

Table of Contents

	<i>Page</i>
Introduction	ii
Supplementary Tables for Credit Programs	
Table 1-Direct Loans: FY 1999 Baseline and Policy Subsidy Rates, Obligations, and Average Loan Size	1
Table 2-Loan Guarantees: FY 1999 Baseline and Policy Subsidy Rates, Obligations, and Average Loan Size.....	5
Table 3-Direct Loans: Assumptions Underlying the FY 1999 Baseline Subsidy Estimates.....	9
Table 4-Loan Guarantees: Assumptions Underlying the FY 1999 Baseline Subsidy Estimates.....	13
Table 5-Direct Loans: Assumptions Underlying the FY 1999 Policy Subsidy Estimates.....	17
Table 6-Loan Guarantees: Assumptions Underlying the FY 1999 Policy Subsidy Estimates.....	21
Table 7-Direct Loans: Subsidy Reestimates.....	25
Table 8-Loan Guarantees: Subsidy Reestimates.....	31
Table 9-Direct Loan Transactions for Selected Accounts, 1990-1998.....	37
Table 10-Loan Guarantee Transactions for Selected Accounts, 1990-1998.....	39
Table 11-Direct Loan Program Disbursement Rates in the FY 1999 Budget.....	41
Table 12-Loan Guarantee Program Disbursement Rates in the FY 1999 Budget	45
Reprint of materials from the Budget of the United States Government, <i>Analytical Perspectives</i>	
Excerpts from Chapter 8, "Underwriting Federal Credit and Insurance"	49

Introduction

The FY 1999 Federal Credit Supplement provides summary information about Federal direct loan and loan guarantee programs subject to the Federal Credit Reform Act (FCRA) of 1990, as amended by the Balanced Budget Act of 1997. The data are based on the proposals in the Administration's 1999 *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 guarantees programs, as well as the program's BEA classification under the Budget Enforcement Act (BEA) of 1990 as discretionary or mandatory (see the "Preview Report" in the *Analytical Perspectives* volume of the 1999 *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 1999 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 1992–97 direct loan and loan guarantee cohorts calculated for the FY 1999 *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 1990–1998 of obligations/commitments, disbursements, and outstandings for selected large direct and guaranteed loan programs, respectively.

Tables 11 and 12 are policy loan disbursement rates for direct loans and loan guarantees 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*. Excerpts on credit reform simplification efforts, debt collection and asset sales, and housing credit are reprinted in this Supplement.

Table 1.—DIRECT LOANS: FY 1999 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
Department of Agriculture							
Farm Service Agency:							
Agricultural credit insurance fund:							
Credit Sales of Acquired Property	Discretionary	13.04	25,500	123	13.04	25,000	123
Direct Farm Ownership	Discretionary	14.97	46,463	83	14.97	85,000	83
Direct Farm Operating	Discretionary	6.83	500,281	43	6.83	500,000	43
Indian Land Acquisition	Discretionary	15.25	1,020	204	15.25	1,003	201
Emergency Disaster	Discretionary	23.60	25,500	58	23.60	25,000	58
Boll weevil eradication	Discretionary	1.44	21,610	7,203	1.44	30,000	7,500
Rural Community Advancement Program:							
Business and Industry Direct Loans	Discretionary	-14.64	51,000	333	-14.64	50,000	333
Community Facility Direct Loans	Discretionary	13.74	128,297	419	13.74	200,000	419
Water and Waste Disposal Direct Loans	Discretionary	16.52	417,933	879	16.52	763,977	879
Rural Utilities Service:							
Distance learning and telemedicine program:							
Distance Learning and Telemedicine Direct Loans	Discretionary	0.12	25,500	167	0.12	150,000	167
Rural electrification and telephone program:							
Electrification:							
Direct, Loan Electric 5%	Discretionary	13.04	72,941	2,918	13.04	55,000	2,895
Direct, Municipal Rate Electric Loans	Discretionary	8.76	245,685	5,227	8.76	250,000	5,208
Direct, FFB Electric Loans	Discretionary	-0.38	306,000	14,571	-0.38	300,000	14,286
Direct, Loan Electric Treasury—Proposed Legislation	Discretionary	.....	.....	.....	0.21	400,000	6,061
Telephone:							
Direct, Loans Telecommunications 5%	Discretionary	9.79	30,631	5,105	9.79	50,000	5,556
Direct, Treasury Rate Telecommunications Loans	Discretionary	0.27	22,667	5,667	0.27	300,000	5,455
Direct, FFB Telecommunications Loans	Discretionary	-0.81	122,400	17,486	-0.81	120,000	17,143
Rural Telephone Bank:							
Direct Rural Telephone Bank	Discretionary	2.65	142,800	3,173	2.65	175,000	3,182
Rural Housing Service:							
Rural housing insurance fund:							
Single-Family Credit Sales of Acquired Property	Discretionary	¹ 9.02	33,167	43	¹ 9.02	25,006	43
Multi-Family Credit Sales of Acquired Property	Discretionary	¹ 48.31	1,180	590	¹ 48.31	5,001	556
Section 502 Single-Family Housing	Discretionary	11.82	1,105,431	52	11.82	1,000,000	52
Section 515 Multi-Family Housing	Discretionary	48.25	145,326	446	48.25	100,000	446
Section 504 Housing Repair	Discretionary	35.23	29,821	6	35.23	25,001	6
Section 514 Farm Labor Housing	Discretionary	52.03	14,483	724	52.03	32,108	747
Section 523 Self-Help Site Development	Discretionary	5.64	307	307	5.64	5,000	312
Section 524 Site Development	Discretionary	0.33	612	204	0.33	5,000	200
Rural Business — Cooperative Service:							
Rural Development Loan Fund	Discretionary	50.35	34,212	728	50.35	35,000	729
Rural Economic Development Loans	Discretionary	25.22	24,177	327	25.22	15,000	326
Foreign Agricultural Service:							
P.L. 480 Direct Credits	Discretionary	86.79	207,645	9,244	86.79	102,163	4,644

Table 1.—DIRECT LOANS: FY 1999 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
Department of Commerce							
National Oceanic and Atmospheric Administration:							
Fisheries Finance	Discretionary	1.00	33,800	676	1.00	23,800	595
Department of Defense							
Department of Defense							
Military Family Housing Improvement Fund	Discretionary	60.00			60.00		
Department of Education							
Office of Postsecondary Education:							
Ford direct loan program:							
Ford direct student loan program — weighted average of total obligations	Mandatory	2.96	15,366,943	4	3.16	15,366,943	4
Consolidated (Non-defaulters)	Mandatory	− 3.37	1,676,526	19	− 3.56	1,676,526	19
Consolidated (Defaulters)	Mandatory	1.76	310,115	19	1.73	310,115	19
PLUS	Mandatory	− 9.49	1,389,094	7	− 9.35	1,389,094	7
Subsidized Stafford	Mandatory	13.79	7,283,485	4	14.07	7,283,485	4
Unsubsidized Stafford	Mandatory	− 7.78	4,707,723	4	− 7.54	4,707,723	4
Department of the Interior							
Bureau of Reclamation:							
Loan Program	Discretionary	46.44	26,000	4,333	46.44	26,000	4,333
Department of State							
Bureau of Consular Affairs:							
Repatriation Loans	Discretionary	80.00	741	1	80.00	741	1
Department of Transportation							
Office of the Secretary:							
Minority Business Resource Center	Discretionary	10.89	13,600	136	10.89	13,600	136
Department of Treasury							
Community Development Financial Institutions:							
Community Development Financial Institutions Fund	Discretionary	40.65	50,185	600	40.65	4,920	600
Department of Veterans Affairs							
Veterans Benefits Administration:							
Veterans Affairs Housing Benefit Program Fund Direct Loans	Mandatory	7.71	2,020,264	91	² 27.26	203,457	88
Miscellaneous Veterans Loan Program:							
Education Loan Fund	Discretionary	32.75	3	2	32.75	3	2
Native American Veteran Housing Loan Program	Discretionary	7.72	8,532	73	7.72	8,532	73
Vocational Rehabilitation Loans	Discretionary	2.27	2,401	*	2.27	2,401	*
International Assistance Programs							
International Security Assistance:							
Foreign Military Financing	Discretionary	11.98	167,024	55,675	11.98	167,024	55,675

Table 1.—DIRECT LOANS: FY 1999 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
Overseas Private Investment Corporation:							
Direct Loans	Discretionary	³ 13.80	133,000	5,320	³ 13.80	133,000	5,320
Small Business Administration							
General business loan programs:							
Section 7(m) Micro Loan Direct	Discretionary	9.54	6,000	537	9.54	6,000	537
Disaster loan program:							
Disaster Assistance	Discretionary	22.36	901,000	16	5.93	901,000	16
Other Independent Agencies							
Export-Import Bank of the United States:							
Long and Medium Term Loans	Discretionary	⁴ 3.22	1,396,000	99,714	⁴ 3.22	1,396,000	99,714
Federal Emergency Management Agency:							
State Share Loans	Discretionary	5.42	25,000	8,333	5.42	25,000	8,333
Community Disaster Loans	Discretionary	92.21	.....	.....	92.21	.....	.....

* Nonzero amount rounds to zero.

¹ Prior to FY 1999, RHS credit sales were shown as a single program. Beginning in FY 1999, single-family and multi-family credit sales are shown as separate programs.

² The policy subsidy rate for direct loans reported in the 'Analytical Perspectives' volume of the FY 1999 Budget should be 27.26%, reflecting the Administration's proposal to end the vendee loan program.

³ Subsidy rates displayed in the 'Analytical Perspectives' and 'Appendix' volumes of the FY 1999 Budget reflect OPIC's weighted average subsidy rate across both direct and guaranteed Loans.

⁴ Weighted average for direct loan program.

Table 2.—LOAN GUARANTEES: FY 1999 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
Department of Agriculture							
Farm Service Agency:							
CCC Export Guarantee Loans Program	Mandatory	5.47	4,615,000	1,538	5.47	4,615,000	1,538
Agricultural credit insurance fund:							
Guaranteed Farm Ownership, Unsubsidized	Discretionary	1.59	990,503	174	1.59	425,031	174
Guaranteed Farm Operating, Subsidized	Discretionary	8.74	225,011	132	8.74	200,000	132
Guaranteed Farm Operating, Unsubsidized	Discretionary	1.16	1,365,603	114	1.16	1,700,000	114
Rural Community Advancement Program:							
Business and Industry Guaranteed Loans	Discretionary	1.02	970,000	1,203	1.02	1,000,000	1,227
Community Facility Guaranteed Loans	Discretionary	-0.54	156,366	1,106	-0.54	210,000	1,063
Water and Waste Disposal Guaranteed Loans	Discretionary	-1.08	76,500	322	-1.08	75,000	322
Rural Housing Service:							
Rural housing insurance fund:							
Single Family Housing — Unsubsidized	Discretionary	0.09	7,820,000	71	0.09	3,000,000	71
Single Family Housing — Unsubsidized Refinancing — Proposed Legislation	Discretionary				-0.13	100,000	33
Section 538 Multi-Family Housing — Subsidized	Discretionary	2.32	52,759	1,649	2.32	150,000	1,630
Department of Defense							
Department of Defense:							
Defense Export Loan Guarantee (DELG) Program	Discretionary		250,000	250,000		250,000	250,000
Military Family Housing Improvement Fund	Discretionary	¹ 7.00			¹ 7.00		
Department of Education							
Bureau of Postsecondary Education:							
Federal family education loan program:							
Weighted average of total obligations	Mandatory	6.93	28,671,529	4	6.15	28,671,529	4
Consolidated	Mandatory	-3.55	4,267,163	21	-4.09	4,267,163	21
PLUS	Mandatory	-1.91	2,341,353	7	-2.78	2,341,353	7
Subsidized Stafford	Mandatory	16.41	12,799,125	4	15.66	12,799,125	4
Unsubsidized Stafford	Mandatory	0.90	9,263,888	4		9,263,888	4
Department of Health and Human Services							
Health Resources and Services Administration:							
Health Centers Loan Guarantee Program	Discretionary	5.32	80,000	6,667	5.32	80,000	6,667
Department of Housing and Urban Development							
Public and Indian Housing Programs:							
Indian Home Loan Guarantee Program	Discretionary	8.13	68,881	172	8.13	68,881	172
Title VI Indian Federal Guarantees Program	Discretionary	² 11.07	43,636		² 11.07	43,636	
Community Planning and Development:							
Community Development Loan Guarantees (Section 108)	Discretionary	2.30	1,304,348	5,000	2.30	1,261,000	5,000
HOME Loan Guarantee Program — Proposed Legislation	Discretionary				11.07	100,000	

Table 2.—LOAN GUARANTEES: FY 1999 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
Housing programs:							
FHA general and special risk insurance fund:							
Cooperatives	Discretionary	17.27	27,000	.....	17.27	27,000	.....
Operating Loss Loans	Discretionary	24.18	110,000	.....	24.18	110,000	.....
Manufactured Housing	Discretionary	-3.13	150,000	.....	-3.13	150,000	.....
Multifamily Development	Discretionary	6.95	³ 1,357,793	.....	6.95	³ 1,357,793	.....
Property Improvement Loans	Discretionary	-1.22	2,036,721	.....	-1.22	2,036,721	.....
Mixed Income	Discretionary	12.13	5,000	.....	12.13	5,000	.....
Single Family	Discretionary	-1.32	9,120,000	.....	-1.32	9,120,000	.....
Nursing Homes	Discretionary	-0.70	600,000	.....	-0.70	600,000	.....
Section 242 Hospitals	Discretionary	1.53	600,000	.....	1.53	600,000	.....
Supplemental Multifamily Loans/Neighborhood Improvement	Discretionary	17.06	110,000	.....	17.06	110,000	.....
Qualified Participant Risk Share (Full Amortization)	Discretionary	-1.01	75,960	.....	-1.01	75,960	.....
Qualified Participant Risk Share (Balloons)	Discretionary	-1.01	216,140	.....	-1.01	216,140	.....
Qualified Participant Risk Share (Pool)	Discretionary	.....	100,116	.....	.....	100,116	.....
HFA Risk Share — 50%	Discretionary	-0.23	254,790	.....	-0.23	254,790	.....
HFA Risk Share — 90%	Discretionary	-0.88	60,000	.....	-0.88	60,000	.....
Multifamily Refinance	Discretionary	-0.78	⁴ 2,300,000	.....	-0.78	⁴ 2,300,000	.....
FHA mutual mortgage insurance fund:							
Mutual Mortgage Insurance Fund	Discretionary	-2.62	83,493,575	90	⁵ -2.62	98,031,000	98
Government National Mortgage Association:							
Guarantees of Mortgage-Backed Securities	Discretionary	-0.42	150,000,000	.....	-0.42	150,000,000	.....
Department of the Interior							
Bureau of Indian Affairs:							
Indian Guaranteed Loan Program	Discretionary	7.54	35,614	712	7.54	59,682	702
Department of Transportation							
Maritime Administration:							
Loan guarantee program:							
Maritime Guaranteed Loans (Title XI) — weighted average of all obligations	Discretionary	5.01	740,000	37,000	5.01	520,000	34,667
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1A	Discretionary	1.25	51,800	17,267	1.25	36,400	18,200
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1B	Discretionary	1.75	51,800	17,267	1.75	36,400	18,200
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1C	Discretionary	2.25	59,200	19,733	2.25	41,600	20,800
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2A	Discretionary	3.75	170,200	56,733	3.75	119,600	59,800
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2B	Discretionary	5.25	177,600	44,400	5.25	124,800	41,600
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2C	Discretionary	6.75	170,200	42,550	6.75	119,600	39,867
Maritime Guaranteed Loans (Title XI)/Risk Category Level 3	Discretionary	11.75	59,200	19,733	11.75	41,600	20,800
Department of Veterans Affairs							
Veterans Benefits Administration:							
Veterans Housing Benefit Program Fund	Mandatory	0.46	23,440,256	106	0.88	23,440,256	106
International Assistance Programs							
Agency for International Development:							
Urban Environment/Housing Guarantee Program	Discretionary	8.91	34,377	8,594	8.91	67,340	11,223

Table 2.—LOAN GUARANTEES: FY 1999 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
Micro and Small Enterprise Development Program	Discretionary	3.29	46,550	3,103	3.29	45,593	3,257
Overseas Private Investment Corporation:							
OPIC Guaranteed Loan Program	Discretionary	⁶ 1.19	1,600,000	64,000	⁶ 1.19	1,600,000	64,000
Small Business Administration							
General business loan programs:							
Section 504 CDC Program	Discretionary		3,000,000	332		3,000,000	332
Section 504 CDC Program: DELTA	Discretionary	1.29	18,000	409	1.29	18,000	409
Section 7(a) General Business Guaranty	Discretionary	1.39	11,007,194	194	1.39	11,007,194	194
Section 7(a) General Business Guaranty: DELTA	Discretionary	2.08	102,000	515	2.08	102,000	515
Section 7(m) Micro Loan Guaranty	Discretionary	7.97	12,000	529	7.97	12,000	529
SBIC—Debentures	Discretionary	1.38	546,160	3,086	1.38	546,160	3,086
SBIC—Participating Securities	Discretionary	2.19	550,000	3,929	2.19	550,000	3,929
Other Independent Agencies							
Export-Import Bank of the United States:							
Short, Medium and Long Term Guarantees and Insurance Programs	Discretionary	⁷ 5.86	15,401,000	6,205	⁷ 5.86	15,401,000	6,205

¹ Loan guarantee estimate is for a 'limited guarantee' which covers base closure, downsizing and deployment only.

² Breakdown of subsidy components was not available in time for inclusion in this Supplement.

³ This amount includes 221(d)(4), mobile home parks and very small projects that are new construction.

⁴ Includes amounts for section 223(f) and very small refinance.

⁵ Policy subsidy rate does not include the effects of the Single Family Property Disposition proposal.

⁶ Subsidy rates displayed in the 'Analytical Perspectives' and 'Appendix' volumes of the FY 1999 Budget reflect OPIC's weighted average subsidy rate across both direct and guaranteed loans.

⁷ Weighted average for guarantee and insurance programs.

Table 3.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1999 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
Department of Agriculture													
Farm Service Agency:													
Agricultural credit insurance fund:													
Credit Sales of Acquired Property	13.04	4.66	9.06	.....	-0.68	39	5.48	.....	.....	.....	.....	16.00	70.00
Direct Farm Ownership	14.97	4.47	10.58	.....	-0.07	27	4.98	.....	.....	.....	.....	16.00	70.00
Direct Farm Operating	6.83	6.24	0.16	.....	0.43	3	5.70	.....	.....	.....	.....	10.00	40.00
Indian Land Acquisition	15.25	.....	15.25	.....	.....	40	5.00	.....	.....	.....	.....	.....	.....
Emergency Disaster	23.60	11.96	11.11	.....	0.53	10	3.75	.....	.....	.....	.....	32.00	60.00
Boll weevil eradication	1.44	0.82	0.41	.....	0.21	7	5.87	.....	.....	.....	.....	1.50	75.00
Rural Community Advancement Program:													
Business and Industry Direct Loans	-14.64	2.75	-17.84	.....	0.45	22	8.25	1	.....	.....	.....	7.09	48.00
Community Facility Direct Loans	13.74	0.02	13.85	.....	-0.14	28	4.83	.....	.....	.....	.....	0.08	40.00
Water and Waste Disposal Direct Loans	16.52	0.08	16.95	.....	-0.50	38	4.78	.....	.....	.....	.....	0.22	0.70
Rural Utilities Service:													
Distance learning and telemedicine program:													
Distance Learning and Telemedicine Direct Loans	0.12	0.02	0.10	.....	.....	10	6.03	2	.....	.....	.....	0.03	.....
Rural electrification and telephone program:													
Electrification:													
Direct, Loan Electric 5%	13.04	0.07	12.97	.....	.....	35	5.00	2	.....	.....	.....	0.15	100.00
Direct, Municipal Rate Electric Loans	8.76	0.07	8.69	.....	.....	35	5.38	2	.....	.....	.....	0.15	100.00
Direct, FFB Electric Loans	-0.38	1.03	-1.29	.....	-0.12	35	6.24	2	.....	.....	.....	2.90	98.40
Direct, Loan Electric Treasury—Proposed Legislation .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Telephone:													
Direct, Loans Telecommunications 5%	9.79	0.02	9.77	.....	.....	21	5.00	2	.....	.....	.....	0.05	*
Direct, Treasury Rate Telecommunications Loans	0.27	0.02	0.25	.....	.....	21	6.11	2	.....	.....	.....	0.03	*
Direct, FFB Telecommunications Loans	-0.81	.....	-0.81	.....	.....	20	6.24	2	.....	.....	.....	.....	.....
Rural Telephone Bank:													
Direct Rural Telephone Bank	2.65	0.01	2.64	.....	.....	22	5.49	2	.....	.....	.....	0.03	.....
Rural Housing Service:													
Rural housing insurance fund:													
Single-Family Credit Sales of Acquired Property	³ 9.02	1.69	7.65	.....	-0.31	33	⁴ 4.40	.....	.....	.....	.....	11.54	22.23
Multi-Family Credit Sales of Acquired Property	³ 48.31	-0.25	55.56	.....	-7.01	48	⁵ 1.40	.....	.....	.....	.....	0.44	65.30
Section 502 Single-Family Housing	11.82	1.48	11.18	.....	-0.84	33	⁴ 3.86	.....	.....	.....	.....	11.15	22.23
Section 515 Multi-Family Housing	48.25	-0.03	55.61	.....	-7.33	48	⁵ 1.40	.....	.....	.....	.....	0.23	70.00
Section 504 Housing Repair	35.23	2.00	33.37	.....	-0.15	18	1.00	.....	.....	.....	.....	5.68	51.90
Section 514 Farm Labor Housing	52.03	0.07	51.67	.....	0.28	33	1.00	.....	.....	.....	.....	0.29	65.33
Section 523 Self-Help Site Development	5.64	1.03	4.11	.....	0.52	2	3.00	.....	.....	.....	.....	1.24	80.00
Section 524 Site Development	0.33	1.30	-1.52	.....	0.55	2	6.61	.....	.....	.....	.....	1.66	80.00
Rural Business — Cooperative Service:													
Rural Development Loan Fund	50.35	.....	50.35	.....	.....	30	1.00	2	.....	.....	.....	.....	.....
Rural Economic Development Loans	25.22	.....	25.26	.....	-0.03	10	.....	1	.....	.....	.....	.....	.....

Table 3.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1999 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
Foreign Agricultural Service:													
P.L. 480 Direct Credits	86.79	44.45	25.06	.....	⁶ 17.28	25	3.50	5	.....	.....	.....	44.45	.....
Department of Commerce													
National Oceanic and Atmospheric Administration:													
Fisheries Finance	1.00	-11.26	12.76	-0.50	.....	10	8.00	.....	0.50	.....	.....	20.00	37.50
Department of Defense													
Department of Defense													
Military Family Housing Improvement Fund	60.00	15.50	44.50	.....	.....	30	1.50	6	.....	.....	.....	40.64	46.66
Department of Education													
Office of Postsecondary Education:													
Ford direct loan program:													
Ford direct student loan program — weighted average of total obligations	2.96	6.16	-1.44	-3.46	1.70	9	7.13	4	3.48	.....	.....	18.42	124.90
Consolidated (Non-defaulters)	-3.37	2.78	-8.16	.....	2.01	13	⁷ 7.05	⁸ 4	.....	.....	.....	19.07	124.15
Consolidated (Defaulters)	1.76	8.35	-8.88	.....	2.29	13	⁷ 7.05	⁸ 3	.....	.....	.....	19.07	124.15
PLUS	-9.49	3.39	-11.55	-3.99	2.66	9	⁷ 8.13	⁸ 3	4.00	.....	.....	11.15	157.08
Subsidized Stafford	13.79	7.72	8.70	-3.95	1.32	9	⁷ 7.03	⁸ 4	4.00	.....	.....	20.65	122.87
Unsubsidized Stafford	-7.78	5.62	-11.26	-4.00	1.86	9	⁷ 7.03	⁸ 4	4.00	.....	.....	19.66	123.52
Department of the Interior													
Bureau of Reclamation:													
Loan Program	46.44	.....	46.44	.....	.....	30	⁹ 7.70	.....	.....	.....	.....	.....	.....
Department of State													
Bureau of Consular Affairs:													
Repatriation Loans	80.00	80.00	.....	.....	.....	1	.....	1	.....	.....	.....	83.00	3.00
Department of Transportation													
Office of the Secretary:													
Minority Business Resource Center	10.89	8.89	1.97	.....	.....	3	¹⁰ 8.50	.....	.....	.....	.....	10.00	60.00
Department of Treasury													
Community Development Financial Institutions:													
Community Development Financial Institutions Fund	40.65	13.19	27.46	.....	.....	10	2.00	¹¹ 9	.....	.....	.....	25.00	15.00
Department of Veterans Affairs													
Veterans Benefits Administration:													
Veterans Affairs Housing Benefit Program Fund Direct Loans	7.71	8.82	-12.06	-4.80	15.76	30	7.12	.....	2.25	.....	3.00	59.62	60.00
Miscellaneous Veterans Loan Program:													
Education Loan Fund	32.75	0.06	35.69	-3.00	.....	10	8.00	10	3.00	.....	.....	75.00	.....
Native American Veteran Housing Loan Program	7.72	1.61	6.11	.....	.....	30	7.12	.....	.....	.....	.....	15.57	78.00

Table 3.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1999 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
Vocational Rehabilitation Loans	2.27	.....	2.01	.....	0.26	2	.....	10	.....	.....	.....	.....	.....
International Assistance Programs													
International Security Assistance:													
Foreign Military Financing	11.98	11.98	.....	.....	.....	12	6.11	5	.....	.....	.....	12.07	100.00
Overseas Private Investment Corporation:													
Direct Loans	¹² 13.80	24.24	.....	- 10.11	.....	10	8.53	2	0.50	2.00	.....	30.00	30.00
Small Business Administration													
General business loan programs:													
Section 7(m) Micro Loan Direct	9.54	1.59	7.95	.....	.....	10	¹³ 4.67	1	.....	.....	.....	5.00	50.00
Disaster loan program:													
Disaster Assistance	22.36	¹⁴ 6.68	17.68	.....	- 2.00	16	¹⁴ 3.75	1	.....	.....	.....	¹⁵ 18.05	(¹⁵)
Other Independent Agencies													
Export-Import Bank of the United States:													
Long and Medium Term Loans	¹⁶ 3.22	14.70	- 6.78	- 4.70	.....	¹⁶ 10	¹⁶ 7.01	3	0.50	¹⁶ 4.50	.....	¹⁵ 21.78	(¹⁵)
Federal Emergency Management Agency:													
State Share Loans	5.42	4.12	1.30	.....	.....	5	5.31	3	.....	.....	.....	5.00	.....
Community Disaster Loans	92.21	92.21	.....	.....	.....	5	5.59	5	.....	.....	.....	92.70	.....

* Nonzero amount rounds to zero.

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ Prior to FY 1999, RHS credit sales were shown as a single program. Beginning in FY 1999, single-family and multi-family credit sales are shown as separate programs.

⁴ Estimated average note rate. Actual note rate may be as low as 1% or as high as 100 basis points above the Treasury cost of funds, depending on the borrower's annual income level.

⁵ Actual note rate is 50 basis points above the Treasury cost of funds, but USDA provides the borrower with an interest subsidy that lowers the borrower's effective note rate to approximately 1.40%.

⁶ Represents Food for Progress at 100% subsidy.

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.

⁸ Includes maximum three year deferment. For Stafford loans and non-defaulted loans consolidated while the borrower is in school, includes a six month grace period.

⁹ The typical loan consists of interest-bearing and non-interest-bearing portions. This rate represents an estimate of the rate paid on the interest-bearing portion.

¹⁰ Interest rate is prime rate. Current prime rate (8.5%) projected to prevail through FY 1999.

¹¹ Loan structure assumptions: 70% of loan obligations have quarterly interest payments with principal due at maturity; 30% have monthly interest payments with monthly principal payments beginning in year 5.

¹² Subsidy rates displayed in the 'Analytical Perspectives' and 'Appendix' volumes of the FY 1999 Budget reflect OPIC's weighted average subsidy rate across both direct and guaranteed Loans.

¹³ 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 of no more than 4% above Prime.

¹⁴ Based on current borrower rates, with 4% cap for borrowers without other credit available and 8% cap for borrowers with other credit available.

¹⁵ Defaults are net of recoveries.

¹⁶ Weighted average for direct loan program.

Table 4.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1999 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
Department of Agriculture														
Farm Service Agency:														
CCC Export Guarantee Loans Program	5.47	6.10		-0.63		3			1.00			³ 4.88		98.00
Agricultural credit insurance fund:														
Guaranteed Farm Ownership, Unsubsidized	1.59	2.69		-0.90	-0.20	20	9.36		1.00			5.00	⁴ 0.30	90.00
Guaranteed Farm Operating, Subsidized	8.74	2.20	7.49	-0.90	-0.05	4	9.04		1.00			6.00	⁴ 0.30	90.00
Guaranteed Farm Operating, Unsubsidized	1.16	2.09		-0.90	-0.03	4	9.04		1.00			6.00	⁴ 0.30	90.00
Rural Community Advancement Program:														
Business and Industry Guaranteed Loans	1.02	2.80		-1.54	-0.24	16	9.75		1.93			3.02	⁴ 1.00	79.80
Community Facility Guaranteed Loans	-0.54	0.29		-0.80	-0.03	19	6.66		1.00			0.37	(⁴)	80.00
Water and Waste Disposal Guaranteed Loans	-1.08	8.59		-0.80	-8.87	25	6.66		1.00			9.85	(⁴)	80.00
Rural Housing Service:														
Rural housing insurance fund:														
Single Family Housing — Unsubsidized	0.09	1.13		-1.04		30	7.17		⁵ 1.00			1.57	⁶ 70.00	90.00
Section 538 Multi-Family Housing — Subsidized	2.32	1.39	6.53	-5.61		36	7.17		1.00	0.50		2.32	77.00	90.00
Department of Defense														
Department of Defense:														
Defense Export Loan Guarantee (DELG) Program		17.64		-17.64		9	6.00		-17.64			24.90		85.00
Military Family Housing Improvement Fund	⁷ 7.00	7.00				30	8.25					40.64	46.66	80.00
Department of Education														
Bureau of Postsecondary Education:														
Federal family education loan program:														
Weighted average of total obligations	6.93	2.14	7.16	-4.28	1.91	9	7.27	⁴	3.05	0.16	0.11	17.99	125.02	100.00
Consolidated	-3.55	1.28		-6.43	1.60	13	⁸ 8.03	⁹ 4	0.50	1.05	¹⁰ 0.11	10.50	124.15	100.00
PLUS	-1.91	-0.85		-3.98	2.92	9	⁸ 8.13	¹¹ 3	3.50		¹⁰ 0.11	12.06	157.08	100.00
Subsidized Stafford	16.41	2.54	16.04	-3.85	1.68	9	⁸ 7.03	¹² 4	3.50		¹⁰ 0.11	20.99	122.87	100.00
Unsubsidized Stafford	0.90	2.74		-3.95	2.11	9	⁸ 7.03	¹² 4	3.50		¹⁰ 0.11	19.14	123.52	100.00
Department of Health and Human Services														
Health Resources and Services Administration:														
Health Centers Loan Guarantee Program	5.32	6.26		-0.94		18	9.50	2	1.00					85.00
Department of Housing and Urban Development														
Public and Indian Housing Programs:														
Indian Home Loan Guarantee Program	8.13	9.13		-1.00		30	(¹³)		1.00			35.71	7.04	80.00
Title VI Indian Federal Guarantees Program	¹⁴ 11.07					20	(¹³)							100.00
Community Planning and Development:														
Community Development Loan Guarantees (Section 108)	2.30	2.30				13	6.33					2.83	54.69	100.00

Table 4.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1999 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
Housing programs:														
FHA general and special risk insurance fund:														
Cooperatives	17.27	20.80	.....	- 3.76	.....	40	7.79	.....	1.30	0.50	.....	29.83	54.95	100.00
Operating Loss Loans	24.18	20.80	.....	- 3.76	.....	35	7.79	.....	1.30	0.50	.....	29.83	.....	100.00
Manufactured Housing	- 3.13	2.29	.....	- 5.42	.....	20	7.00	.....	.....	0.50	.....	2.77	20.00	100.00
Multifamily Development	6.95	12.31	.....	- 5.22	.....	40	7.79	.....	1.80	0.50	.....	17.41	54.76	100.00
Property Improvement Loans	- 1.22	1.55	.....	- 2.77	.....	15	7.00	.....	.....	0.50	.....	1.85	37.00	100.00
Mixed Income	12.13	18.19	.....	- 6.06	.....	40	7.79	.....	1.80	0.50	.....	23.56	30.00	100.00
Single Family	- 1.32	2.61	.....	- 3.93	.....	30	7.00	.....	2.25	0.50	.....	3.53	54.93	100.00
Nursing Homes	- 0.70	6.01	.....	- 6.71	.....	40	8.79	.....	1.50	0.50	.....	7.57	44.65	100.00
Section 242 Hospitals	1.53	7.02	.....	- 5.49	.....	25	8.79	.....	1.30	0.50	.....	11.80	.....	100.00
Supplemental Multifamily Loans/Neighborhood Improvement	17.06	20.80	.....	- 3.76	.....	20	7.79	.....	2.00	0.25	.....	29.83	.....	100.00
Qualified Participant Risk Share (Full Amortization)	- 1.01	1.14	.....	- 2.15	.....	25	8.00	.....	.....	0.25	.....	2.95	.....	50.00
Qualified Participant Risk Share (Balloons)	- 1.01	1.14	.....	- 2.15	.....	25	7.20	.....	0.50	0.50	.....	2.95	.....	50.00
Qualified Participant Risk Share (Pool) .....	.....	.....	.....	.....	.....	25	8.00	.....	0.50	0.50	.....	.....	.....	50.00
HFA Risk Share — 50%	- 0.23	1.85	.....	- 2.08	.....	25	8.00	.....	0.50	0.50	.....	2.24	79.00	50.00
HFA Risk Share — 90%	- 0.88	2.86	.....	- 3.74	.....	40	8.00	.....	0.50	0.50	.....	4.48	66.00	90.00
Multifamily Refinance	- 0.78	5.06	.....	- 5.82	.....	35	7.79	.....	1.50	0.50	.....	8.02	60.00	100.00
FHA mutual mortgage insurance fund:														
Mutual Mortgage Insurance Fund	- 2.62	1.80	.....	- 5.13	0.71	30	.....	.....	¹⁵ 2.25	¹⁶ 0.50	.....	7.87	68.02	100.00
Government National Mortgage Association:														
Guarantees of Mortgage-Backed Securities	- 0.42	0.01	.....	- 0.43	.....	30	8.00	.....	.....	0.06	.....	.....	.....	100.00
Department of the Interior														
Bureau of Indian Affairs:														
Indian Guaranteed Loan Program	7.54	6.71	2.79	- 1.96	.....	15	7.00	.....	1.96	.....	.....	8.00	5.00	86.00
Department of Transportation														
Maritime Administration:														
Loan guarantee program:														
Maritime Guaranteed Loans (Title XI) — weighted average of all obligations	5.01	9.90	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	65.00	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1A	1.25	6.14	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	26.62	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1B	1.75	6.64	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	28.01	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1C	2.25	7.14	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	28.41	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2A	3.75	8.64	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	33.32	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2B	5.25	10.14	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	38.07	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2C	6.75	11.64	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	42.24	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 3	11.75	11.64	.....	- 4.89	.....	25	6.50	.....	0.12	4.76	.....	50.34	50.00	100.00
Department of Veterans Affairs														
Veterans Benefits Administration:														
Veterans Housing Benefit Program Fund	0.46	2.55	.....	- 1.91	- 0.18	30	7.12	.....	1.91	.....	.....	3.48	.....	(¹⁷)

Table 4.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1999 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
International Assistance Programs														
Agency for International Development:														
Urban Environment/Housing Guarantee Program	8.91	14.81	.....	- 5.90	.....	24	6.26	10	1.00	0.50	.....	34.25	.....	100.00
Micro and Small Enterprise Development Program	3.29	6.14	.....	- 2.85	.....	5	.....	.....	0.25	0.75	.....	6.14	.....	50.00
Overseas Private Investment Corporation:														
OPIC Guaranteed Loan Program	¹⁸ 1.19	10.29	.....	- 9.09	.....	11	9.50	2	0.50	2.25	.....	15.00	40.00	100.00
Small Business Administration														
General business loan programs:														
Section 504 CDC Program .....	.....	3.76	.....	- 7.95	4.19	¹⁹ 19	8.15	.....	1.20	²⁰ 0.88	.....	13.31	86.37	100.00
Section 504 CDC Program: DELTA	1.29	4.32	.....	- 7.86	4.82	¹⁹ 19	8.15	.....	1.20	²⁰ 0.88	.....	13.31	²¹ 86.37	100.00
Section 7(a) General Business Guaranty	1.39	4.59	.....	- 3.20	.....	12	²² 9.50	.....	2.85	0.50	.....	15.05	60.95	73.37
Section 7(a) General Business Guaranty: DELTA	2.08	5.28	.....	- 3.20	.....	12	²² 9.50	.....	2.85	0.50	.....	17.31	60.95	73.37
Section 7(m) Micro Loan Guaranty	7.97	1.67	.....	.....	6.30	10	²³ 4.71	5	.....	.....	.....	5.09	50.01	100.00
SBIC—Debentures	1.38	11.00	.....	- 3.04	- 6.59	10	7.90	.....	3.04	.....	1.00	27.00	54.00	100.00
SBIC—Participating Securities	2.19	6.55	.....	- 3.04	- 1.32	10	7.90	5	1.20	0.88	.....	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	²⁴ 5.86	9.96	.....	- 4.10	.....	5	²⁵ 6.41	2	0.13	²⁴ 4.19	.....	³ 12.72	.....	100.00

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ Default rate is net of recoveries.

⁴ Of the amount paid out, this represents the portion recovered due to fraud, cancellations or revisions. Disposition of foreclosed property is the responsibility of the lender. The recovery is realized by the lender and the agency pays the difference between that recovery and the amount guaranteed.

⁵ Fee calculated as 1% of full amount of loan, previously only on guaranteed portion of loan.

⁶ 70% is increased 1% each year over 15 years of projected loss settlements.

⁷ Loan guarantee estimate is for a 'limited guarantee' which covers base closure, downsizing and deployment only.

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 up to the nearest whole percentage.

⁹ Includes 6 month grace period (if loan is consolidated in-school) and a maximum three year deferment.

¹⁰ SLMA offset fee.

¹¹ Includes a maximum three year deferment.

¹² Includes 6 month grace period and maximum three year deferment.

¹³ Borrower's interest rate will be based on prevailing market rates.

¹⁴ Breakdown of subsidy components was not available in time for inclusion in this Supplement.

¹⁵ Starting in 1997, the upfront fee was reduced from 2.25% to 1.75% for borrowers who receive homebuyer counseling. Pending regulations will reduce upfront fees for homebuyers in Central cities to 1.5%. These changes, however, have a minimal effect on fee income.

¹⁶ The length of time for which annual fees must be paid varies with the initial loan to value ratio. Most FHA borrowers pay annual fees over the life of the loan.

¹⁷ Maximum guarantee amount is \$50,000.

¹⁸ Subsidy rates displayed in the 'Analytical Perspectives' and 'Appendix' volumes of the FY 1999 Budget reflect OPIC's weighted average subsidy rate across both direct and guaranteed loans.

¹⁹ The 504 program has two possible maturities: 10 or 20 years. The 504 model separately analyzes the cash flows associated with each maturity. The credit supplement shows the weighted average values for each characteristic.

²⁰ The balance used to calculate annual fees is adjusted on a 5 year anniversary basis.

²¹ Collections and expenses are analyzed separately. Recoveries represent collections from defaulted loans.

²² Borrower interest rate is up to 2.25% above Prime for loans with maturities of up to 7 years and 2.75% above Prime for loans with maturities greater than or equal to 7 years.

²³ 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 of no more than 4% above Prime.

²⁴ Weighted average for guarantee and insurance programs.

²⁵ Represents 6 month Libor rate plus .5%.

Table 5.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1999 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
Department of Agriculture													
Farm Service Agency:													
Agricultural credit insurance fund:													
Credit Sales of Acquired Property	13.04	4.66	9.06	.....	-0.68	39	5.48	.....	.....	.....	.....	16.00	70.00
Direct Farm Ownership	14.97	4.47	10.58	.....	-0.07	27	4.98	.....	.....	.....	.....	16.00	70.00
Direct Farm Operating	6.83	6.24	0.16	.....	0.43	3	5.70	.....	.....	.....	.....	10.00	40.00
Indian Land Acquisition	15.25	.....	15.25	.....	.....	40	5.00	.....	.....	.....	.....	.....	.....
Emergency Disaster	23.60	11.96	11.11	.....	0.53	10	3.75	.....	.....	.....	.....	32.00	60.00
Boll weevil eradication	1.44	0.82	0.41	.....	0.21	7	5.87	.....	.....	.....	.....	1.50	75.00
Rural Community Advancement Program:													
Business and Industry Direct Loans	-14.64	2.75	-17.84	.....	0.45	22	8.25	1	.....	.....	.....	7.09	48.00
Community Facility Direct Loans	13.74	0.02	13.85	.....	-0.14	28	4.83	.....	.....	.....	.....	0.08	40.00
Water and Waste Disposal Direct Loans	16.52	0.08	16.95	.....	-0.50	38	4.78	.....	.....	.....	.....	0.22	0.70
Rural Utilities Service:													
Distance learning and telemedicine program:													
Distance Learning and Telemedicine Direct Loans	0.12	0.02	0.10	.....	.....	10	6.03	2	.....	.....	.....	0.03	.....
Rural electrification and telephone program:													
Electrification:													
Direct, Loan Electric 5%	13.04	0.07	12.97	.....	.....	35	5.00	2	.....	.....	.....	0.15	100.00
Direct, Municipal Rate Electric Loans	8.76	0.07	8.69	.....	.....	35	5.38	2	.....	.....	.....	0.15	100.00
Direct, FFB Electric Loans	-0.38	1.03	-1.29	.....	-0.12	35	6.24	2	.....	.....	.....	2.90	98.40
Direct, Loan Electric Treasury—Proposed Legislation	0.21	0.06	0.15	.....	.....	21	6.11	2	.....	.....	.....	0.13	.....
Telephone:													
Direct, Loans Telecommunications 5%	9.79	0.02	9.77	.....	.....	21	5.00	2	.....	.....	.....	0.05	*
Direct, Treasury Rate Telecommunications Loans	0.27	0.02	0.25	.....	.....	21	6.11	2	.....	.....	.....	0.03	*
Direct, FFB Telecommunications Loans	-0.81	.....	-0.81	.....	.....	20	6.24	2	.....	.....	.....	.....	.....
Rural Telephone Bank:													
Direct Rural Telephone Bank	2.65	0.01	2.64	.....	.....	22	5.49	2	.....	.....	.....	0.03	.....
Rural Housing Service:													
Rural housing insurance fund:													
Single-Family Credit Sales of Acquired Property	³ 9.02	1.69	7.65	.....	-0.31	33	⁴ 4.40	.....	.....	.....	.....	11.54	22.23
Multi-Family Credit Sales of Acquired Property	³ 48.31	-0.25	55.56	.....	-7.01	48	⁵ 1.40	.....	.....	.....	.....	0.44	65.30
Section 502 Single-Family Housing	11.82	1.48	11.18	.....	-0.84	33	⁴ 3.86	.....	.....	.....	.....	11.15	22.23
Section 515 Multi-Family Housing	48.25	-0.03	55.61	.....	-7.33	48	⁵ 1.40	.....	.....	.....	.....	0.23	70.00
Section 504 Housing Repair	35.23	2.00	33.37	.....	-0.15	18	1.00	.....	.....	.....	.....	5.68	51.90
Section 514 Farm Labor Housing	52.03	0.07	51.67	.....	0.28	33	1.00	.....	.....	.....	.....	0.29	65.33
Section 523 Self-Help Site Development	5.64	1.03	4.11	.....	0.52	2	3.00	.....	.....	.....	.....	1.24	80.00
Section 524 Site Development	0.33	1.30	-1.52	.....	0.55	2	6.61	.....	.....	.....	.....	1.66	80.00
Rural Business — Cooperative Service:													
Rural Development Loan Fund	50.35	.....	50.35	.....	.....	30	1.00	2	.....	.....	.....	.....	.....
Rural Economic Development Loans	25.22	.....	25.26	.....	-0.03	10	.....	1	.....	.....	.....	.....	.....

Table 5.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1999 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
Foreign Agricultural Service:													
P.L. 480 Direct Credits	86.79	44.45	25.06	.....	⁶ 17.28	25	3.50	5	.....	.....	.....	44.45	.....
Department of Commerce													
National Oceanic and Atmospheric Administration:													
Fisheries Finance	1.00	-11.26	12.76	-0.50	.....	10	8.00	.....	0.50	.....	.....	20.00	37.50
Department of Defense													
Department of Defense													
Military Family Housing Improvement Fund	60.00	15.50	44.50	.....	.....	30	1.50	6	.....	.....	.....	40.64	46.66
Department of Education													
Office of Postsecondary Education:													
Ford direct loan program:													
Ford direct student loan program — weighted average of total obligations ...	3.16	6.16	-1.44	-2.97	1.41	9	7.13	4	3.00	.....	.....	18.42	124.90
Consolidated (Non-defaulters)	-3.56	2.78	-8.16	.....	1.82	13	⁷ 7.05	⁸ 4	.....	.....	.....	19.07	124.15
Consolidated (Defaulters)	1.73	8.35	-8.88	.....	2.26	13	⁷ 7.05	⁸ 3	.....	.....	.....	19.07	124.15
PLUS	-9.35	3.39	-11.55	-3.41	2.22	9	⁷ 8.13	⁸ 3	3.41	.....	.....	11.15	157.08
Subsidized Stafford	14.07	7.72	8.70	-3.42	1.07	9	⁷ 7.03	⁸ 4	3.44	.....	.....	20.65	122.87
Unsubsidized Stafford	-7.54	5.62	-11.26	-3.40	1.50	9	⁷ 7.03	⁸ 4	3.45	.....	.....	19.66	123.52
Department of the Interior													
Bureau of Reclamation:													
Loan Program	46.44	.....	46.44	.....	.....	30	⁹ 7.70	.....	.....	.....	.....	.....	.....
Department of State													
Bureau of Consular Affairs:													
Repatriation Loans	80.00	80.00	.....	.....	.....	1	.....	1	.....	.....	.....	83.00	3.00
Department of Transportation													
Office of the Secretary:													
Minority Business Resource Center	10.89	8.89	1.97	.....	.....	3	¹⁰ 8.50	.....	.....	.....	.....	10.00	60.00
Department of Treasury													
Community Development Financial Institutions:													
Community Development Financial Institutions Fund	40.65	13.19	27.46	.....	.....	10	2.00	¹¹ 9	.....	.....	.....	25.00	15.00
Department of Veterans Affairs													
Veterans Benefits Administration:													
Veterans Affairs Housing Benefit Program Fund Direct Loans	¹² 27.26	37.12	-12.07	.....	2.21	30	7.12	.....	.....	.....	.....	98.01	60.00
Miscellaneous Veterans Loan Program:													
Education Loan Fund	32.75	0.06	35.69	-3.00	.....	10	8.00	10	3.00	.....	.....	75.00	.....
Native American Veteran Housing Loan Program	7.72	1.61	6.11	.....	.....	30	7.12	.....	.....	.....	.....	15.57	78.00
Vocational Rehabilitation Loans	2.27	.....	2.01	.....	0.26	2	.....	10	.....	.....	.....	.....	.....

Table 5.—DIRECT LOANS: ASSUMPTIONS UNDERLYING THE FY 1999 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
International Assistance Programs													
International Security Assistance:													
Foreign Military Financing	11.98	11.98	.....	.....	.....	12	6.11	5	.....	.....	.....	12.07	100.00
Overseas Private Investment Corporation:													
Direct Loans	¹³ 13.80	24.24	.....	- 10.11	.....	10	8.53	2	0.50	2.00	.....	30.00	30.00
Small Business Administration													
General business loan programs:													
Section 7(m) Micro Loan Direct	9.54	1.59	7.95	.....	.....	10	¹⁴ 4.67	1	.....	.....	.....	5.00	50.00
Disaster loan program:													
Disaster Assistance	5.93	¹⁵ 8.22	- 1.99	.....	- 0.30	16	¹⁵ 6.11	1	.....	.....	.....	¹⁶ 18.05	(¹⁶)
Other Independent Agencies													
Export-Import Bank of the United States:													
Long and Medium Term Loans	¹⁷ 3.22	14.70	- 6.78	- 4.70	.....	¹⁷ 10	¹⁷ 7.01	3	0.50	¹⁷ 4.50	.....	¹⁶ 21.78	(¹⁶)
Federal Emergency Management Agency:													
State Share Loans	5.42	4.12	1.30	.....	.....	5	5.31	3	.....	.....	.....	5.00	.....
Community Disaster Loans	92.21	92.21	.....	.....	.....	5	5.59	5	.....	.....	.....	92.70	.....

* Nonzero amount rounds to zero.

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ Prior to FY 1999, RHS credit sales were shown as a single program. Beginning in FY 1999, single-family and multi-family credit sales are shown as separate programs.

⁴ Estimated average note rate. Actual note rate may be as low as 1% or as high as 100 basis points above the Treasury cost of funds, depending on the borrower's annual income level.

⁵ Actual note rate is 50 basis points above the Treasury cost of funds, but USDA provides the borrower with an interest subsidy that lowers the borrower's effective note rate to approximately 1.40%.

⁶ Represents Food for Progress at 100% subsidy.

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.

⁸ Includes maximum three year deferment. For Stafford loans and non-defaulted loans consolidated while the borrower is in school, includes a six month grace period.

⁹ The typical loan consists of interest-bearing and non-interest-bearing portions. This rate represents an estimate of the rate paid on the interest-bearing portion.

¹⁰ Interest rate is prime rate. Current prime rate (8.5%) projected to prevail through FY 1999.

¹¹ Loan structure assumptions: 70% of loan obligations have quarterly interest payments with principal due at maturity; 30% have monthly interest payments with monthly principal payments beginning in year 5.

¹² The policy subsidy rate for direct loans reported in the 'Analytical Perspectives' volume of the FY 1999 Budget should be 27.26%, reflecting the Administration's proposal to end the vendee loan program.

¹³ Subsidy rates displayed in the 'Analytical Perspectives' and 'Appendix' volumes of the FY 1999 Budget reflect OPIC's weighted average subsidy rate across both direct and guaranteed Loans.

¹⁴ 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 of no more than 4% above Prime.

¹⁵ Based on current borrower rates, with 6% cap for borrowers without other credit available and no cap for borrowers with other credit available.

¹⁶ Defaults are net of recoveries.

¹⁷ Weighted average for direct loan program.

Table 6.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1999 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
Department of Agriculture														
Farm Service Agency:														
CCC Export Guarantee Loans Program	5.47	6.10	.....	-0.63	.....	3	.....	.....	1.00	.....	.....	³ 4.88	.....	98.00
Agricultural credit insurance fund:														
Guaranteed Farm Ownership, Unsubsidized	1.59	2.69	.....	-0.90	-0.20	20	9.36	.....	1.00	.....	.....	5.00	⁴ 0.30	90.00
Guaranteed Farm Operating, Subsidized	8.74	2.20	7.49	-0.90	-0.05	4	9.04	.....	1.00	.....	.....	6.00	⁴ 0.30	90.00
Guaranteed Farm Operating, Unsubsidized	1.16	2.09	.....	-0.90	-0.03	4	9.04	.....	1.00	.....	.....	6.00	⁴ 0.30	90.00
Rural Community Advancement Program:														
Business and Industry Guaranteed Loans	1.02	2.80	.....	-1.54	-0.24	16	9.75	.....	1.93	.....	.....	3.02	⁴ 1.00	79.80
Community Facility Guaranteed Loans	-0.54	0.29	.....	-0.80	-0.03	19	6.66	.....	1.00	.....	.....	0.37	(⁴)	80.00
Water and Waste Disposal Guaranteed Loans	-1.08	8.59	.....	-0.80	-8.87	25	6.66	.....	1.00	.....	.....	9.85	(⁴)	80.00
Rural Housing Service:														
Rural housing insurance fund:														
Single Family Housing — Unsubsidized	0.09	1.13	.....	-1.04	.....	30	7.17	.....	⁵ 1.00	.....	.....	1.57	⁶ 70.00	90.00
Single Family Housing — Unsubsidized Refinancing — Proposed Legislation	-0.13	0.90	.....	-1.04	.....	30	7.17	.....	1.00	.....	.....	1.26	⁶ 70.00	90.00
Section 538 Multi-Family Housing — Subsidized	2.32	1.39	6.53	-5.61	.....	36	7.17	.....	1.00	0.50	.....	2.32	77.00	90.00
Department of Defense														
Department of Defense:														
Defense Export Loan Guarantee (DELG) Program .....	.....	17.64	.....	-17.64	.....	9	6.00	.....	-17.64	.....	.....	24.90	.....	85.00
Military Family Housing Improvement Fund	⁷ 7.00	7.00	.....	.....	.....	30	8.25	.....	.....	.....	.....	40.64	46.66	80.00
Department of Education														
Bureau of Postsecondary Education:														
Federal family education loan program:														
Weighted average of total obligations	6.15	1.90	7.16	-4.28	1.37	9	7.27	4	3.05	0.16	0.11	17.99	125.02	100.00
Consolidated	-4.09	1.16	.....	-6.43	1.18	13	⁸ 8.03	⁹ 4	0.50	1.05	¹⁰ 0.11	10.50	124.15	100.00
PLUS	-2.78	-1.12	.....	-3.98	2.31	9	⁸ 8.13	¹¹ 3	3.50	.....	¹⁰ 0.11	12.06	157.08	100.00
Subsidized Stafford	15.66	2.30	16.04	-3.85	1.17	9	⁸ 7.03	¹² 4	3.50	.....	¹⁰ 0.11	20.99	122.87	100.00
Unsubsidized Stafford .....	.....	2.43	.....	-3.94	1.51	9	⁸ 7.03	¹² 4	3.50	.....	¹⁰ 0.11	19.14	123.52	100.00
Department of Health and Human Services														
Health Resources and Services Administration:														
Health Centers Loan Guarantee Program	5.32	6.26	.....	-0.94	.....	18	9.50	2	1.00	.....	.....	.....	.....	85.00
Department of Housing and Urban Development														
Public and Indian Housing Programs:														
Indian Home Loan Guarantee Program	8.13	9.13	.....	-1.00	.....	30	(¹³)	.....	1.00	.....	.....	35.71	7.04	80.00
Title VI Indian Federal Guarantees Program	¹⁴ 11.07	.....	.....	.....	.....	20	(¹³)	.....	.....	.....	.....	.....	.....	100.00
Community Planning and Development:														
Community Development Loan Guarantees (Section 108)	2.30	2.30	.....	.....	.....	13	6.33	.....	.....	.....	.....	2.83	54.69	100.00
HOME Loan Guarantee Program — Proposed Legislation	11.07	11.07	.....	.....	.....	16	.....	.....	.....	.....	.....	.....	31.25	80.00

Table 6.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1999 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
Housing programs:														
FHA general and special risk insurance fund:														
Cooperatives	17.27	20.80	.....	-3.76	.....	40	7.79	.....	1.30	0.50	.....	29.83	54.95	100.00
Operating Loss Loans	24.18	20.80	.....	-3.76	.....	35	7.79	.....	1.30	0.50	.....	29.83	.....	100.00
Manufactured Housing	-3.13	2.29	.....	-5.42	.....	20	7.00	.....	.....	0.50	.....	2.77	20.00	100.00
Multifamily Development	6.95	12.31	.....	-5.22	.....	40	7.79	.....	1.80	0.50	.....	¹⁵ 17.41	54.76	100.00
Property Improvement Loans	-1.22	1.55	.....	-2.77	.....	15	7.00	.....	.....	0.50	.....	1.85	37.00	100.00
Mixed Income	12.13	18.19	.....	-6.06	.....	40	7.79	.....	1.80	0.50	.....	23.56	30.00	100.00
Single Family	-1.32	2.61	.....	-3.93	.....	30	7.00	.....	2.25	0.50	.....	3.53	54.93	100.00
Nursing Homes	-0.70	6.01	.....	-6.71	.....	40	8.79	.....	1.50	0.50	.....	7.57	44.65	100.00
Section 242 Hospitals	1.53	7.02	.....	-5.49	.....	25	8.79	.....	1.30	0.50	.....	11.80	.....	100.00
Supplemental Multifamily Loans/Neighborhood Improvement ..	17.06	20.80	.....	-3.76	.....	20	7.79	.....	2.00	0.25	.....	29.83	.....	100.00
Qualified Participant Risk Share (Full Amortization)	-1.01	1.14	.....	-2.15	.....	25	8.00	.....	.....	0.25	.....	2.95	.....	50.00
Qualified Participant Risk Share (Balloons)	-1.01	1.14	.....	-2.15	.....	25	7.20	.....	0.50	0.50	.....	2.95	.....	50.00
Qualified Participant Risk Share (Pool) .....	.....	.....	.....	.....	.....	25	8.00	.....	0.50	0.50	.....	.....	.....	50.00
HFA Risk Share — 50%	-0.23	1.85	.....	-2.08	.....	25	8.00	.....	0.50	0.50	.....	2.24	79.00	50.00
HFA Risk Share — 90%	-0.88	2.86	.....	-3.74	.....	40	8.00	.....	0.50	0.50	.....	4.48	66.00	90.00
Multifamily Refinance	-0.78	5.06	.....	-5.82	.....	35	7.79	.....	1.50	0.50	.....	8.02	60.00	100.00
FHA mutual mortgage insurance fund:														
Mutual Mortgage Insurance Fund	¹⁶ -2.62	1.80	.....	-5.13	0.71	30	.....	.....	¹⁷ 2.25	¹⁸ 0.50	.....	7.87	¹⁶ 68.02	100.00
Government National Mortgage Association:														
Guarantees of Mortgage-Backed Securities	-0.42	0.01	.....	-0.43	.....	30	8.00	.....	.....	0.06	.....	.....	.....	100.00
Department of the Interior														
Bureau of Indian Affairs:														
Indian Guaranteed Loan Program	7.54	6.71	2.79	-1.96	.....	15	7.00	.....	1.96	.....	.....	8.00	5.00	86.00
Department of Transportation														
Maritime Administration:														
Loan guarantee program:														
Maritime Guaranteed Loans (Title XI) — weighted average of all obligations	5.01	9.90	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	65.00	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1A	1.25	6.14	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	26.62	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1B	1.75	6.64	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	28.01	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1C	2.25	7.14	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	28.41	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2A	3.75	8.64	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	33.32	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2B	5.25	10.14	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	38.07	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2C	6.75	11.64	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	42.24	50.00	100.00
Maritime Guaranteed Loans (Title XI)/Risk Category Level 3	11.75	16.64	.....	-4.89	.....	25	6.50	.....	0.12	4.76	.....	50.34	50.00	100.00
Department of Veterans Affairs														
Veterans Benefits Administration:														
Veterans Housing Benefit Program Fund	0.88	7.47	.....	-1.91	-4.69	30	7.12	.....	1.91	.....	.....	11.06	.....	(¹⁹)

Table 6.—LOAN GUARANTEES: ASSUMPTIONS UNDERLYING THE FY 1999 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 ¹ rate	Recovery ² rate	Percent guaranteed
International Assistance Programs														
Agency for International Development:														
Urban Environment/Housing Guarantee Program	8.91	14.81	.....	-5.90	.....	24	6.26	10	1.00	0.50	.....	34.25	.....	100.00
Micro and Small Enterprise Development Program	3.29	6.14	.....	-2.85	.....	5	.....	.....	0.25	0.75	.....	6.14	.....	50.00
Overseas Private Investment Corporation:														
OPIC Guaranteed Loan Program	²⁰ 1.19	10.29	.....	-9.09	.....	11	9.50	2	0.50	2.25	.....	15.00	40.00	100.00
Small Business Administration														
General business loan programs:														
Section 504 CDC Program .....	.....	3.76	.....	-7.95	4.19	²¹ 19	8.15	.....	1.20	²² 0.88	.....	13.31	86.37	100.00
Section 504 CDC Program: DELTA	1.29	4.32	.....	-7.86	4.82	²¹ 19	8.15	.....	1.20	²² 0.88	.....	13.31	²³ 86.37	100.00
Section 7(a) General Business Guaranty	1.39	4.59	.....	-3.20	.....	12	²⁴ 9.50	.....	2.85	0.50	.....	15.05	60.95	73.37
Section 7(a) General Business Guaranty: DELTA	2.08	5.28	.....	-3.20	.....	12	²⁴ 9.50	.....	2.85	0.50	.....	17.31	60.95	73.37
Section 7(m) Micro Loan Guaranty	7.97	1.67	.....	.....	6.30	10	²⁵ 4.71	5	.....	.....	.....	5.09	50.01	100.00
SBIC—Debentures	1.38	11.00	.....	-3.04	-6.59	10	7.90	.....	3.04	.....	²⁶ 1.00	27.00	54.00	100.00
SBIC—Participating Securities	2.19	6.55	.....	-3.04	-1.32	10	7.90	5	3.04	.....	²⁶ 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	²⁷ 5.86	9.96	.....	-4.10	.....	5	²⁸ 6.41	2	0.13	²⁷ 4.19	.....	³ 12.72	.....	100.00

¹ Lifetime defaults as a percentage of disbursements.

² Recoveries as a percentage of lifetime defaults.

³ Default rate is net of recoveries.

⁴ Of the amount paid out, this represents the portion recovered due to fraud, cancellations or revisions. Disposition of foreclosed property is the responsibility of the lender. The recovery is realized by the lender and the agency pays the difference between that recovery and the amount guaranteed.

⁵ Fee calculated as 1% of full amount of loan, previously only on guaranteed portion of loan.

⁶ 70% is increased 1% each year over 15 years of projected loss settlements.

⁷ Loan guarantee estimate is for a 'limited guarantee' which covers base closure, downsizing and deployment only.

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 up to the nearest whole percentage.

⁹ Includes 6 month grace period (if loan is consolidated in-school) and a maximum three year deferment.

¹⁰ SLMA offset fee.

¹¹ Includes a maximum three year deferment.

¹² Includes 6 month grace period and maximum three year deferment.

¹³ Borrower's interest rate will be based on prevailing market rates.

¹⁴ Breakdown of subsidy components was not available in time for inclusion in this Supplement.

¹⁵ This amount includes 221(d)(4), mobile home parks and very small projects that are new construction.

¹⁶ Policy subsidy rate does not include the effects of the Single Family Property Disposition proposal.

¹⁷ Starting in 1997, the upfront fee was reduced from 2.25% to 1.75% for borrowers who receive homebuyer counseling. Pending regulations will reduce upfront fees for homebuyers in Central cities to 1.5%. These changes, however, have a minimal effect on fee income.

¹⁸ The length of time for which annual fees must be paid varies with the initial loan to value ratio. Most FHA borrowers pay annual fees over the life of the loan.

¹⁹ Maximum guarantee amount is \$50,000.

²⁰ Subsidy rates displayed in the 'Analytical Perspectives' and 'Appendix' volumes of the FY 1999 Budget reflect OPIC's weighted average subsidy rate across both direct and guaranteed loans.

²¹ The 504 program has two possible maturities: 10 or 20 years. The 504 model separately analyzes the cash flows associated with each maturity. The credit supplement shows the weighted average values for each characteristic.

²² The balance used to calculate annual fees is adjusted on a 5 year anniversary basis.

²³ Collections and expenses are analyzed separately. Recoveries represent collections from defaulted loans.

²⁴ Borrower interest rate is up to 2.25% above Prime for loans with maturities of up to 7 years and 2.75% above Prime for loans with maturities greater than or equal to 7 years.

²⁵ 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 of no more than 4% above Prime.

²⁶ There is a 1% fee on the amount of leverage outstanding.

²⁷ Weighted average for guarantee and insurance programs.

²⁸ Represents 6 month Libor rate plus .5%.

Table 7.—DIRECT LOANS: SUBSIDY REESTIMATES ¹

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates				
	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 ² (\$ thousands)
Department of Agriculture ³					
Farm Service Agency:					
Agricultural credit insurance fund:					
Credit Sales of Acquired Property					
FY 1992	29.76	-0.74	-27.36	-3.14	-9,653
FY 1993	21.67	-2.94	-4.34	-20.27	-15,952
FY 1994	15.02	5.93	1.73	-10.82	-7,142
FY 1997	(³)				
Direct Farm Ownership					
FY 1992	22.64	16.57	-2.27	-3.80	-5,300
FY 1993	8.50	14.48	6.38	-0.40	5,119
FY 1994	9.81	15.72	7.95	-2.04	5,187
FY 1995	22.31	15.60	1.17	-7.88	-4,297
FY 1996	19.04	11.79	1.16	-8.41	-5,508
FY 1997	(³)				
Direct Farm Operating					
FY 1992	15.71	18.31	-15.12	17.72	33,799
FY 1993	12.75	18.76	-2.02	8.03	42,004
FY 1994	12.36	14.36	1.84	0.16	14,024
FY 1995	12.63	11.42	0.39	-1.60	-6,175
FY 1996	12.98	5.94	-5.67	-1.37	-40,076
FY 1997	(³)				
Indian Land Acquisition					
FY 1992	25.25	27.46	-1.25	3.46	27
FY 1993	21.17	10.23	-2.04	-8.90	-114
FY 1994	8.20	22.14	5.39	8.55	96
FY 1995	22.36	27.72	4.81	0.55	32
FY 1996	23.28	21.61	-1.38	-0.29	-12
FY 1997	(³)				
Emergency Disaster					
FY 1992	20.26	21.21	11.59	-10.64	987
FY 1993	24.27	29.67	2.87	2.53	3,566
FY 1994	28.00	21.74	5.52	-11.78	-11,532
FY 1995	31.90	29.45	-0.59	-1.86	-1,903
FY 1996	29.34	29.30	-1.24	1.20	-70
FY 1997	(³)				
Rural Community Advancement Program:					
Community Facility Direct Loans					
FY 1992	10.60	10.90	3.61	-3.31	133
FY 1993	8.12	14.77	6.96	-0.31	6,324
FY 1994	11.99	17.59	4.27	1.33	6,846
FY 1995	12.05	16.45	1.14	3.26	3,544
FY 1996	16.80	18.31	0.30	1.21	301

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				
	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 ² (\$ thousands)
FY 1997	(³)				
Water and Waste Disposal Direct Loans					
FY 1992	14.08	18.18	4.79	-0.69	24,271
FY 1993	13.01	22.45	6.89	2.63	47,225
FY 1994	14.51	22.78	3.74	3.24	29,082
FY 1995	15.32	21.36	1.23	4.84	17,971
FY 1996	22.50	20.95	0.06	-1.61	-685
FY 1997	(³)				
Rural electrification and telephone program:					
Electrification:					
Direct, Loan Electric 5%					
FY 1992	18.83	23.04	2.89	1.32	27,915
FY 1993	12.91	23.71	8.16	2.64	85,758
FY 1994	16.50	24.87	5.46	2.91	8,229
FY 1995	13.09	23.49	1.99	8.41	4,557
FY 1996	23.37	23.35	0.01	-0.03	-3
FY 1997	(³)				
Direct, Municipal Rate Electric Loans					
FY 1994	11.13	16.11	0.29	4.69	15,758
FY 1995	8.58	15.91	0.02	7.31	14,237
FY 1996	10.44	16.31	-0.46	6.33	3,214
FY 1997	(³)				
Direct, FFB Electric Loans					
FY 1992	1.80	0.90	-0.88	-0.02	-11,720
FY 1993	4.51	0.90	-3.58	-0.03	-4,926
FY 1995	-0.30	0.93	1.12	-0.16	37
FY 1997	(³)				
Telephone:					
Direct, Loans Telecommunications 5%					
FY 1992	16.84	18.99	-1.33	3.48	3,170
FY 1993	11.75	20.38	1.96	6.67	14,558
FY 1994	15.15	20.17	-6.20	11.22	1,267
FY 1995	7.91	16.07	1.87	6.29	462
FY 1996	19.59	20.86	-0.01	1.28	59
FY 1997	(³)				
Direct, Treasury Rate Telecommunications Loans					
FY 1994	0.02	0.01	-0.01		-7
FY 1995	0.02			-0.02	-3
FY 1996	0.02		-0.01	-0.01	-1
FY 1997	(³)				
Direct, FFB Telecommunications Loans					
FY 1992		0.03	0.03		41
FY 1993	0.08	-0.02	-0.13	0.03	-87
FY 1994	-6.43		6.41	0.02	487

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				
	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 ² (\$ thousands)
FY 1995	- 3.91	- 0.43	2.12	1.36	506
FY 1997	(³)				
Rural Telephone Bank:					
Direct Rural Telephone Bank					
FY 1992	2.05	7.30	2.63	2.62	4,285
FY 1993	0.02	6.51	2.51	3.98	4,997
FY 1994	0.39	8.19	2.85	4.95	2,746
FY 1995	0.44	2.69	1.96	0.29	59
FY 1996	2.87	6.25	0.02	3.36	2
FY 1997	(³)				
Rural Housing Service:					
Rural housing insurance fund:					
Single-Family Credit Sales of Acquired Property					
FY 1992	⁴ 14.68	13.43	- 0.12	- 1.13	- 3,904
FY 1993	⁴ 11.68	10.54	0.30	- 1.44	- 2,433
FY 1994	⁴ 16.25	13.44	- 0.31	- 2.50	- 4,193
FY 1997	(³)				
Section 502 Single-Family Housing					
FY 1992	22.64	24.09	- 0.48	1.93	15,399
FY 1993	18.76	16.97	5.11	- 6.90	- 31,736
FY 1994	20.09	21.52	1.31	0.12	23,049
FY 1995	24.36	22.69	- 2.31	0.64	- 17,483
FY 1996	14.30	15.24	0.22	0.72	8,021
FY 1997	(³)				
Section 515 Multi-Family Housing					
FY 1992	43.30	59.39	- 3.17	19.26	97,512
FY 1993	49.56	59.92	6.12	4.24	64,400
FY 1994	57.96	61.80	2.76	1.08	20,039
FY 1995	54.55	60.94	2.71	3.68	5,903
FY 1996	53.80	59.42	- 0.09	5.71	765
FY 1997	(³)				
Section 504 Housing Repair					
FY 1992	42.92	33.18	0.55	- 10.29	- 1,321
FY 1993	38.29	31.32	1.77	- 8.74	- 886
FY 1994	37.59	33.35	0.73	- 4.97	- 1,221
FY 1995	39.63	34.75	- 0.63	- 4.25	- 1,606
FY 1996	37.55	37.57	0.12	- 0.10	6
FY 1997	(³)				
Section 514 Farm Labor Housing					
FY 1992	55.21	55.79	- 0.37	0.95	89
FY 1993	45.45	52.93	8.66	- 1.18	1,246
FY 1994	49.52	50.86	4.45	- 3.11	180
FY 1995	52.48	56.22	1.42	2.32	535
FY 1996	56.80	56.05	0.02	- 0.77	- 32

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				
	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 ² (\$ thousands)
FY 1997	(³)				
Section 523 Self-Help Site Development					
FY 1992	5.63	-1.83	-1.34	1.93	-17
FY 1995	5.35	5.35			
FY 1997	(³)				
Section 524 Site Development					
FY 1992	0.31	⁵ -2.04	-4.36	2.01	-9
FY 1993	-4.22	⁵ 1.00	0.70	4.52	33
FY 1994	-2.33	4.42	1.61	5.14	9
FY 1995	-1.43	-2.47	-0.64	-0.40	-2
FY 1996	-1.51	-1.51			
FY 1997	(³)				
Rural Business — Cooperative Service:					
Rural Development Loan Fund					
FY 1992	50.03	53.65	6.55	-2.93	970
FY 1993	54.31	55.12	3.08	-2.27	36
FY 1994	57.53	55.72	-0.15	-1.66	-1,094
FY 1995	54.02	54.76	0.66	0.08	225
FY 1996	59.50	54.81	0.03	-4.72	-45
FY 1997	(³)				
Rural Economic Development Loans					
FY 1992	30.26	29.29	-1.69	0.72	-36
FY 1993	25.78	30.15	1.55	2.82	619
FY 1994	25.44	31.56	3.16	2.96	897
FY 1995	24.92	28.57	1.92	1.73	336
FY 1997	(³)				
Foreign Agricultural Service:					
P.L. 480 Direct Credits					
FY 1992	⁶ 65.75	⁶ 56.82	⁶ -1.81	⁶ -7.12	-34,412
FY 1993	⁶ 64.23	⁶ 63.95	⁶ -0.13	⁶ -0.15	-977
FY 1994	⁶ 77.01	⁶ 76.65	⁶ -0.04	⁶ -0.32	-833
FY 1995	⁶ 81.06	⁶ 80.72	⁶ -0.34	(⁶)	-612
FY 1996	⁶ 81.06	⁶ 80.63	⁶ -0.43	(⁶)	-509
FY 1997	(³)				
Department of Education					
Office of Postsecondary Education:					
Ford direct loan program:					
Ford direct student loan program — weighted average of total obligations					
FY 1994	10.00	5.44		-4.56	-49,552
FY 1995	8.82	4.91		-3.91	-242,248
FY 1996	2.56	4.32		1.76	270,694
FY 1997	2.73	3.80		1.07	75,672

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				
	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 ² (\$ thousands)
Consolidated (Non-defaulters)					
FY 1995	0.24	-1.21	.....	-1.45	-10,283
FY 1996	-0.83	-1.39	.....	-0.56	-18,931
FY 1997	-1.31	-1.57	.....	-0.26	-3,317
PLUS					
FY 1994	-3.81	-7.81	.....	-4.00	-4,180
FY 1995	-5.35	-7.47	.....	-2.12	-8,381
FY 1996	-8.09	-8.06	.....	0.03	-5,514
FY 1997	-7.69	-7.72	.....	-0.03	-144
Subsidized Stafford					
FY 1994	18.30	14.11	.....	-4.19	-37,868
FY 1995	17.38	14.82	.....	-2.56	-143,031
FY 1996	12.51	14.34	.....	1.83	163,193
FY 1997	11.97	14.03	.....	2.06	74,970
Unsubsidized Stafford					
FY 1994	-5.84	-7.89	.....	-2.05	-7,504
FY 1995	-2.92	-7.30	.....	-4.38	-80,553
FY 1996	-12.97	-7.93	.....	5.04	131,946
FY 1997	-8.64	-8.43	.....	0.21	4,163
Department of the Interior					
Bureau of Reclamation:					
Loan Program					
FY 1992	55.21	57.12	1.91	.....	57
FY 1993	66.58	66.26	-1.00	0.68	-91
FY 1994	59.47	65.90	1.99	4.44	420
FY 1995	64.65	32.34	-0.59	-31.72	-339
FY 1996	47.97	37.17	0.61	-11.42	1,618
FY 1997	50.30	31.83	0.31	-18.78	-206
Department of Veterans Affairs					
Veterans Benefits Administration:					
Veterans Affairs Housing Benefit Program Fund Direct Loans					
FY 1992	7.08	2.09	0.41	-5.40	-67,847
FY 1993	8.92	3.44	-0.32	-5.16	-78,346
FY 1994	2.11	6.29	0.53	3.65	115,440
FY 1995	1.83	5.96	0.49	3.64	81,839
FY 1996	2.20	5.89	-1.32	5.01	528,387
FY 1997	1.33	9.19	1.99	5.87	99,762
International Assistance Programs					
International Security Assistance:					
Foreign Military Financing					
FY 1992	14.52	8.22	-6.30	.....	-24,113

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				
	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 ² (\$ thousands)
FY 1993	15.99	16.94	0.95	.....	10,848
FY 1994	4.95	8.57	3.62	.....	29,859
Small Business Administration					
Disaster loan program:					
Disaster Assistance					
FY 1992	33.93	26.27	-0.79	-6.87	-83,956
FY 1993	⁷ 21.40	21.61	7.62	-7.41	3,414
FY 1994	22.99	20.01	10.50	-13.48	-114,692
FY 1995	31.54	20.37	0.51	-11.68	-148,059
FY 1996	28.08	19.03	1.78	-10.84	-64,091
FY 1997	20.02	24.93	6.17	-1.24	32,085
Other Independent Agencies					
Export-Import Bank of the United States:					
Long and Medium Term Loans					
FY 1992	3.91	⁸ 6.47	.....	⁹ 2.56	35,477
FY 1993	5.51	⁸ 5.55	.....	⁹ 0.04	16,501
FY 1994	12.84	⁸ 3.54	.....	⁹ -9.30	-26,614
FY 1995	6.01	⁸ 4.06	.....	⁹ -1.95	-11,402
FY 1996	7.95	⁸ 7.95	.....	(⁹)	.....
FY 1997	2.82	⁸ 2.82	.....	(⁹)	.....

¹ Reestimates for some programs did not appear in the FY 1999 Budget because they were less than \$500,000.

² Total (net cumulative) reestimates, including interest on reestimates.

³ Reestimates for FY 1997 actual data have not yet been calculated.

⁴ Program included modest amounts of multi-family loans in these years.

⁵ Cohort has been closed out.

⁶ Weighted average rate based on credit disbursed through FY 1996 for cohorts 92-95. Excludes Food for Progress grants. Only the interest reestimate for the 1995 and 1996 cohorts were calculated. FSA Budget received written permission from OMB waiving the technical reestimates for the 1992-1996 cohorts because of a lack of materiality.

⁷ Represents the baseline subsidy rate rather than the execution rate.

⁸ Represents rate based on outstanding balance as of 9/30/95.

⁹ Methodology used in reestimate process does not differentiate between these categories. In the spring of FY 1998, OMB and Eximbank will determine a method for calculating interest rate reestimates, in addition to calculating technical reestimates based on the new ICRAS risk premia.

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES ¹

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates				
	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 ² (\$ thousands)
Department of Agriculture ³					
Farm Service Agency:					
CCC Export Guarantee Loans Program					
FY 1992	4.67	8.14	0.38	3.09	186,784
FY 1993	13.19	4.41	-4.29	-4.49	-21,544
FY 1994	7.07	0.48	-1.18	-5.41	-100,362
FY 1995	6.92	1.76	-0.72	-4.44	-50,818
FY 1996	9.92	13.00	0.21	2.87	964
FY 1997	(³)				
Agricultural credit insurance fund:					
Guaranteed Farm Ownership, Unsubsidized					
FY 1992	4.89	-0.07	3.06	-3.13	-27,450
FY 1993	4.58	1.12	0.85	0.27	-17,892
FY 1994	3.82	3.92	3.54	0.38	739
FY 1995	3.71	1.38	-0.62	2.00	-14,503
FY 1996	3.74	4.11	3.75	0.36	1,529
FY 1997	(³)				
Guaranteed Farm Operating, Subsidized					
FY 1992	7.82	4.33	12.33	-8.00	-12,243
FY 1993	9.12	4.52	9.66	-5.14	-8,400
FY 1994	11.95	4.22	9.96	-5.74	-21,146
FY 1995	12.47	6.54	9.96	-3.42	-12,594
FY 1996	9.12	12.55	9.16	3.39	6,301
FY 1997	(³)				
Guaranteed Farm Operating, Unsubsidized					
FY 1992	1.55	2.61	0.06	2.55	16,025
FY 1993	1.31	1.19	0.57	0.62	250
FY 1994	0.48	1.19	1.49	-0.30	8,193
FY 1995	0.49	0.94	1.29	-0.35	5,406
FY 1996	1.11	1.33	1.12	0.21	2,319
FY 1997	(³)				
Rural Community Advancement Program:					
Business and Industry Guaranteed Loans					
FY 1992	5.80	0.85	-0.47	-4.48	-3,829
FY 1993	5.44	0.59	-0.11	-4.74	-4,775
FY 1994	0.93	0.58		-0.35	-797
FY 1995	0.94	0.74		-0.20	-562
FY 1996	0.92	1.00		-0.08	119
FY 1997	(³)				
Community Facility Guaranteed Loans					
FY 1992	-0.22	1.43	0.20	1.45	155
FY 1993	-0.41	0.01	-0.29	0.71	128
FY 1994	4.99	-0.02	-5.02	0.01	-1,301

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				
	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 ² (\$ thousands)
FY 1995	4.94	0.35	0.01	-4.60	-1,108
FY 1996	4.77			-4.77	-8
FY 1997	(³)				
Water and Waste Disposal Guaranteed Loans					
FY 1992	-0.73	-1.37	-0.08	-0.56	-36
FY 1993	-0.73	-0.77	-0.04		-3
FY 1994	-1.12	-1.82	-0.24	-0.46	-27
FY 1997	(³)				
Rural Housing Service:					
Rural housing insurance fund					
Single Family Housing — Unsubsidized					
FY 1992	1.13	0.48	0.01	-0.66	-1,769
FY 1993	1.84	0.59	0.03	-1.28	-7,421
FY 1994	1.69	0.64	-0.07	-0.98	-8,267
FY 1995	1.64	0.81	-0.01	-0.81	-9,509
FY 1996	0.20	0.24	-0.01	0.05	543
FY 1997	(³)				
Department of Education					
Bureau of Postsecondary Education:					
Federal family education loan program:					
Weighted average of total obligations					
FY 1992	⁴ 15.88	16.62		0.74	26,549
FY 1993	⁴ 13.48	15.62		2.14	189,746
FY 1994	⁴ 11.92	14.31		2.39	672,589
FY 1995	15.03	13.94		-1.09	363,475
FY 1996	12.83	12.33		-0.50	-78,653
FY 1997	11.57	11.57			
Consolidated					
FY 1994	0.08	2.35		2.27	94,856
FY 1995	8.69	1.80		-6.89	-31,359
FY 1996	0.31	1.15		0.84	39,145
FY 1997	1.23	1.23			
PLUS					
FY 1992	6.02	4.43		-1.59	-81,920
FY 1993	2.75	4.65		1.90	-2,918
FY 1994	0.61	4.93		4.32	74,012
FY 1995	1.68	4.89		3.21	51,255
FY 1996	3.06	4.37		1.31	12,254
FY 1997	4.36	4.36			
Subsidized Stafford					
FY 1992	18.07	19.21		1.14	108,469
FY 1993	18.90	20.04		1.14	147,842
FY 1994	19.04	21.28		2.24	365,205

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates				
	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 ² (\$ thousands)
FY 1995	22.69	22.49	.....	-0.20	149,238
FY 1996	22.92	21.28	.....	-1.64	-106,268
FY 1997	22.03	22.03	.....	.....	.....
Unsubsidized Stafford					
FY 1993	0.83	7.15	.....	6.32	44,822
FY 1994	3.04	6.13	.....	3.09	138,516
FY 1995	4.91	7.30	.....	2.39	194,341
FY 1996	7.12	6.48	.....	-0.64	-23,784
FY 1997	6.04	6.04	.....	.....	.....
Department of Housing and Urban Development³					
FHA general and special risk insurance fund:					
Cooperatives					
FY 1992	1.51	⁵ 37.95	.....	.....	-5,192
FY 1993	28.31	⁵ 13.34	.....	.....	10
FY 1994	28.89	⁵ -3.62	.....	.....	-284
FY 1995	29.84	⁵ -2.27	.....	.....	-1,183
FY 1996	27.04	⁵ 28.57	.....	.....	-182
FY 1997	(³)	.....	.....	.....	.....
Operating Loss Loans					
FY 1992	1.51	⁶ 37.95	.....	.....	.....
FY 1993	28.31	⁶ 13.34	.....	.....	.....
FY 1994	28.89	⁶ -3.62	.....	.....	.....
FY 1995	29.84	⁶ -2.27	.....	.....	.....
FY 1996	27.04	⁶ 28.57	.....	.....	.....
FY 1997	(³)	.....	.....	.....	.....
Manufactured Housing					
FY 1992	0.21	-3.17	.....	.....	342
FY 1993	-3.23	-3.01	.....	.....	415
FY 1994	-3.19	-6.24	.....	.....	-547
FY 1995	-3.17	-6.90	.....	.....	-745
FY 1996	-3.09	-5.50	.....	.....	698
FY 1997	(³)	.....	.....	.....	.....
Multifamily Development					
FY 1992	1.51	-2.29	.....	.....	-6,429
FY 1993	12.41	3.70	.....	.....	-1,915
FY 1994	12.74	3.52	.....	.....	-30,597
FY 1995	12.96	9.52	.....	.....	-11,642
FY 1996	11.96	11.44	.....	.....	-3,575
FY 1997	(³)	.....	.....	.....	.....
Property Improvement Loans					
FY 1992	0.21	1.54	.....	.....	2,218
FY 1993	-0.74	0.88	.....	.....	1,228
FY 1994	-1.06	-1.33	.....	.....	-7,813
FY 1995	-1.33	-0.17	.....	.....	11,505

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				
	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 ² (\$ thousands)
FY 1996	-1.33	-1.34			-2,668
FY 1997	(³)				
Single Family					
FY 1992	0.21	-0.86			-33,295
FY 1993	1.61	-0.17			35,856
FY 1994	-1.27	-0.84			30,227
FY 1995	-1.34	-0.24			37,743
FY 1996	-1.34	-1.26			-8,508
FY 1997	(³)				
Nursing Homes					
FY 1992	1.51	-4.38			-1,151
FY 1993	-0.34	-3.38			-1,920
FY 1994	-1.64	-3.11			-3,874
FY 1995	-1.71	-1.87			197
FY 1996	-2.05	-2.22			-1,245
FY 1997	(³)				
Supplemental Multifamily Loans/Neighborhood Improvement					
FY 1992	1.51	-5.93			-771
FY 1993	-0.34	-3.38			-1,920
FY 1994	-1.64	-4.19			-7,928
FY 1995	-1.71	-2.18			-2,756
FY 1996	-1.96	-1.83			225
FY 1997	(³)				
Multifamily Refinance					
FY 1992	1.51	-0.91			-5,598
FY 1993	2.98	-0.13			6,242
FY 1994	3.34	-0.11			-19,874
FY 1995	3.40	2.54			6,070
FY 1996	2.51	1.99			-4,627
FY 1997	(³)				
FHA mutual mortgage insurance fund:					
Mutual Mortgage Insurance Fund					
FY 1992	-2.60	-3.70		-1.10	-733,112
FY 1993	-2.70	-3.91		-1.21	-959,514
FY 1994	-2.79	-3.66		-0.87	-716,200
FY 1995	-2.78	-2.66		0.12	-308,648
FY 1996	-2.77	-2.82		-0.05	-24,053
FY 1997	³ -2.88				
Department of Veterans Affairs					
Veterans Benefits Administration:					
Veterans Housing Benefit Program Fund					
FY 1992	2.19	1.15	0.21	-1.25	-327,429
FY 1993	2.33	1.04		-1.29	-453,252

Table 8.—LOAN GUARANTEES: SUBSIDY REESTIMATES¹—Continued

(in percentages, unless noted otherwise)

Agency, Bureau, Program, Risk Category, and Cohort Year	Characteristics of Subsidy Reestimates				
	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 ² (\$ thousands)
FY 1994	1.36	0.90	-0.02	-0.44	-222,337
FY 1995	1.18	0.83	-0.21	-0.14	-60,848
FY 1996	1.56	0.87	0.16	-0.85	-100,615
FY 1997	0.74	0.36	-0.30	-0.08	-99,177
International Assistance Programs					
Agency for International Development:					
Urban Environment/Housing Guarantee Program					
FY 1992	15.51	9.81	.....	.....	-3,024
FY 1993	22.43	15.30	.....	.....	-4,985
FY 1994	7.61	8.99	.....	.....	1,122
FY 1995	16.46	7.52	.....	.....	-1,246
FY 1997	(³)	.....	.....	.....	.....
Micro and Small Enterprise Development Program					
FY 1992	2.45	-1.28	.....	-1.28	-317
FY 1993	3.09	-0.59	.....	-0.59	-1
FY 1994	4.91	3.68	.....	3.68	86
FY 1995	2.64	4.12	.....	4.12	18
FY 1996	2.38	4.25	.....	4.25	.....
FY 1997	³	.....	.....	.....	.....
Small Business Administration					
General business loan programs:					
Section 504 CDC Program					
FY 1992	0.49	6.58	.....	6.09	40,233
FY 1993	0.54	6.01	.....	5.47	42,890
FY 1994	0.51	4.05	.....	3.54	32,085
FY 1995	0.51	0.16	.....	-0.41	-60,919
FY 1996 .....	.....	5.90	.....	5.90	101,164
FY 1997 .....	.....	-0.89	.....	-0.89	-2,415
Section 7(a) General Business Guaranty					
FY 1992	4.85	3.31	.....	-1.54	-105,041
FY 1993	5.21	2.80	.....	-2.41	-201,091
FY 1994	2.15	1.83	.....	-0.32	30,237
FY 1995	2.74	2.52	.....	-0.22	-30,707
FY 1996	1.06	2.17	.....	1.11	74,552
FY 1997	1.93	1.39	.....	-0.54	-25,181
Other Independent Agencies					
Export-Import Bank of the United States:					
Short, Medium and Long Term Guarantees and Insurance Programs					
FY 1992	4.40	⁷ 12.34	.....	⁸ 7.94	-13,726
FY 1993	5.30	⁷ 8.52	.....	⁸ 3.22	-11,015
FY 1994	3.63	⁷ 4.68	.....	⁸ 1.05	-33,843

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				
	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 ² (\$ thousands)
FY 1995	4.34	⁷ 3.89	.....	⁸ -0.45	- 31,127
FY 1996	4.33	⁷ 4.33	.....	(⁸)	.....
FY 1997	3.85	⁷ 3.85	.....	(⁸)	.....

¹ Reestimates for some programs did not appear in the FY 1999 Budget because they were less than \$500,000.

² Total (net cumulative) reestimates, including interest on reestimates.

³ Reestimates for FY 1997 actual data have not yet been calculated.

⁴ Includes the SLS loan program, for which loans were last originated in FY 1994.

⁵ Cooperatives and operating loss loans are combined during these years.

⁶ Cooperatives and operating loss loans are combined during these years. Reestimate amounts are included in the figures for cooperatives.

⁷ Represents rate based on outstanding balance as of 9/30/95.

⁸ Eximbank is in the process of revising its reestimate methods and will have new estimates in place in FY 1998. The past method did not distinguish between interest rate and technical reestimates, nor did it incorporate OMB's new technical default reestimate guidance beginning for the FY 1998 Budget.

TABLE 9. DIRECT LOAN TRANSACTIONS FOR SELECTED ACCOUNTS

(in millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998 estimate	Compound annual growth rate (1990- 1998)
Agricultural Credit Insurance Fund:										
Obligations										
Disbursements	1,034	693	742	723	970	564	833	799	646	-6%
Outstandings	910	654	729	715	923	587	806	786	650	-4%
Rural Electrification and Telephone:										
Obligations										
Disbursements	939	1,605	1,647	2,077	1,116	1,320	865	1,105	1,420	5%
Outstandings	1,071	908	1,388	1,448	1,079	1,262	975	980	1,942	8%
Rural Telephone Bank:										
Obligations										
Disbursements	177	177	177	175	200	175	126	100	175	
Outstandings	108	163	89	109	112	73	76	66	278	13%
Rural Housing Insurance Fund: ¹										
Obligations	2,220	2,119	2,039	2,056	2,335	1,162	1,218	928	1,230	-7%
Disbursements	1,927	1,886	2,125	1,795	2,267	1,593	1,156	952	1,196	-6%
Outstandings	28,560	29,244	29,702	29,775	30,144	30,472	29,985	29,514	29,329	
Rural Development Loan Fund:										
Obligations	19	32	32	34	77	85	38	37	35	8%
Disbursements	7	13	20	22	26	52	60	46	62	31%
Outstandings	39	50	68	88	112	159	215	255	311	30%
Foreign Assistance Program (P.L. 480):										
Obligations	735	430	457	599	512	303	291	183	227	-14%
Disbursements	630	492	358	464	724	238	240	156	240	-11%
Outstandings	12,501	11,830	11,829	11,775	12,101	12,229	11,539	11,325	11,196	-1%
Direct Student Loan Program:										
Obligations	N/A	N/A	N/A	N/A	813	11,547	9,262	12,026	9,836	87%
Disbursements	N/A	N/A	N/A	N/A	311	2,332	9,100	10,271	13,333	156%
Outstandings	N/A	N/A	N/A	N/A	311	2,801	11,565	21,212	33,528	222%
VA Housing Benefit Program:										
Obligations	1,100	1,095	1,305	1,537	1,484	1,527	1,336	1,280	1,891	7%
Disbursements	1,272	1,152	1,871	2,202	1,560	1,565	1,434	1,336	1,943	5%
Outstandings	3,853	3,641	5,074	3,053	1,228	1,241	1,172	1,412	1,837	-9%
VA Miscellaneous Programs:										
Obligations	N/A	N/A	N/A	N/A	N/A	N/A	8	5	7	-6%
Disbursements	N/A	N/A	N/A	N/A	N/A	N/A	8	5	7	-6%
Outstandings	N/A	N/A	N/A	N/A	N/A	N/A	16	16	20	12%
Overseas Private Investment Corporation:										
Obligations	20	40	19	5	63	15	49	133	133	27%
Disbursements	23	19	14	2	8	46	30	18	41	7%
Outstandings	63	63	66	51	47	81	125	120	143	11%
Small Business Administration: Business loans:										
Obligations	63	58	75	76	56	23	9	24	19	-14%

TABLE 9. DIRECT LOAN TRANSACTIONS FOR SELECTED ACCOUNTS—Continued
(in millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998 estimate	Compound annual growth rate (1990- 1998)
Disbursements	560	709	1,341	918	396	232	164	125	103	- 19%
Outstandings	2,384	2,469	2,541	4,077	2,705	2,163	1,832	1,476	897	- 12%
SBA Disaster Loan:										
Obligations	1,241	381	782	1,419	3,806	1,311	867	961	785	- 6%
Disbursements	768	511	544	1,049	2,559	1,816	946	1,168	744	.....
Outstandings	3,169	3,219	3,309	3,460	5,782	9,075	8,903	9,348	9,257	14%
Export-Import Bank:										
Obligations	612	750	817	1,721	3,016	1,598	1,236	1,549	2,780	21%
Disbursements	998	865	981	782	648	866	1,045	1,333	1,042	1%
Outstandings	9,408	8,963	8,745	8,209	7,485	7,545	7,887	10,124	9,759	.....

N/A = not available

¹ Percent change from 1992 to 1994.

TABLE 10. LOAN GUARANTEE TRANSACTIONS FOR SELECTED ACCOUNTS
(in millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998 estimate	Compound annual growth rate (1990- 1998)
Agricultural Credit Insurance Fund:										
Commitments										
Disbursements	1,258	1,407	1,561	1,079	1,079	1,938	1,851	1,575	2,331	8%
Outstandings	1,997	1,415	1,515	1,525	1,796	1,881	1,770	1,550	2,255	2%
CCC Export Guarantees:										
Commitments	4,451	4,504	5,673	5,700	5,700	5,700	5,700	3,500	5,000	1%
Disbursements	4,127	4,360	5,083	3,022	3,164	2,518	3,312	2,411	5,000	2%
Outstandings	7,508	7,732	9,019	8,792	12,691	5,080	5,414	4,564	5,987	- 3%
Rural Housing Insurance Fund: ¹										
Commitments		38	214	541	726	1,049	1,713	2,028	3,020	87%
Disbursements		1	129	476	726	859	1,496	1,690	2,888	212%
Outstandings	36	30	153	621	1,317	2,121	3,535	5,069	7,705	96%
Federal Family Education Loan Program										
Commitments	12,394	13,514	14,653	19,415	23,292	19,603	22,311	24,832	26,820	10%
Disbursements	10,969	11,969	17,698	14,751	20,094	20,340	19,816	19,542	25,051	11%
Outstandings	52,866	57,010	59,615	65,541	75,035	86,130	101,874	98,970	115,358	10%
FHA (mutual mortgage and general and special risk):										
Commitments	58,503	54,453	64,466	82,273	103,182	60,461	87,075	88,780	98,908	7%
Disbursements	54,005	53,635	49,818	72,271	103,670	49,764	71,441	73,852	72,936	4%
Outstandings	356,316	378,057	322,610	362,373	381,860	401,352	455,170	448,573	495,566	4%
VA housing loan guarantees:										
Commitments	19,068	16,472	24,575	35,434	43,858	22,162	28,676	24,287	24,844	3%
Disbursements	18,419	15,454	24,575	35,434	43,858	22,162	28,676	24,287	24,844	4%
Outstandings	161,465	157,618	171,416	139,323	155,029	154,486	154,762	170,470	184,560	2%
Loan Guarantees to Israel:										
Commitments	N/A	N/A	N/A	2,000	1,563	1,783	2,000	2,000		
Disbursements	N/A	N/A	N/A	2,044	1,563	1,783	1,751	1,250	1,412	- 7%
Outstandings	N/A	N/A	N/A	4,047	3,563	5,346	6,564	7,814	9,226	18%
Overseas Private Investment Corp:										
Commitments	212	250	256	310	1,918	1,891	2,000	2,143	1,800	31%
Disbursements	118	79	208	214	284	575	855	877	1,100	32%
Outstandings	445	452	629	563	743	1,235	1,551	2,122	2,747	26%
Small Business Administration:										
Commitments	4,352	4,659	6,352	7,336	9,432	9,709	10,154	10,641	11,887	13%
Disbursements	3,635	4,192	5,769	6,627	8,124	8,406	6,774	6,956	7,144	9%
Outstandings	12,200	13,934	16,904	20,133	24,471	26,388	31,013	33,793	36,869	15%
Export-Import Bank:										
Commitments	7,345	10,588	11,521	13,315	11,871	10,267	10,281	10,610	15,413	10%
Disbursements	4,882	4,358	4,802	7,222	9,854	8,142	5,667	10,683	10,102	10%
Outstandings	5,045	5,803	7,608	12,488	16,766	17,746	17,785	22,111	21,824	20%

N/A = not available

¹ Percent change from 1992 to 1994.

Table 11.—DIRECT LOAN PROGRAM DISBURSEMENT RATES IN THE FY 1999 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
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 Land Acquisition	50	50								
Emergency Disaster	90	5	5							
Boll weevil eradication	100									
Rural Community Advancement Program:										
Business and Industry Direct Loans	25	40	20	10	5					
Community Facility Direct Loans	13	33	30	11	2	11				
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	75	25								
Rural electrification and telephone program:										
Electrification:										
Direct, Loan Electric 5%	15	35	25	15	8	2				
Direct, Municipal Rate Electric Loans	8	31	31	22	8					
Direct, FFB Electric Loans	2	4	25	20	35	14				
Direct, Loan Electric Treasury—Proposed Legislation	8	31	31	22	8					
Telephone:										
Direct, Loans Telecommunications 5%		14	20	14	19	33				
Direct, Treasury Rate Telecommunications Loans		14	19	28	20	19				
Direct, FFB Telecommunications Loans		10	20	25	25	20				
Rural Telephone Bank:										
Direct Rural Telephone Bank		17	20	25	19	19				
Rural Housing Service:										
Rural housing insurance fund:										
Single-Family Credit Sales of Acquired Property	80	20								
Multi-Family Credit Sales of Acquired Property	80	20								
Section 502 Single-Family Housing	72	26	*							
Section 515 Multi-Family Housing	8	54	27	8	2					
Section 504 Housing Repair	72	26	*							
Section 514 Farm Labor Housing	30	33	22	11	3					
Section 523 Self-Help Site Development	10	55	35							
Section 524 Site Development	10	55	35							
Rural Business — Cooperative Service:										
Rural Development Loan Fund	3	29	28	16	13	11				
Rural Economic Development Loans	12	60	10	5	2	11				
Foreign Agricultural Service:										
P.L. 480 Direct Credits	57	37	6							

Table 11.—DIRECT LOAN PROGRAM DISBURSEMENT RATES IN THE FY 1999 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
Department of Commerce										
National Oceanic and Atmospheric Administration:										
Fisheries Finance	100									
Department of Defense										
Department of Defense										
Military Family Housing Improvement Fund	10	20	20	20	20	10				
Department of Education										
Office of Postsecondary Education:										
Ford direct loan program:										
Ford direct student loan program — weighted average of total obligations	77	23								
Consolidated (Non-defaulters)	100									
Consolidated (Defaulters)	100									
PLUS	73	27								
Subsidized Stafford	74	26								
Unsubsidized Stafford	74	26								
Department of the Interior										
Bureau of Reclamation:										
Loan Program	62	38								
Department of State										
Bureau of Consular Affairs:										
Repatriation Loans	100									
Department of Transportation										
Office of the Secretary:										
Minority Business Resource Center	85	15								
Department of Treasury										
Community Development Financial Institutions:										
Community Development Financial Institutions Fund		100								
Department of Veterans Affairs										
Veterans Benefits Administration:										
Veterans Affairs Housing Benefit Program Fund Direct Loans										
Miscellaneous Veterans Loan Program:										
Education Loan Fund	100									
Native American Veteran Housing Loan Program	100									
Vocational Rehabilitation Loans	100									
International Assistance Programs										
International Security Assistance:										
Foreign Military Financing		25	45	19	11					

Table 11.—DIRECT LOAN PROGRAM DISBURSEMENT RATES IN THE FY 1999 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
Overseas Private Investment Corporation:										
Direct Loans	3	17	26	17	13	9	.....	.....	.....	.....
Small Business Administration										
General business loan programs:										
Section 7(m) Micro Loan Direct	19	53	20	8	.....	.....	.....	.....	.....	.....
Disaster loan program:										
Disaster Assistance	62	32	6	.....	.....	.....	.....	.....	.....	.....
Other Independent Agencies										
Export-Import Bank of the United States:										
Long and Medium Term Loans	15	70	15	.....	.....	.....	.....	.....	.....	.....
Federal Emergency Management Agency:										
State Share Loans	66	20	3	.....	.....	.....	.....	.....	.....	.....
Community Disaster Loans	59	41	13	3	2	.....	.....	.....	.....	.....

* 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.

Table 12.—LOAN GUARANTEE PROGRAM DISBURSEMENT RATES IN THE FY 1999 BUDGET¹

Agency, Bureau, Program and Risk Category	Percentage of total disbursements made in year:									
	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
Department of Agriculture										
Farm Service Agency:										
CCC Export Guarantee Loans Program	80	20								
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:										
Business and Industry Guaranteed Loans	25	40	20	10	5					
Community Facility Guaranteed Loans	5	31	35	20	9					
Water and Waste Disposal Guaranteed Loans	12	42	22	24						
Rural Housing Service:										
Rural housing insurance fund:										
Single Family Housing — Unsubsidized	74	22	*							
Single Family Housing — Unsubsidized Refinancing — Proposed Legislation	74	22	*							
Section 538 Multi-Family Housing — Subsidized	20	70	10							
Department of Defense										
Department of Defense:										
Defense Export Loan Guarantee (DELG) Program	30	30	40							
Military Family Housing Improvement Fund	10	20	20	20	20	10				
Department of Education										
Bureau of Postsecondary Education:										
Federal family education loan program:										
Weighted average of total obligations	71	29								
Consolidated	100									
PLUS	63	37								
Subsidized Stafford	66	34								
Unsubsidized Stafford	67	33								
Department of Health and Human Services										
Health Resources and Services Administration:										
Health Centers Loan Guarantee Program	84	8	8							
Department of Housing and Urban Development										
Public and Indian Housing Programs:										
Indian Home Loan Guarantee Program	100									
Title VI Indian Federal Guarantees Program	100									
Community Planning and Development:										
Community Development Loan Guarantees (Section 108)	15	40	25	20						
HOME Loan Guarantee Program — Proposed Legislation	25	50	25							
Housing programs:										
FHA general and special risk insurance fund:										
Cooperatives	75	25								
Operating Loss Loans	75	25								

Table 12.—LOAN GUARANTEE PROGRAM DISBURSEMENT RATES IN THE FY 1999 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
Manufactured Housing	100									
Multifamily Development	75	25								
Property Improvement Loans	100									
Mixed Income	75	25								
Single Family	75	25								
Nursing Homes	75	25								
Section 242 Hospitals	75	25								
Supplemental Multifamily Loans/Neighborhood Improvement	75	25								
Qualified Participant Risk Share (Full Amortization)	75	25								
Qualified Participant Risk Share (Balloons)	75	25								
Qualified Participant Risk Share (Pool)	75	25								
HFA Risk Share — 50%	75	25								
HFA Risk Share — 90%	75	25								
Multifamily Refinance	75	25								
FHA mutual mortgage insurance fund:										
Mutual Mortgage Insurance Fund	75	25								
Government National Mortgage Association:										
Guarantees of 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) — weighted average of all obligations	100									
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1A	100									
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1B	100									
Maritime Guaranteed Loans (Title XI)/Risk Category Level 1C	100									
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2A	100									
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2B	100									
Maritime Guaranteed Loans (Title XI)/Risk Category Level 2C	100									
Maritime Guaranteed Loans (Title XI)/Risk Category Level 3	100									
Department of Veterans Affairs										
Veterans Benefits Administration:										
Veterans Housing Benefit Program Fund	100									
International Assistance Programs										
Agency for International Development:										
Urban Environment/Housing Guarantee Program	5	20	25	25	25					
Micro and Small Enterprise Development Program	25	37	37							
Overseas Private Investment Corporation:										
OPIC Guaranteed Loan Program	3	17	26	17	13	9				
Small Business Administration										
General business loan programs:										
Section 504 CDC Program	² 23	² 62	² 16							

Table 12.—LOAN GUARANTEE PROGRAM DISBURSEMENT RATES IN THE FY 1999 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
Section 504 CDC Program: DELTA	² 23	² 62	² 16	.....	.....	.....	.....	.....	.....	.....
Section 7(a) General Business Guaranty	55	45	.....	.....	.....	.....	.....	.....	.....	.....
Section 7(a) General Business Guaranty: DELTA	55	45	.....	.....	.....	.....	.....	.....	.....	.....
Section 7(m) Micro Loan Guaranty	100	.....	.....	.....	.....	.....	.....	.....	.....	.....
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 Disbursement pattern is a weighted average standardized to 100%.

8. UNDERWRITING FEDERAL CREDIT AND INSURANCE

Simplification of Credit Reform

The Balanced Budget Act of 1997 amended the Federal Credit Reform Act of 1990 (FCRA) to make several technical changes, some of which codified OMB guidance. Among the provisions were:

- Requiring agencies to use the same discount rate to calculate the subsidy when they obligate budget authority for direct loans and loan guarantees as when they prepare the President's Budget. Previously, agencies switched at obligation to interest rates during the preceding calendar quarter. Analysis showed that quarterly rates predicted actual annual average rates slightly better than the President's Budget assumptions from the previous year. However, the increased accuracy was not great enough to justify the additional complexity and the change in loan volume from what Congress had assumed when it appropriated subsidy budget authority for the program.
- Requiring agencies to use the same forecast assumptions (e.g., default and recovery rates) to calculate subsidy rates when they obligate for direct loans and loan guarantees as when they prepare the President's Budget. This provision also was enacted in response to the Budget and Appropriations Committees' desire for loan volumes consistent with Congressional intent in appropriations acts. While agencies must use the same forecast assumptions, they will continue to calculate subsidy estimates at obligation using cash flows that have been adjusted to reflect the actual terms and conditions (explicit technical assumptions) of the direct loan and loan guarantee contracts, rather than the estimated terms and conditions assumed in the President's Budget.
- Strengthening the requirement that agencies to transfer end-of-year unobligated balances in liquidating accounts (revolving funds for direct loans and loan guarantees made prior to the effective date of the FCRA) to the general fund as soon as practicable after the close of the fiscal year. Because permanent appropriations are available to pay claims in excess of the

liquidating account balance, these unobligated balances do not need to be carried forward between fiscal years.

- Requiring the interest rate paid on financing account debt to Treasury, and earned on financing account balances, to be identical to the discount rate used to calculate subsidy costs. These interest rates must be equal in order for the financing accounts to have exactly enough resources to pay default claims or repay debt to Treasury.

OMB also has simplified the reestimate process by requiring only one reestimate for differences between the interest rate assumptions in the President's Budget and the actual interest rate when the loan is disbursed. This reestimate is to be made when at least 90 percent of the dollar volume of loans in a cohort has been disbursed. Previously, agencies were required to perform interest rate reestimates after the close of each fiscal year in which disbursements occurred. For programs disbursing over multiple years, the true discount rate for a cohort is not known for several years; meanwhile, calculations using a combination of estimated and actual rates resulted in wide fluctuations in reestimates that provided no useful information.

Debt Collection and Loan Asset Sales

The Federal Government's inventory of delinquent loans and loan receivables was \$37 billion at the end of 1997. Usually, this debt is worked by the agency that made the direct loans or loan guarantees. Little progress has been made in reducing this debt, whereas the private sector has developed sophisticated tools for collecting delinquent debt and quickly disposing of assets acquired through default. A major theme of credit program re-engineering will be to work delinquent debt more aggressively and take advantage of private sector efficiencies by:

- **Fully implementing the Debt Collection Improvement Act of 1996.** Agencies must send debt that is over 180 days overdue to Treasury for offset against Federal payments to the delinquent borrower and to a debt collection center designated by the Secretary of the Treasury.

- **Requiring private lenders to liquidate collateralized defaulted loan assets.** The Rural Housing Service of USDA, and its farm and business loan guarantee programs, require lenders to dispose of defaulted assets. This better aligns private lenders' incentives with the Federal Government's interest in maximizing collections, and takes advantage of private sector efficiencies to maximize collections and reduce the net cost of credit programs. The Government avoids acquiring delinquent debt and having to dispose of the collateral.
- **Requiring agencies to sell delinquent debt over one year overdue.** Government policy will presume that sales of delinquent debt over one year overdue will be in the best financial interest of the Government unless demonstrated otherwise. Exemptions will be made for debt that is producing collections, owned by foreign Governments or entities, is in structured forbearance, or is in adjudication or bankruptcy. HUD's aggressive program of selling delinquent assets over the past three years

has demonstrated that agencies can significantly reduce their delinquent debt in a way that furthers program objectives and increases the return to the Government. SBA also will sell delinquent assets in 1998, 1999, and 2000.

The Federal Credit Policy Working Group, together with the General Services Administration, is developing a government-wide Financial Advisor Request for Proposal, which by June 1998 will make available to all agencies a list of financial advisors through a basic ordering agreement. Each credit agency will be expected to contract with a financial advisor to conduct a valuation of their loan asset portfolio. For all agencies, the results of the asset valuation study will be used to adjust baseline subsidy rates in the FY 2000 Budget. These rates will also reflect estimated proceeds from the sale of delinquent assets.

II. CREDIT IN FOUR SECTORS

Housing Credit Programs and GSEs

The Federal Government provides loans and loan guarantees to expand access to home ownership to people who lack the savings, income, or credit history to qualify for a conventional home mortgage and to finance rental housing for low-income persons. The Departments of Housing and Urban Development (HUD), Veterans Affairs (VA), and Agriculture (USDA) made \$102 billion of loan and loan guarantee commitments in 1997, helping 1.3 million households.

Each Department has a program to guarantee single-family mortgages; together, they guaranteed 12 percent of the single-family mortgages originated in the United States last year.

- HUD's Federal Housing Administration (FHA) runs a Mutual Mortgage Insurance Fund that guaranteed \$61 billion in mortgages for 740,000 households in 1997. Over three-fourths of these went to first-time homebuyers.

- The VA assists veterans, members of the Selected Reserve, and active duty personnel to purchase homes as a recognition of their service to the Nation. The program substitutes the Federal guarantee for the borrower's down payment. In 1997, VA provided \$24 billion in guarantees to 239,000 borrowers.
- USDA's Rural Housing Service (RHS) guarantees up to 90 percent of an unsubsidized home loan. The program's emphasis is on reducing the number of rural residents living in substandard housing. In 1997, nearly \$2 billion of guarantees went to 40,000 households.

In addition, RHS has direct loan programs for single-family and multi-family mortgages, and FHA guarantees mortgages for multi-family housing and other specialized properties. The VA makes vendee loans when it sells collateral from defaults.

The Housing Consortium

Private banks, thrifts, and mortgage bankers, which originate the mortgages that FHA, VA, and RHS guarantee, may deal with all three programs, as well as with the Government National Mortgage Association (Ginnie Mae), which guarantees timely payment on securities based on pools of these mortgages. In addition, the same private firms originate conventional mortgages, many of which are securitized by Government-sponsored enterprises—the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Many of these firms already use or are planning to use electronic loan origination and are moving toward electronic underwriting. Behind such underwriting are data warehouses showing default experience by type of loan, borrower characteristics, home location, originator, and servicer, and models relating these factors to default cost. “Web lending” is also on the horizon.

These changes offer both challenges and opportunities to the Federal mortgage guarantors and Ginnie Mae. They are challenged to make themselves electronically accessible to their clients and loan originators. They are challenged to assess and monitor their risks closely, now that private firms are reaching out to the better risks among their potential clients. They also have an opportunity to provide better service, and to improve the effectiveness and efficiency of their programs.

The FHA, VA, and RHS housing guarantee programs and Ginnie Mae are forming a Housing Consortium to adapt to the rapid shift to electronic underwriting in the private sector. This Consortium will become the focus of agency efforts to keep abreast of changes in the housing credit market, accelerate adoption of best practices, establish common standards where possible, and make government systems compatible with the private sector. The Consortium will become the “board of directors” for a common data warehouse and analysis center on housing loan performance—using it to monitor the changing risk and cost of guarantees and the performance of guaranteed loan originators and servicers. Learning from each other and from the private sector, the Housing Consortium will seek to improve loan origination, data systems, performance measurement, risk sharing and pricing, and asset disposition.

Loan Origination. Electronic underwriting provides convenient, faster service at a lower cost to both lenders and borrowers. Freddie Mac and Fannie Mae are among the leaders in developing such systems and encouraging their use.

The VA recently entered into a “memorandum of understanding” with Freddie Mac to use its “Loan Prospector” electronic underwriting system. VA customized the scoring for its applicants based upon the actual profile of its veteran borrowers. As a result, VA will improve its risk management capability by focusing servicing on its high-risk borrowers to reduce losses to the government, lenders, and borrowers. VA expects that less required lender documentation, faster processing, and fewer errors will improve efficiency of loan origination. In 1999, VA will propose legislation to charge lenders a fee that will be used to develop Electronic Data Interchange (EDI) capability with lenders to automate loan processing and servicing.

The FHA is also collaborating with Freddie Mac to pilot Loan Prospector, adapting it to FHA’s clients. The RHS is examining the potential benefits of electronic underwriting for its guaranteed loan program. Meanwhile, RHS will develop the ability to offer electronic origination using off-the-shelf software. Building on new systems for both its direct and guarantee programs, RHS will introduce electronic origination into its 502 Guarantee program by 1999.

Data Systems. Ginnie Mae guarantees timely payment of principal and interest on securities based on pools of mortgages guaranteed by FHA and VA. The issuers of these securities are almost always FHA and VA servicers. To track experience on these loans and issuers, Ginnie Mae created two data bases starting in 1990 that draw monthly input from issuers based on private standards.

The Issuer Portfolio Analysis Database System (IPADS) and the Correspondence Portfolio Analysis Database System (CPADS) monitor current performance by loan, originator, servicer, mortgage pool, security, and security issuer. Performance can be tracked and compared, taking account of differences between region, economic conditions, size and type of business, and age of portfolio.

The current analytical system is designed fill Ginnie Mae’s needs. IPADS allows quick access to information, such as yearly changes in the size of business an issuer has with Ginnie Mae, delinquency ratio,

twelve-month collection history, portfolio age, and average mortgage rate. IPADS will generate twenty-four month trend analyses of key performance indicators and compare an issuer's portfolio data against established Ginnie Mae norms.

But the same data and much the same system could be very useful to the loan guarantee programs. For example, CPADS is similar to IPADS but organizes the data by loan servicer and can compare performance by loan originator regardless of how often a loan is sold. Thus, CPADS could enable FHA and VA to monitor and assess how well the firms that originate and service the loans they guarantee are doing their jobs.

These systems can also report promptly on the payment status of individual loans, enabling quick follow-up to late payments. If federally guaranteed loans were originated electronically, useful data on the loan, borrower, and home characteristics could be "warehoused" in conjunction with information on the monthly payment history. This could be the basis for models that determine which loans are most likely to become delinquent or default. Servicer attention could focus on those borrowers.

FHA is currently a participant in Ginnie Mae's data monitoring systems. VA and RHS will soon become participants. RHS will require all of its lenders to file reports electronically in IPADS before FY 1999, and will become a full user of that system to track its guaranteed loans.

Performance Measurement. Measuring loan servicing performance establishes a baseline for assessing changes to servicing practice. Monthly data will not only give housing programs a better understanding of how their guarantee portfolio behaves, but also how the federally guaranteed housing market as a whole performs. This information is critical for developing good performance standards.

HUD has begun to rank servicers based on a combination of loan default rates and the ratio of actual to potential losses on defaults. The rankings are adjusted for each state. Bonus points are given for servicers with portfolios emphasizing social objectives. Servicers are divided into categories based on their size. Those in the top 25 percent of their category receive higher reimbursement rates for certain servicing-related activities.

The rankings move FHA away from reviewing compliance with procedures and toward evaluating servicing performance. Ranking criteria can be refined as more experience is gained with the system. For example, the system could include the effects of proactive servicing techniques that would prevent delinquency. The most effective use of performance-based incentives to encourage better servicing could also be analyzed. Aggressive use of such measures would allow FHA to identify best practices of top servicers and to sanction poorly-performing servicers.

RHS reviews at least 10 percent of the loans serviced by a lender every two years. If deficiencies in loan servicing or underwriting are noted, the lender is requested to take corrective action; its eligibility will be terminated if it does not comply. RHS is now instituting an annual external audit of servicing at a representative sample of lenders for compliance with requirements and to pinpoint weaknesses contributing to loan delinquencies.

RHS is re-writing program regulation to enhance program delivery, and is considering a legislative proposal to augment the guarantee fee structure in order to reward or penalize lenders based on performance.

Risk Sharing and Pricing. Risk-based pricing is emerging in the conventional mortgage market as an important means by which lenders can take on more risk. Technology is giving lenders much more precise ability to assess the initial default risk associated with making a particular loan. This increasingly precise underwriting technology, in turn, allows lenders and insurers to adjust fees or loan rates and/or raise insurance premiums to reflect risk and loan cost accurately.

If, as expected, risk-based pricing becomes common in the private sector in the next few years, Federal loan guarantee programs will need to assess the impact on their loan portfolios. They may need to adopt a similar pricing structure or face adverse selection and larger losses. Currently, premiums are fixed in statute and vary only slightly with one dimension of risk, the initial loan-to-value ratio. New risk-based pricing might help maintain the actuarial soundness of these programs in the context of adverse selection. On the other hand, risk-based pricing might reduce the effectiveness of these programs in serving the needs of lower-income, minority, and traditionally unders-

erved borrowers. Further study of these competing concerns in light of actual market developments is required.

Under its current limited risk-sharing demonstration authority, FHA may assess risk-sharing proposals to test a scheme that partners a housing credit program with a private guarantor. The purpose is to lower the government's share of risk while, under a pre-arranged contract, the private guarantor picks up the remainder. The private guarantor, perhaps a large private mortgage insurer with experience and superior skills, would have an incentive to help loan programs push loan servicers to manage risks efficiently. FHA and a partner assume a large majority of the risk while holding the lender accountable for a small portion, so the lender's willingness to underwrite high-risk borrowers is not significantly reduced compared with current practice.

Asset Disposition. Common wisdom in the mortgage industry is to avoid foreclosure because that is when significant losses pile up, including costs for maintenance and marketing. Federal guarantee programs have found that the best practice is to avoid taking the property into possession, and instead make it the responsibility of the lender.

Of the three Federal mortgage guarantee programs, RHS is the only one that currently operates under the "best practice" for asset disposition. The lender is paid the loss claim, which includes costs incurred for up to six months from the time of the default. After the loss claim is paid, RHS has no involvement in the loan, and it becomes the sole responsibility of the lender. RHS will shorten the loss claim period from six months to three months through regulation changes to encourage lenders to dispose of properties as efficiently as possible.

VA and FHA will also be making improvements in asset disposition. VA will propose legislation to eliminate the vendee loan program, which provides public financing on foreclosed properties. In addition, VA will explore initiatives that outsource its asset disposition.

RHS Direct Housing Loans

RHS also provides subsidized single-family direct loans to very-low and low-income borrowers unable to get credit elsewhere to purchase, rehabilitate, or repair homes. In October 1997, RHS

completed implementation of the Dedicated Loan Origination Service System (DL0S), which centralized servicing of the whole loan portfolio. Whereas all origination and servicing had been done in over 2,000 field offices, these now only handle origination and some specific liquidation duties. Everything else is handled at the centralized servicing center.

DL0S has been a major improvement. Along with two major regulations in 1996 and 1997, it reduced RHS' direct loan subsidy rate by 40 percent. RHS is also exploring what economies of scale could be realized in the area of asset disposition. Legislative proposals for 1999 would allow single-family direct loans to be refinanced using guarantees, thus helping borrowers to graduate to private credit. The refinanced loans would be relatively low-risk because the borrowers would have built up equity in their homes.

Fannie Mae and Freddie Mac

Because Fannie Mae and Freddie Mac, the largest Government-sponsored enterprises (GSEs), are the dominant firms in the secondary mortgage market, changes in their business practices can have a significant impact on the housing finance sector of the U.S. economy. As of September 1997, Fannie Mae and Freddie Mac had \$1.5 trillion outstanding in mortgages purchased or guaranteed. These GSEs engage in two main lines of business: they issue and guarantee mortgage-backed securities (MBS), and they hold portfolios of mortgages, MBS, and other mortgage-related securities that they finance by borrowing.

The Federal Housing Enterprises Safety and Soundness Act of 1992 reformed Federal regulation of Fannie Mae and Freddie Mac. This Act created the Office of Federal Housing Enterprise Oversight (OFHEO) to manage the Government's exposure to risk by conducting examinations and enforcing minimum and risk-based capital requirements. The risk-based capital requirements will be based on a stress-test model. OFHEO has solicited public comment on a variety of issues related to a risk-based capital regulation and, in June 1996, published the first of two Notices of Proposed Rulemaking (NPR) on risk-based capital. OFHEO expects to publish its second NPR in early 1999.

As required by the 1992 Act, the Secretary of Housing and Urban Development issued a final regulation at the end of 1995 that established new goals for Fannie Mae and Freddie Mac to foster housing credit for lower-income families and under-served communities. For 1997 through 1999, the regulation requires each GSE to devote:

- 42 percent of its mortgage purchases to finance dwelling units that are affordable by low- and moderate-income families;
- 24 percent of its purchases to finance units in central cities, rural areas, and other metropolitan areas with low and moderate median family income and high concentrations of minority residents; and
- 14 percent of its purchases to finance units that are special affordable housing for very-low-income families and low-income families living in low-income areas.

During 1993–95, the GSEs were subject to transitional goals, and in 1996, they were subject to interim goals that were slightly lower than the goals for 1997–99. Fannie Mae and Freddie Mac each achieved all three goals in 1996.

The growth of the GSEs' core mortgage businesses has slowed, but they have maintained the growth in their earnings by expanding the range of their activities and increasing their on-balance sheet holdings of mortgages and MBS. These changes may, however, increase their risk. The GSEs' exposure to changes in interest rates increases as their on-balance sheet holdings of mortgages and MBS grow.

By contrast, some of the GSEs' new business activities and innovations may improve their risk profiles. The GSEs' use of credit scores and automated underwriting may improve risk measurement and therefore mitigate the credit risks inherent in purchasing and securitizing mortgages. Similarly, the advent of risk-based pricing may mitigate risk by pricing more precisely for expected losses. For holders of mortgage credit risk, sophisticated risk measurement and pricing tools are leading to shifts in the distribution of risk among the GSEs, private mortgage insurers, lenders, and mortgage investors.

Federal Home Loan Bank System

The Federal Home Loan Bank System (FHLBS) was established in 1932 to provide liquidity to home mortgage lenders. The FHLBS carries out this mission by issuing debt and using the proceeds to make secured loans, called advances, to its members. Member institutions primarily use advances to finance residential mortgages and other housing related assets. Federally chartered thrifts are required to be FHLBS members, but membership is open to state-chartered thrifts, commercial banks, credit unions, and insurance companies on a voluntary basis. As of September 30, 1997, 6,418 financial institutions were FHLBS members, an increase of 395 over September 1996. About 69 percent of members are commercial banks, 28 percent are thrifts, and the remaining 3 percent are credit unions and insurance companies; however, almost 70 percent of outstanding FHLBS advances were held by thrifts as of September 30.

The FHLBS reported net income of \$1.5 billion for the year ending September 30, 1997, up from \$1.3 billion in the previous 12 months. Total System capital rose from \$16.5 billion to \$18.4 billion, and the ratio of capital to assets fell from 5.8 percent to 5.7 percent. Average return on equity was about 6.8 percent, after adjustment for payment of interest to the Resolution Funding Corporation (REFCorp). Outstanding advances to members reached \$182 billion at September 30, 1997, a 19 percent increase over the \$153 billion outstanding a year earlier. System investments other than advances stood at \$138 billion, or about 42 percent of total assets, as of September 30, 1997; compared to a year earlier, investments have increased in dollar terms but declined as a percentage of assets.

The Federal Home Loan Banks are required by law to pay \$300 million annually toward the cost of interest on bonds issued by the Resolution Funding Corporation and the greater of 10 percent of net income or \$100 million to the Affordable Housing Program (AHP). In addition, the FHLBanks are required by law to provide discounted advances for targeted housing and community investment lending through a Community Investment Program (CIP). The need to generate income to meet the REFCorp and AHP obligations and still provide a competitive return on members' investment was a driving force behind the substantial increase in the System's investment activity in recent years. The System also needs to service a capital

requirement which is based on members' asset size, mortgage holdings, and advances, rather than the amount of risk in the System.

In the past, the FHLBS' exposure to credit risk was virtually nonexistent. All advances to member institutions are collateralized, and the FHLBanks can call for additional or substitute collateral during the life of an advance. No FHLBank has ever experienced a loss on an advance. While the System's expanding investment activities have created new sources of risk, the FHLBanks have taken measures to manage these risks. Indeed, the FHLBS' investment activities also pose important public policy issues as to the degree to which the composition of assets on the FHLBS' balance sheet adequately reflects the mission of the System. New pilot programs allowing the FHLBanks to underwrite mortgages jointly with their members have been approved by the Federal Housing Finance Board, the System's regulator. Through these programs, the FHLBS is expanding its traditional role as a wholesale lender as a means of promoting housing finance and community investment.

Significant developments in housing finance markets over the past two decades, such as increasing securitization, have reduced the role of portfolio lenders. Of about \$4 trillion in residential mortgage debt outstanding, only about 14 percent of loans are held directly by thrifts and 18 percent are held by commercial banks. Together, Fannie Mae, Freddie Mac, and Ginnie Mae hold or guarantee an additional 47 percent. As a result of GSE and Federal agency sponsorship of secondary markets and the increasing presence of private securitizers, lenders have access to liquidity sources other than FHLBS advances. In addition, the Deposit Insurance Funds Act of 1996 called for merging the Bank Insurance Fund and the Savings Association Insurance Fund in 1999, contingent on legislation to abolish the Federal thrift charter, which requires a significant degree of specialization in housing finance. Like other GSEs, the role and risks of the FHLBS must continue to be examined and monitored in the face of rapidly changing financial markets and potential changes in the structure and activities of the industry served by the FHLBS.