale and located anywhere in the world where capable help is available and economical. From these locations, communications can bring the “back office” to the front line on a computer terminal in the office of any realtor or supplier or in any storefront or kiosk. From a timely information base, credit servicing and workout have become much more efficient, driven by benefit/cost calculations.

Impact on Federal Programs

These changes are affecting the roles, the risks, and the operations of Federal credit and insurance programs.

- In some cases, private credit and insurance markets may evolve sufficiently to take over functions that were previously left to Federal programs. More likely, they may take away the best risks among those who have been borrowing from the Government or with its guarantee, leaving the Federal program facing a smaller pool of riskier clients. If the Government is aware of this in time, the result may be new benefit/cost calculations that might help

to redesign—or to end—the program. If the Government is caught unaware, the result may be greater cost for the taxpayers.

- At the same time, Federal programs can take advantage of the growing private capability. They can leverage it to provide additional assistance to their clients. With careful attention to the incentives faced by the private sector, they can develop a variety of partnerships with private entities. And they can contract with the private sector wherever it can provide specific credit servicing, collection, or asset disposition services more efficiently.

Insurance programs, too, are affected by the evolution of the financial marketplace. That is most obvious for deposit insurance, which now backs a recovered, consolidating industry, but one that has assumed the risks inherent in providing a growing array of increas-

ingly sophisticated services, including many off-balance sheet activities, often on a world-wide basis. It is also true for pensions, where the Government guarantees defined benefit plans, but defined contribution plans play an increasing role—attracting the support of younger workers in an aging workforce. And it is true for disaster insurance, where private firms are gaining a better understanding of their risks and exploring ways to diversify them in capital markets.

In this changing environment for Federal credit and insurance programs, this chapter asks three questions. First, what is our current understanding of the roles of these programs? Second, how well are they achieving their goals? And finally, could these programs be re-engineered to achieve greater benefits in relation to costs? The third question marks the beginning of a research project, cutting across all programs, which will continue over the next year.

I. A Cross-cutting Assessment

The Federal Role

In most lines of credit and insurance, the private market efficiently allocates resources to meet societal demands, and Federal intervention is unnecessary. However, there are situations where Federal intervention may improve on the market outcome. The following are six standard situations where this may be the case,¹ together with some examples of Federal programs that seek to address them.

- *Information failures* occur when there is an asymmetry in the information available to different agents in the marketplace. A common Federal intervention in such cases is to require the more knowledgeable agent, such as a financial institution, to provide certain information to the other, for example, the borrower or investor. A different sort of information failure occurs when the private market deems it too risky to develop a new financial instrument or market. This is rare nowadays, but it is worth

remembering that the Federal Government developed the market for amortized, fixed-rate mortgages and started other innovations in housing finance.

- *Externalities* occur when people or entities either do not pay the full cost of their activities (e.g., pollution) or do not receive the full return. Federal credit assistance for students is justified in part because, although people with more education are likely to have higher income and even better health, they do not receive the full benefits of their education. Their colleagues at work, the residents of their community, and the citizens of the Nation also benefit from their greater knowledge and productivity.
- *Economic disequilibrium* is a third rationale for Federal intervention. This is one rationale for deposit insurance. If many banks and thrifts are hurt simultaneously by an economic shock, such as accelerating inflation, and depositors have a hard time knowing which ones may become insolvent, deposit insurance prevents a

¹ Economics textbooks also list pure public goods, like national defense, where it is difficult or impossible to exclude people from sharing the full benefits of the goods or services once they have been produced. It is hard to imagine credit or insurance examples in this category.

contagious rush to withdraw deposits that could harm the whole economy.

- *Failure of competition*, resulting from barriers to entry, economies of scale, or foreign government intervention, may also argue for Federal intervention—for example, by reducing barriers to entry, as has often been done recently, by negotiating to eliminate or reduce foreign government subsidies, or by providing countervailing Federal credit assistance to American exporters.
- *Incomplete markets* occur if producers do not provide credit or insurance even though customers might be willing to pay for it. One example would be catastrophic insurance, where there is a small risk of a very large loss; a disaster that occurred sooner rather than later could bankrupt the insurer even if premiums were set at an appropriate level. Another example is caused by “moral hazard” problems, where the borrower or insured could behave so as to take advantage of the lender or insurer. This is the case for pension guarantees, where sponsors might underfund plans, and for deposit insurance, where banks might take more risk to earn a higher return. In these cases, the Government’s legal and regulatory powers provide an advantage in comparison with a private insurer.
- In addition to correcting market failures, Federal credit programs are often used to *redistribute resources* by providing subsidies from the general taxpayer to disadvantaged segments of the population or regions.

In reviewing its credit and insurance programs, the Federal Government must continually reassess whether the direct and indirect benefits to the economy exceed the direct and indirect costs. This assessment should include the costs associated with redirecting scarce resources away from other investments. In some situations, the market may have recently become capable of providing financial services, and older Federal programs may need to be modified or ended to allow private markets to develop. Private providers in similar circumstances might go bankrupt, merge, or change their line of business; for Federal programs, a policy decision and usually a change in law are needed to eliminate overcapacity. In other instances, Federal programs may be redesigned to encourage the development of private credit market institutions or to target Federal assistance more

efficiently to groups still unable to obtain credit and insurance in the private market.

What Are We Trying to Achieve?

If the main Federal role is to provide credit and insurance that private markets would not provide—to stretch the boundaries in providing credit and insurance—the Federal goal is to achieve a net impact that benefits society. Together, these objectives make the standard for success of a Federal credit or insurance program even more daunting than for a private credit or insurance firm.

For credit and insurance, as for all other programs, implementation of the Government Performance and Results Act (GPRA) will help to assess whether programs are achieving their intended results in practice—and will improve the odds for success. GPRA requires agencies to develop strategic plans in consultation with the Executive, the Congress, and interested parties; this process should refine and focus agency missions. The strategic plans set long-range goals, annual performance plans set milestones to be reached in the coming year, and annual performance reports will measure agency progress toward achieving their goals.

GPRA defines four kinds of measures for assessing programs: inputs (the resources used), outputs (the goods or services produced), outcomes (the gross effects on society achieved by the program), and net impacts (the effects net of those that would have occurred in the absence of the program, e.g., with private financing). For credit and insurance programs, interesting interrelationships among these measures provide the keys to program success.

Net impacts measure the net effect of the program on intended outcomes compared with what would have occurred in the absence of the program; they exclude, for example, effects that would have been achieved with private credit in the absence of the program. Among the net impacts toward which Federal credit programs strive are: a net increase in college graduates, a net increase in home ownership, a net increase in small businesses, a net increase in exports, and a net increase in jobs.

For credit programs, the first key to achieving any of these net impacts is outreach. In the spirit of the Federal role, programs need to

identify borrowers who would not get private credit. They need to reach out to under-served populations (e.g., low-income or minority people) and neighborhoods (urban and rural). They need to encourage the start-up of new activities (e.g., beginning farmers, new businesses, new exporters). And they need to reach their legislatively targeted populations (students, veterans). Federal lending is often directed to higher risk borrowers, or for higher risk purposes. In order to assist certain target groups or encourage certain activities, credit may be extended for longer periods or at a lower cost to the borrower.

Achieving program objectives, however, also means finding ways to assist those borrowers at the boundary of private credit markets to repay their loans. This is not just a financial goal; it is necessary to achieve the program's social purpose. Education that enhances income is associated with repayment of student loans. Home ownership requires mortgage repayment. Remaining in business with a good credit rating requires repayment of small business, farm, and export loans. And loan repayment is inherent in program cost-effectiveness. Moreover, when the Federal Government bears risk for less creditworthy borrowers and does so in a way that fails to assist them to repay, they struggle with high debt burdens and are left with poor credit records.

With implementation of the Federal Credit Reform Act of 1990, Federal credit programs began to reconcile the tension between giving help to certain groups or for certain purposes and "business-like" financial management. With the implementation of GPRA, they may begin to see program success and financial success as two facets of the same goal. The challenge is usually to identify "boundary" borrowers and to structure the loan and its servicing (including technical assistance) so as to pull those borrowers toward financial and programmatic success. In some cases, savings from improved credit program management may be reinvested to pull more borrowers across that boundary.

Outputs and Outcomes, therefore, have an interrelationship which is crucial to the performance of credit programs. The most obvious output of Federal credit programs is the number and value of direct loans originated or loans guaranteed. But volume alone does not achieve the objectives of Federal credit programs; indeed, large volume or market share may be a sign of displacement of private lenders.

Loans must have certain characteristics in order to achieve the desired outcomes and net impacts; these characteristics are therefore part of desired program output.

Because of the Federal role, output measures should include an estimate of the percent of loans or guarantees originated going to borrowers who would otherwise not have access to private credit, and the percent of loans or guarantees originated going to specific target groups (e.g., veterans) or for specific purposes. Because of the Federal goal, output measures should include the percent of loans or guarantees that are current. This should be compared with the percent that were expected to be current at this point in the repayment cycle.

To assess the latter, program data should be analyzed to determine whether repayment prospects are enhanced by particular characteristics of loan structure (such as higher initial borrower equity), of loan origination (such as verifying borrower financial status), of loan servicing (such as prompt counseling), or of guarantee conditions (such as lender risk-sharing). When such characteristics help to control the cost of credit programs and to achieve desired outcomes, then these characteristics should be measured as part of the program's output.

The linkage between such output characteristics and the outcomes of Federal credit programs is not always fully recognized. For example, one desired outcome is to reach under-served populations or neighborhoods; to achieve this outcome, it would be useful to monitor whether loans are going to borrowers who would not otherwise have access to credit or to specific target groups. Other desired outcomes include supporting investment important to the economy, encouraging start-up of new activities, or contributing to sustained economic development. To achieve these outcomes, it would be useful to monitor whether the program's loans and operating procedures have characteristics that would enhance borrower repayment.

Inputs. Program cost is also a performance measure. For credit and insurance programs, it is a continuing challenge to understand and control the risks that the Government assumes and to measure the inherent cost. This is especially true in view of the rapid changes in financial markets discussed above and the increasingly complex financial instruments.

The net present value subsidy cost of Federal credit programs, cumulated over time for each cohort of the program's loans or loan guarantees, is the main input. Another is the administrative cost of the program, including the cost of credit extension, direct loan servicing and guaranteed loan monitoring, collecting on delinquent loans and collateral, and other administrative costs such as policymaking or systems development.

The relationship between subsidy and administrative costs is another crucial one for the success of credit programs. Careful servicing of loans, for example, can reduce default costs, and perhaps total program costs. So good servicing is good financial management for the taxpayer. But good servicing is also an art, which can—by helping borrowers to repay—help to achieve the program's performance objectives. Private servicing of loans offers many examples of the gains from matching repayment to the borrower's flow of income, treating borrowers in different circumstances differently, and in other ways maximizing the borrower's chances to make good.

In sum, there are three relationships that seem to hold the key to excellence in credit program performance: the relationship between repayment and the achievement of program objectives, the relationship between the characteristics of credit program outputs and desired outcomes, and the relationship between subsidy cost and good servicing and program administration. Another important key to success is the speed with which the program adapts to market changes, including its ability to provoke or harness private markets to meet the Federal goals.

Principles for Re-engineering

In order to improve the effectiveness of Federal credit programs, OMB will be working with agencies over the next year to identify ways to re-engineer credit management. In particular, this effort will focus on improving servicing, will consider consolidation of functions such as data collection and asset disposition, will rely on the private sector when that would improve efficiency, will devise incentives to improve management and reduce cost, and will ensure the development of detailed data for program management and subsidy estimation.

The focus will be on managing the servicing, workout, and sale of any collateral as efficiently as possible. For example, why does the

Federal Government pay claims on guaranteed loans and handle the workout, instead of leaving this to the originating lender? Why does the Government take over collateral? How do the timing and results of our asset disposition compare with private practice? Why do we make loans to finance purchases of collateral? What incentives and penalties would be useful for programs and program staff? For guaranteed loan originators? For contractors who service Federal loans or dispose of collateral?

A tentative set of principles for re-engineering credit programs has been developed that builds on OMB Circular A-129 and initial research. These will be circulated for agency comment and modified by lessons learned from additional research over the next year. The resulting principles are intended to improve the performance of Federal credit programs in the years ahead. Because private markets are extending credit where it was formerly unavailable, and because there is little purpose to re-engineering programs which are not justified, these principles start with basic questions of program justification. But their main focus is on how programs should be carried out.

Program Justification

1. *Credit assistance should be provided only when it has been demonstrated that private credit markets cannot achieve clearly defined Federal objectives.* What is the objective? Is access to private credit available? If not, why not? If so, why and to what extent should private terms and conditions be supplemented or subsidized?
2. *Credit assistance should be provided only when it is the best means to achieve Federal objectives.* Can private credit markets be developed? Can market imperfections be overcome by information, regulatory changes, or other means? Would small grants for downpayments, capitalization for State, local, or nonprofit revolving funds, or other approaches be more efficient?
3. *Credit assistance should be provided only when its benefits exceed its cost.* Analyze benefits and costs in accordance with OMB Circular A-94.

Program Design

4. *Credit programs should minimize substitution for private credit. What features of program design minimize displacement? Encourage and supplement private lending? To what extent is credit for this objective expanded by this program compared with what would be available in the absence of the program? What is the economic cost of the lending bumped from the credit queue?*
5. *Credit programs should stretch their resources and better meet their objectives by controlling the risk of default. What features of program design minimize risk? Are there incentives and penalties for loan originators and servicers to minimize risk? What features of the loan contract, the process of origination, the quality of servicing, and the workout procedures minimize risk? Do borrowers have an equity interest? Is maturity shorter than the economic life of the asset financed? Are the timing and amount of payment matched with availability of resources? Is timely reminder and technical assistance provided? How well is risk understood, measured, and monitored?*
6. *Credit programs should stretch their resources to better meet their objectives by minimizing cost; most should be self sustaining. Do fees and interest cover the Government's cost, including administration? Are interest rates specified as a percent of market rates on comparable maturity Treasury securities? Are charges for riskier borrowers proportional to their higher cost?*

Program Operations

7. *Credit programs should take advantage of the capacity, flexibility, and expertise available in competitive private markets unless the benefits of direct Federal operations can be shown to exceed the cost. Private financial institutions may offer convenient access for borrowers, potential for graduation to private credit, economies of scale, ready adjustment to changing volume or location of loans, and knowledge of current credit conditions and techniques.*
8. *The lender (in the case of a loan guarantee), the servicer, and the providers of workout and asset disposition services should have a*

stake in the successful and timely repayment of the loan or collections on claims and collateral. Originators of guaranteed loans should bear a share of each dollar of default loss, and—unless other arrangements can be shown to be more cost-effective—should be responsible for handling workout. Each contract should include incentives for good performance, and penalties, including loss of business, for poor performance. The duration and scope of each contract or agreement should be limited so as to maximize specialization and competition, unless those are offset by economies of scale in operations and monitoring.

9. *Criteria should be established for lender participation in Federal loan guarantee programs, servicers, and providers of workout and asset disposition services. These should include financial and capital requirements for lenders and servicers not regulated by a Federal financial institution regulatory agency, and may include fidelity/surety bonding and/or errors and omissions insurance, qualification requirements for officers and staff, and requirements of good standing and performance in relation to other contracts and debts. Lenders transferring and/or assigning servicing, and lenders or servicers transferring and/or assigning workout or asset disposition must use only entities which have qualified under the Federal participation criteria.*
10. *When there are economies of scope or scale, the data gathering and analysis, servicing, debt collection, workout, asset disposition, or other functions of specific credit programs should be combined or coordinated. The sequence of operations should be streamlined, and accountability for each step clearly defined.*

Program Monitoring

11. *Each program should maintain or receive monthly loan-by-loan transaction data and a system whereby this information triggers servicing, workout, and follow-up actions. These data shall be linked by loan number to an analytical database showing characteristics of loans, borrowers, projects financed, financial information, credit ratings, and other data in a form suitable for use in subsidy estimation and loan pricing.*

12. *Each program should design and carry out steps to foresee problems, and to inspect, audit, and assess the program's operations.* Methods should be benchmarked against the best practices used elsewhere. The program and its lenders, serv-

icers, and other contractors should experiment with and assess ways in which the effectiveness or efficiency of the program might be improved or costs reduced.