Federal Credit Activities:
An Overview of the President's Credit Budget for Fiscal Year 1983

Staff Working Paper

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CONGRESS OF THE UNITED STATES CONGRESSIONAL BUDGET OFFICE

FEDERAL CREDIT ACTIVITIES:

AN OVERVIEW OF THE PRESIDENT'S

CREDIT BUDGET

FOR FISCAL YEAR 1983

The Congress of the United States
Congressional Budget Office

NOTES

Unless otherwise indicated, all years referred to in this report are fiscal years.

Details in the text and tables may not add to totals because of rounding.

Unless otherwise indicated, 1982 and 1983 figures are Administration estimates.

All Administration estimates in this report are from The Budget of the United States Government, Fiscal Year 1983 (February 1983) and Office of Management and Budget data.

PREFACE

This overview of the Administration's 1983 credit budget was prepared at the request of the House and Senate Budget Committees. It is intended to supplement the budget documents by bringing together in one place information on the credit budget. The paper reviews major proposed changes in federal credit activities for 1982 and 1983 and presents a function-by-function examination of the Administration's credit program estimates.

The paper was prepared by CBO's Budget Process Unit. Richard P. Emery, Jr., with the assistance of Deirdre B. Phillips, wrote the first three chapters. Deirdre B. Phillips, Michael Margeson, and Mitchell I. Mutnick wrote Chapter IV. The authors greatfully acknowledge the helpful comments of CBO's cost analysts and Martin D. Levine and Marvin M. Phaup of CBO; Susanne V. Slater of the Office of Management and Budget; Edward Brigham and Sandy Pianalto of the House Committee on the Budget; and Robin Seiler, David Nummy, Ann Hadley, and Susan Petty of the Senate Committee on the Budget. Patricia H. Johnston edited the manuscript which was typed for publication by Paula Gatens and Nancy E. Wenzel.

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SUMMARY

The President's budget for 1983 includes recommendations for total new direct loan obligations and total new loan guarantee commitments. It also recommends appropriations limitations for individual credit programs. Together, these requested credit aggregates and program limitations comprise the President's credit budget for 1983.

The credit budget was established to provide a rational structure for the consideration of the total size and allocation of federal direct loan and loan guarantee programs. In recent years, federal credit activities have grown rapidly. It is important to control these activities because they potentially can change the allocation of credit among uses, the composition of economic activity, and the economy's growth rate. The unified budget is a cash-flow budget, designed to present an accurate view of the federal government's effects on aggregate demand. As such, it includes only net credit--that is, only those credit programs that affect the government's cash flow--rather than total lending. The credit budget includes all credit activities on a gross basis to highlight the impact of credit activities on capital markets.

THE PRESIDENT'S CREDIT BUDGET

The Administration's credit budget for 1983 continues the efforts initiated with its 1982 budget to reduce federal credit activities as a means of reducing federal presence in capital markets. The 1983 credit budget proposes $49.0 billion in new direct loan obligations, $98.4 billion in new primary loan guarantee commitments, and $38.4 billion in secondary loan guarantee commitments. The 1983 request for direct loans is 19 percent below the 1982 base level; the request for primary loan guarantees is 6 percent below the base; and the request for secondary guarantees is 44 percent below the base (see the Summary Table). 1/

1/ The 1982 base figures are the estimates for the credit budget used by the Congress in the first session of the 97th Congress. The 1982 base is used here to provide a comparison to credit budget levels prior to adjustment for the Administration's current year policy changes.

SUMMARY TABLE. TOTAL CREDIT BUDGET (By fiscal year, in billions of dollars)

Credit Activity	1981 Actual	1982 Base a/	Administration Estimates 1982	Administration Estimates 1983
Direct Loan Obligations				
On-budget	40.9	42.7	39.9	31.8
Off-budget	31.5	31.3	29.6	25.5
Gross Direct Loan Obligations	72.4	73.9	69.5	57.3
Less FFB sales of loan assets	-15.2	-13.5	-13.2	-8.3
New Direct Loan Obligations	57.2	60.5	56.4	49.0
New Loan Guarantee Commitments	152.7	205.7	166.1	161.4
Less				
Secondary loan guarantees	-44.1	-68.8	-48.7	-38.4
Guaranteed loans held as direct loans				
FFB	-30.3	-30.0	-28.5	-24.7
GNMA	-1.8	-2.0	-1.9	---
New Primary Guarantees	76.5	104.9	87.1	98.4
Credit Budget Total	133.7	165.4	143.4	147.3

SOURCE: The Administration estimates are taken from the Budget of the U.S. Government, Fiscal Year 1983, Part 3, p. 3-24; 1982 base figures are taken from CBO's Credit Budget Scorekeeping System.

a/ Adjusted to reflect full principal for loan guarantees rather than contingent liability, an increase of $17.1 billion in primary guarantees.

The proposed reductions are to be accomplished by shifting to other forms of support, restricting eligibility, reducing lending levels for some programs, and terminating lending in 1983 for others. The Administration's budget assumes that synthetic fuels development will be supported through price guarantees rather than loan guarantees. Savings and loan institutions will be supported by capital contributions and assistance in mergers rather than direct loans by the Federal Savings and Loan Corporation. Small Business Administration surety bond guarantees are considered to be a form of insurance rather than guarantees for lending. The Administration proposes to reduce federal housing assistance in several ways:

- Narrowing eligibility criteria for Federal Housing Administration mortgage guarantees;

- Reducing the Government National Mortgage Association's (GNMA) mortgage-backed securities and eliminating the GNMA tandem plan program;

- Eliminating rural housing insurance support for self-help housing and sharply reducing single- and multi-family housing; and

- Shifting from construction support for low-income public housing to a system of rental vouchers.

In addition to the above reductions, no new loans are proposed for direct loans to students, most transportation loan programs, loan guarantees for community development, and economic development programs.

Increases have been proposed for a small number of loan programs, primarily in the area of international security. The Administration requests that foreign military sales credit direct loans be increased by $1.2 billion to $1.7 billion. The request for direct loans to foreign countries through the economic support program is $895 million, over a 400 percent increase from the 1982 base level.

The Administration's 1983 proposed $49.0 billion for direct loan obligations far exceeds the amount that will actually be obligated as new direct loans by federal agencies. Lending for new activities will be limited to $23.5 billion, or 48 percent, of the proposed total. New direct loan obligations will be distributed as follows:

Distribution of 1983 Direct Loan Obligations
(In billions of dollars)

Purpose	Estimate	Percent
New Direct Loans	23.5	48
Direct Loans to Repay Guarantee Claims	2.3	5
Direct Loans to Repurchase Loan Assets	6.8	14
Agency Guaranteed Loans Held as Direct Loans by the FFB	16.4	34
Total	49.0	100

Support to farmers through the Commodity Credit Corporation and the Farmers Home Administration will account for $15.5 billion in direct loan obligations for new activities. International assistance and aid to U.S. exporters will amount to another $7.6 billion.

CONGRESSIONAL ACTION ON THE 1982 CREDIT BUDGET

The 1982 concurrent budget resolution set targets for direct loans and primary and secondary loan guarantees. The Administration revised request for direct loans for 1982 is $56.4 billion, 9 percent over the 1982 target. The difference is caused primarily by reestimates of financing transactions. The Administration's 1982 revised requests for primary and secondary guarantees are substantially below the targets. The revised request for primary guarantees is $98.4 billion, $3.8 billion below the resolution target after the target has been adjusted to a comparable accounting basis. (A shift from the contingent liability of the government used in the concurrent resolution to full principal of the loans guaranteed adds $17 billion to the target.) The revised request for secondary guarantees is $22.6 billion below the target. The differences between the target and the 1982 revised requests result both from the Administration's proposed cuts and from reestimates because of changed economic conditions.

The Congress enacted appropriations limitations for 1982 on 38 percent of total direct loan obligations and 73 percent of total loan guarantees, almost all of the limitations proposed by the Administration in its July request. Proposed limitations were not enacted for development assistance and economic support programs, for the Small Business Administration's programs, or for the federal ship financing program. Program levels for each of these programs were determined either by appropriations of budget authority or by the loan program authorizations. In three cases, the Congress enacted appropriations limitations for programs for which the Administration had proposed no new funding: the Overseas Private Investment Corporation, National Consumer Cooperative Bank, and the college housing program. For 1983, the Administration has proposed that essentially the same programs be exempt from limitation that have been exempted previously--namely, entitlements and mandatory programs, such as CCC price supports, guaranteed student loans, and veterans' mortgage guarantees; financing transactions of the FFB; and direct loans disbursed to cover default claims.

The final continuing resolution (Public Law 97-92) included an amendment to make limits established in appropriations bills into mandatory program levels, except in those programs for which there are insufficient qualified borrowers. The amendment was prompted by the Administration's November 5, 1981 announcement of proposed administrative reductions in credit programs below levels established in appropriations bills. The Administration's 1982 revised requests for additional limitations responded to this requirement.

CHAPTER I. THE NEED FOR A CREDIT BUDGET

The U.S. government provides credit to assist a wide array of activities. The amount of new credit extended under federal auspices now constitutes a significant share of all new credit advanced in the economy each year. The credit budget was established to provide a rational structure for the consideration of the total size and the allocation of federal direct loan and loan guarantee activities. This step was prompted by concern over the size and growth of federal credit, the consequences of it effects on the economy, and the realization that the budgetary treatment of credit programs was less rigorous than that of direct spending or taxes. The credit budget, which estimates new direct loans and loan guarantees for each fiscal year, attempts to correct the understatement of federal credit activities in the unified budget.

SIZE AND GROWTH OF FEDERAL CREDIT

The federal government extends credit in two basic forms: direct loans and loan guarantees. 1/ Federal agencies make direct loans to individuals, businesses, nonprofit organizations, and local governments for a variety of purposes, almost always at subsidized interest rates. For example, the Department of Housing and Urban Development lends directly to nonprofit sponsors, consumer cooperatives, and certain public agencies to construct rental housing for elderly and handicapped persons. In a loan guarantee, the federal government pledges to repay principal--in whole or in part--and interest on a loan in case of default by the borrower, thus reducing the lender's exposure to risk. No federal expenditures are involved unless the borrower defaults. The Federal Housing Administration, for example, guarantees or insures repayment of home mortgages extended to qualified homebuyers by savings and loans and other financial institutions.

Federal credit activities are growing rapidly, as can be shown by several measures. These include the growth of net federal credit, the proportion of domestic credit accounted for by federal activities or the "federal participation rate," and the outstanding loans issued under federal auspices.

1/ See the Glossary of Federal Credit Budget Terms in Appendix A.

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The growth in net federal credit--new direct lending by both on- and off-budget agencies and new loans guaranteed less repayments--is shown in Figure 1. In recent years, the volume of new direct loans and new loans guaranteed has grown rapidly. Annual net direct lending rose from $4.1 billion in 1974 to $26.1 billion in 1981, an increase of over 500 percent. Most of the growth in direct loans occurred in lending by off-budget agencies, whose activities are excluded from the unified budget totals. Net loans guaranteed annually rose from $10.3 billion in 1974 to $28.0 billion in 1981, an increase of 172 percent. Under the Administration's proposals, net federal lending is estimated to decrease by 6 percent between 1982 and 1983 as a result of proposed reductions in overall federal credit and the expectation of increased repayments.

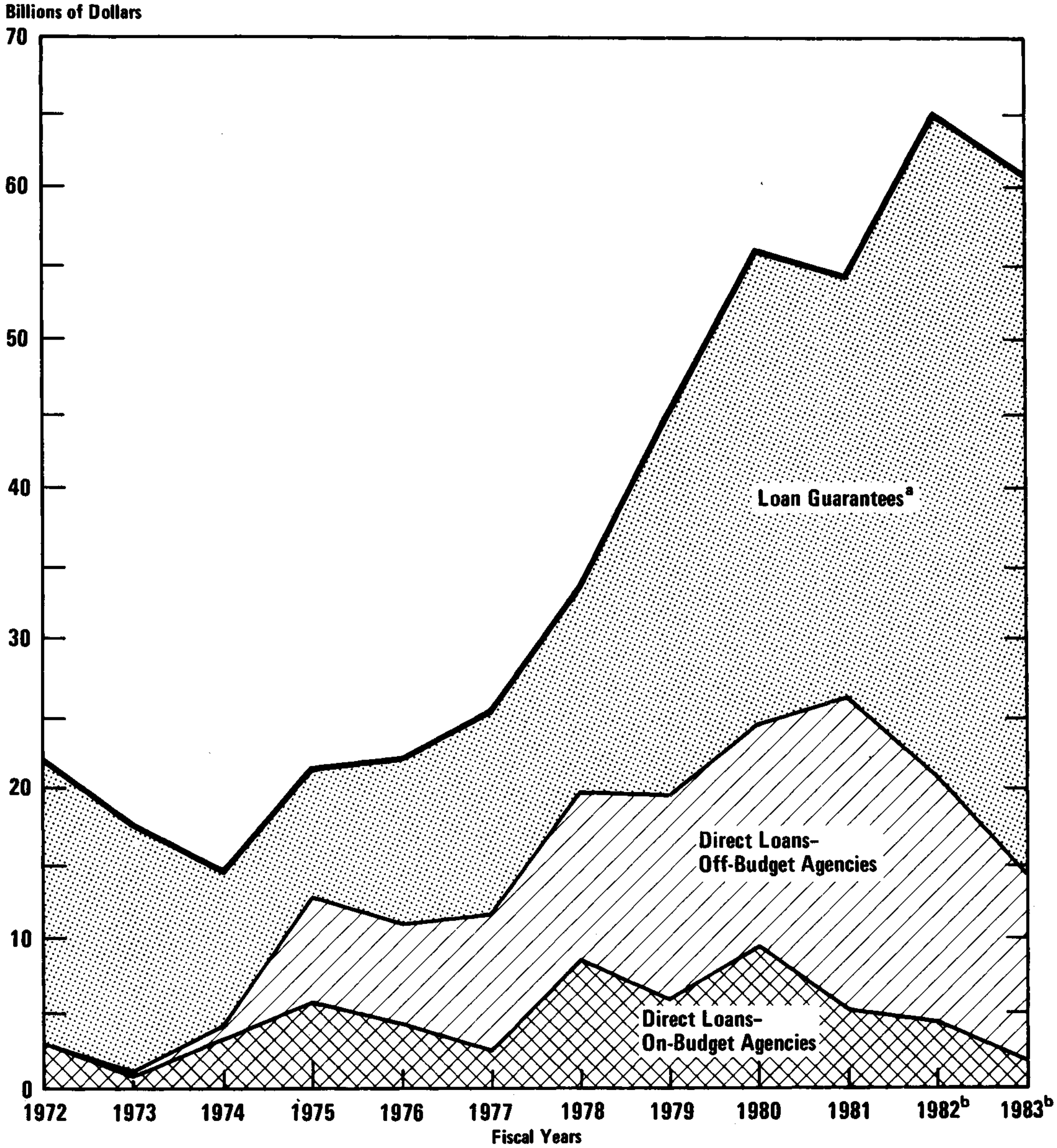
The federal government participates in domestic credit markets both as a lender and a borrower. It acts directly as a lender through federal loan and loan guarantee programs, the activities covered by the federal credit budget. It also affects credit markets indirectly through the lending activities of privately owned, government-sponsored enterprises, such as the Federal National Mortgage Association. The federal government borrows to support its operations. It borrows directly through the Treasury to finance on- and off-budget deficits; it participates indirectly as a borrower by guaranteeing loans of other borrowers and through the borrowing of government-sponsored enterprises.

Federal participation rates have grown steadily from 1974 to 1981. Federal direct and guaranteed lending as a percentage of all credit extended in the United States has grown from 8 percent to 13 percent in this period. If the lending of government-sponsored enterprises is added to these federal activities, the government was involved in 21 percent of all domestic lending in 1981. Federal participation in domestic credit markets as a borrower has increased from 7 to 26 percent from 1974 to 1981. Most of this growth has been in federal borrowing from the public to fund budget deficits. The addition of the borrowing of government-sponsored enterprises results in combined direct and indirect federal participation of 35 percent of all funds borrowed in domestic credit markets in 1981.

Another measure of the growth of federal credit is outstanding loans issued under federal auspices (see Figure 2). The Administration estimates that total loans outstanding will exceed $900 billion by the end of 1983. In the decade between 1974 and 1983, outstanding loans will have increased 217 percent. Any year in which there is positive lending, total outstanding loans increase. The outstanding loans represent the growing contingent liability of the government. Based on past experience, over 95 percent of these loans will ultimately be repaid.

Figure 1.

Components of Net Federal Credit, Fiscal Years 1972-1983

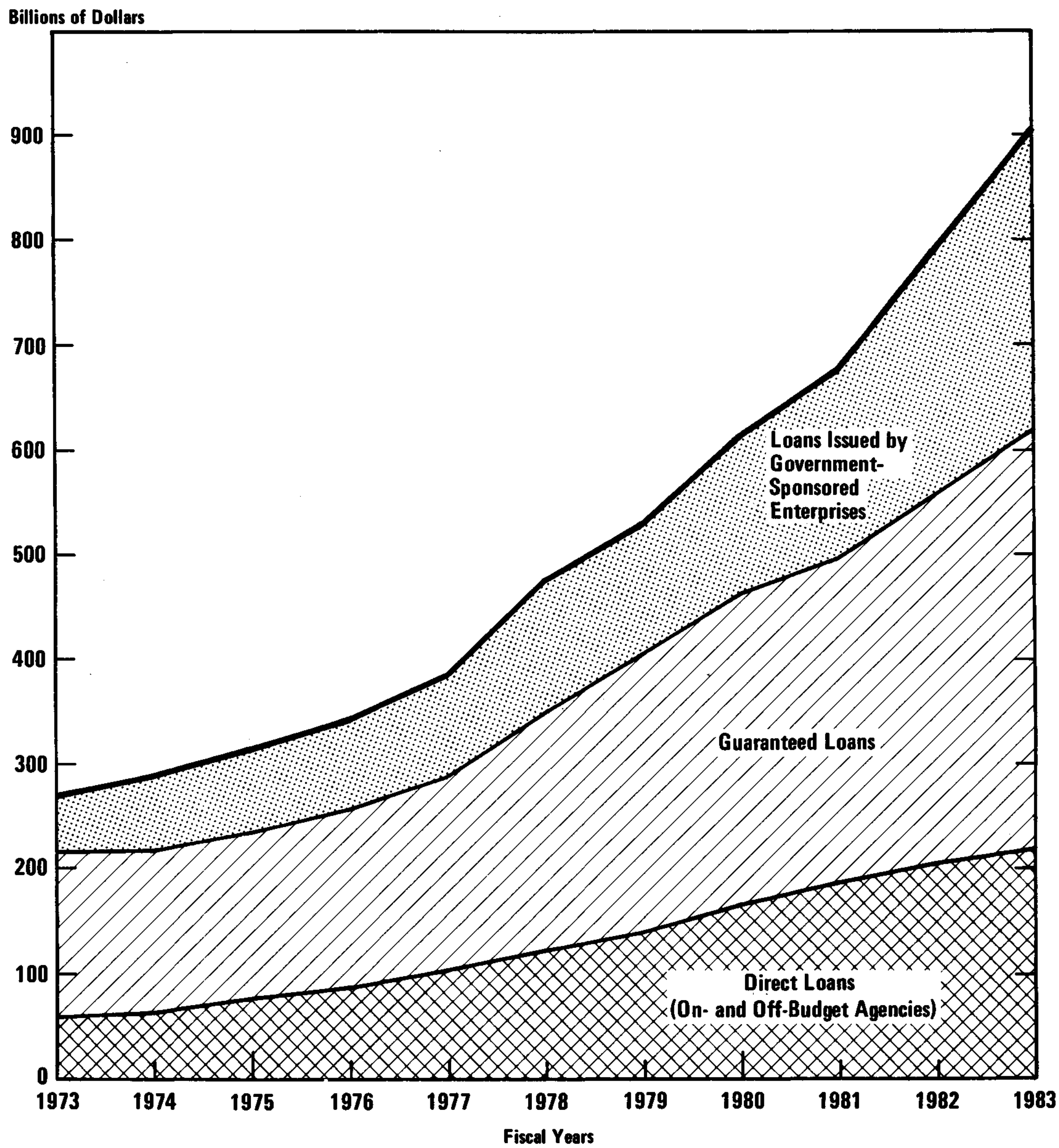


[a] Primary guarantees: excluding secondary guarantees and guaranteed loans acquired by on- and off-budget agencies.

[b] Estimates

SOURCE: *Budget of the United States Government, Fiscal, Year 1983,* Special Analysis F, Federal Credit Programs.

Figure 2.
Outstanding Loans Issued Under Federal Auspices



SOURCE: *Budget of the United States Government, Fiscal Year 1983,* Special Analysis on Federal Credit Programs.

ECONOMIC EFFECTS OF FEDERAL CREDIT

Control of federal credit activities is important because these programs can potentially change the allocation of credit among uses, the composition of economic activity, and the economy's growth rate. Federal credit also consumes scarce budget resources by providing substantial subsidies to some borrowers.

In the absence of government intervention, credit and investment resources flow into those uses in which rates of return, adjusted for risk, are perceived to be highest. Enterprises facing low prospective rates of return receive little credit in private markets. The government may intervene to change this allocation if it believes market perceptions of profitability and risk are wrong, or if it believes the market fails to take into account significant social costs and benefits of some activities.

In its direct loan programs, the federal government utilizes its premier standing in the credit markets to borrow at a risk-free rate and lend to selected borrowers at a lower rate than the borrowers could have obtained on their own. If the government loan goes to a borrower who would not have otherwise obtained the funds, another potential borrower may be denied credit or "crowded out" of the market by the government program. The key element in assessing the economic effects of such a reallocation of credit is to determine which borrower, the selected one or the one crowded out, would use the funds more productively.

Loan guarantees are similar in effect to direct loans. By assuming a large share of default risk, the government can direct resources to uses that would otherwise be regarded as too risky to qualify for financing. A federal loan guarantee does not reduce the real risk involved in a project or activity. Instead, it shifts the burden of risk from lenders to taxpayers. Crowding out of unguaranteed, but less risky borrowers, can occur, and the net effect on productivity and economic growth will depend on the relative value of the supported and unsupported activities. In fact, most federal financial assistance has been directed toward increasing the flow of credit into housing, agriculture, and troubled industries with low earnings.

Federal credit delivers substantial subsidies to some borrowers. When a federally sanctioned borrower who otherwise would pay 16 percent interest in private credit markets obtains funds at 6 percent, the federal government is providing a subsidy equal to 10 percent of the principal for each year the loan is outstanding. Interest rates for most direct loan programs are specifically set by law or result from formulas set by law. The Office of Management and Budget (OMB) estimates that, during 1983, newly committed loans and loan guarantees will provide interest subsidies to borrowers with a total present value of $14 billion. 2/

CREDIT IN THE BUDGET PROCESS

Credit in the Unified Budget

Despite its large volume, federal credit activity appears to be small in the unified budget. For example, net on-budget direct lending, the only portion of the credit budget included in the unified budget totals, accounted for less than 1 percent, or $5.2 billion, of outlays in 1981. The reason for the inclusion of only net credit in the unified budget is that the unified budget is a cash-flow budget. It is designed to present an accurate view of the federal government's effect on aggregate demand. Net lending by on-budget agencies is not, however, an adequate representation of the amounts of new credit extended each year by the federal government. It understates new credit extensions in three respects.

First, most direct lending is extended by off-budget agencies, whose activities are excluded by law from the unified budget totals. Net off-budget direct loans were $20.9 billion in 1981, compared to on-budget loans of $5.2 billion. These off-budget direct loans are similar to on-budget loans in every respect except that they are financed mainly by the off-budget Federal Financing Bank (FFB). They are primarily attributable to loan guarantees provided by the Farmers Home Administration, the foreign military sales credit program, the Rural Electrification Administration, and the Tennessee Valley Authority. These agency loan guarantees are converted to direct loans through FFB financing.

Second, budget authority is not recorded in the amount of loan guarantees. Since the unified budget is a cash-flow budget, cash disbursements and budget authority are not required unless a default occurs. A cash-flow budget cannot measure contingent liability or the volume of loan guarantees, but only the amount of money needed to cover defaults.

2/ Budget of the United States Government, Fiscal Year 1983, Special Analysis F, pp. 50-57.

Third, even when the unified budget records agency direct loan activities--again because it is a cash-flow budget--it obscures the actual volume of new credit channelled through the programs by subtracting repayments of old loans from the amount of new loans. For example, in 1980 the Commodity Credit Corporation extended almost $6 billion in loans to farmers. Repayments on loans extended in earlier years were even higher, however, so that the net loan outlays recorded in the budget were negative.

The Credit Budget

The credit budget totals seek to correct the shortcomings of the unified budget in presenting the allocative effects of federal credit assistance. The credit budget includes all new credit activities of the government on a gross basis: on-budget direct loans, off-budget direct loans, and loan guarantees. It does not, however, include activities of government-sponsored credit enterprises, which are not subject to annual budget oversight. Activity is recorded at the point of obligation or commitment for credit, rather than at the point when loans are actually made, because the obligation level is the point at which the Congress can exert some control.

In addition to focusing attention on the total level of federal credit activities, the credit budget improves control of individual programs. Specific limitations may be set on the authority of agencies to enter into new obligations.

The credit budget, as is the case with the unified budget, is initially submitted as a proposal of the President. The Administration's credit budget recommends both aggregate credit levels and specific proposals for individual programs. The Congress can act on the credit budget in two ways. First, in its concurrent budget resolutions, the Congress can set targets for total new credit activity. Second, the Congress can include limitations on new direct loan obligations and new loan guarantee commitments by program in appropriations bills. The credit budget gives the Administration and the Congress the means to exercise greater oversight of federal credit. Complete control of federal credit growth will only be achieved, however, when credit budgeting has become an integral part of the budget process, and when the allocation of resources through credit is considered as carefully as the allocation through direct spending.

Information on the credit budget is available from several sources within the President's budget documents. Part 5 of the budget provides function by function discussion of the Administration's requests, including proposals effecting federal credit. Special Analysis F, "Federal Credit

Activities," provides information on credit totals. This includes summary tables on the federal participation in domestic credit (F-1), total direct loans and loan guarantees by function (F-7), and interest subsidy values and costs for newly committed federal credit assistance (F-11a and F-11b). Detailed data on each credit program are provided by account in the Appendix to the budget in the schedules entitled "Status of Direct Loans" and "Status of Loan Guarantees." Samples of these schedules are contained in Appendix B. The narrative on each program often contains information on the number of loans to be made or guaranteed, the approximate value of each, and the terms under which they are issued. Information relating to the average interest rates and maturities of all direct loans is not in this narrative. It can be found, however, in Tables 11a and 11b of Special Analysis F.

PLAN OF THE PAPER

This paper provides information to assist the Congress in reviewing the 1982 and 1983 credit budget totals and the Administration's proposed limitations on individual programs. Chapter II discusses the Administration's new credit budget proposals for 1982 and 1983, as presented in the President's February budget. Chapter III discusses Congressional action on credit budget resolutions and appropriations limitations. Chapter IV describes each active program in the credit budget by function.

The paper provides an overview of the Administration's 1983 credit budget, bringing together information from all of the Administration's budget documents. It also presents comparisons between the 1982 credit budget acted upon by the Congress and the Administration's new proposals for 1982 and 1983. The paper does not provide Congressional Budget Office (CBO) reestimates of the lending activities proposed by the Administration.

CHAPTER II. OVERVIEW OF THE ADMINISTRATION'S CREDIT PROPOSALS

The Administration's 1983 credit budget proposes that the Congress set a target of $147.3 billion for credit assistance in its concurrent budget resolution and requests limitations for many individual programs. The Administration has also proposed substantial revisions to the 1982 credit budget. To achieve proposed 1982 program levels, the Administration has requested reductions in enacted appropriations limitations for some programs; it proposes administrative changes for others; and some programs will decline simply because of economic conditions. This chapter reviews the Administration's credit budget proposals.

CREDIT BUDGET TOTALS

The Administration's credit budget for 1983 projects that total credit activity will rise slightly from its estimated credit totals for 1982. Estimates of 1982 activity, however, assume substantial cuts from the credit budget approved by the 97th Congress during its first session. With these cuts, the Administration's 1983 credit budget would significantly reduce credit activity for most programs.

The Administration's 1983 credit budget requests $49.0 billion in new direct loan obligations and $98.4 billion in new primary loan guarantee commitments. The 1983 request for new direct loans is 13 percent below the revised request for 1982 and 19 percent below the 1982 base. The 1983 request for primary loan guarantees is 13 percent above the revised request for 1982, but 6 percent below the 1982 base. The major reason for the increase in primary guarantees is the expected improvement in housing markets and a corresponding increase in demand for federal housing assistance. The Administration estimates that credit budget totals will increase by 3 percent in 1983 over its revised credit budget for 1982. The 1983 request for secondary guarantees calls for a 21 percent decrease from the 1982 revised request and a 44 percent decrease from the 1982 base.

The "1982 base" concept, included in Table 1 and elsewhere in this report, provides a comparison with credit program levels prior to adjustment for the Administration's current year policy changes. The 1982 base figures are the estimates for the credit budget used by the Congress in the first session of the 97th Congress, both in compiling the concurrent budget resolutions for 1982 and in action on 1982 appropriations limitations. When they have been enacted, appropriated limitations were used to determine

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the 1982 base. Estimates for open-ended direct loan programs not limited by appropriations were adjusted to reflect action on budget authority when appropriate. The 1982 base has been adjusted to show full principal rather than contingent liability to facilitate comparison with the Administration's numbers.

TABLE 1. TOTAL CREDIT BUDGET (By fiscal year, in billions of dollars)

Credit Activity	1981 Actual	1982 Base a/	Administration Estimates 1982	Administration Estimates 1983
Direct Loan Obligations				
On-budget	40.9	42.7	39.9	31.8
Off-budget	31.5	31.3	29.7	25.6
Gross Direct Loan Obligations	72.4	73.9	69.5	57.3
Less FFB sales of loan assets	-15.2	-13.5	-13.2	-8.3
New Direct Loan Obligations	57.2	60.5	56.4	49.0
New Loan Guarantee Commitments	152.7	205.7	166.1	161.5
Less				
Secondary loan guarantees	-44.1	-68.8	-48.7	-38.4
Guaranteed loans held as direct loans				
FFB	-30.3	-30.0	-28.5	-24.7
GNMA	- 1.8	- 2.0	- 1.9	---
Primary Guarantees	76.5	104.9	87.1	98.4
Credit Budget Total	133.7	165.4	143.4	147.3

SOURCE: The Administration estimates are taken from the Budget of the U.S. Government, Fiscal Year 1983, Part 3, p. 3-24; 1982 base figures are taken from the CBO's Credit Budget Scorekeeping System.

a/ Adjusted to reflect full principal for loan guarantees rather than contingent liability, an increase of $17.1 billion in primary guarantees.

One important accounting change in the credit budget for 1983 is that loan guarantees are measured by the full principal amount of the guaranteed loan and not just by that portion of principal guaranteed, for example, 90 percent. In the 1981 and 1982 credit budgets, loan guarantee figures reflected only the government's contingent liability and not the full amount of partially guaranteed loans. This shift better reflects the effect of loan guarantees on capital markets, by showing the total amount of resources affected by the government's intervention. This change is of consequence for only one large program: Veterans Administration (VA) mortgage guarantees. The adjustment of 1982 base figures to full principal increases the primary guarantee figure by approximately $17 billion. The contingent liability, or actual portion of the loan that the government would have to pay in the case of default, is still shown in memorandum entries in the Appendix to the 1983 budget.

REVISIONS TO THE 1982 CREDIT BUDGET

In its September budget statement, the Administration announced its intention to reduce the credit budget to restrain federal credit demands on private markets and reduce interest rate pressures in the open markets. In November, the Administration released details of $20.3 billion in cuts for 1982 loan guarantee programs. The Administration's revised request for 1982 included in the February budget incorporates most of those cuts. It proposes reductions of $5.5 billion in direct loans, $19.1 billion in primary loan guarantees (see Table 2). It also proposes cutting secondary loan guarantees by $20.2 billion. The majority of the proposed reductions result from changing economic conditions or administrative actions to restrict program eligibility. Specific legislation is proposed to establish lower appropriations limitations for a number of programs (see Table 3 on page 14).

Most of the large credit budget cuts for 1982 reflect the Administration's reestimates of program requirements. The largest direct loan cut involves the National Credit Union Administration's Central Liquidity Facility, for which the previous estimate was inflated far beyond program requirements. The actual demand for loans by credit unions is expected to be $330 million, a reduction of $3.3 billion. This change results from a reestimate by the Administration and reflects no program changes. The largest loan guarantee adjustments are in Federal Housing Administration (FHA) and Veterans Administration (VA) housing programs, both of which show significant reductions because of the economic conditions in the housing market and the resulting decline in demand from qualified borrowers. The elimination of all loan guarantees for the Synthetic Fuel Corporation is based on an Administration policy decision that all projects will be supported through price guarantees that are not considered credit assistance. While this decision is within the Administration's discretion, it is a restrictive interpretation of the Synthetic Fuel Corporation's charter, which also provided for loan guarantees. Small Business Administration (SBA) surety bond guarantees are also eliminated, based on a change in definitions. The Administration no longer views surety bond guarantees, which are primarily used to guarantee the performance of construction contractors, as credit assistance. While the government does assume a contingent liability, surety bond guarantees are not guarantees of loans and do not involve the allocation of credit.

TABLE 2. MAJOR CHANGES IN THE 1982 CREDIT BUDGET TOTALS (In billions of dollars)

Major Programs	Direct Loan Obligations	Guaranteed Loan Commitments
1982 Credit Budget Base	60.5	104.9
Changes		
Central Liquidity Facility	-3.3	---
Rural Electrification Administration	---	-0.9
Export-Import Bank	---	-1.2
Federal Housing Administration fund	---	-11.4
Synthetic Fuels Corporation	---	-2.0
Small Business Administration surety bonds guarantees	---	-1.2
Guaranteed student loans	---	+2.5
Veterans Administration housing	---	-5.7
Other	-2.8	+2.1
Total change	-6.1	-17.8
Revised 1982 Credit Budget Totals	56.4	87.1

SOURCE: CBO's Credit Budget Scorekeeping System.

The only sizable increase in the Administration's revised 1982 credit budget is $2.5 billion in the estimate for the guaranteed student loan program, raising its level to $9.5 billion.

The Administration has proposed new appropriations limitations whenever the 1982 revised credit total requests are lower than the currently authorized direct loan obligations and loan guarantee commitments. In many cases, appropriations limitations for credit programs have established the ceilings for new direct loan obligations and loan guarantee commitments. In others, the authorization for the program establishes a limit on the program level. The Administration's requested limitations would further restrict the program levels however they are set (see Table 3). The largest decrease is the proposed $20.2 billion cut in the appropriations limit for the Government National Mortgage Association (GNMA) mortgage-backed securities, a secondary guarantee program. Reductions in appropriated limits are also proposed for both the direct loans and loan guarantees of the International Trade Administration, loan guarantees of the Rural Electrification Administration (REA), and aircraft purchase loan guarantees. The limitations proposed for the Economic Development Administration (EDA) and the SBA would restrict authorizations rather than revise previously enacted appropriations limitations.

THE 1983 CREDIT BUDGET

The Administration's 1983 credit budget request proposes further cuts. Table 4 lists major changes between the Administration's revised 1982 and 1983 proposals. The major changes for direct loan programs are reductions in the Farmers Home Administration's (FmHA) rural housing and rural development programs and elimination of SBA direct loans to businesses. The Administration has also proposed no direct loans for the Commodity Credit Corporation (CCC) programs of short- and medium-term export loans. (No CCC direct loans for exports were obligated in 1981 or 1982, but a $2 billion limitation was enacted for 1982.) The major increases in guarantee loan commitments are for VA and FHA mortgage guarantees and low-income public housing. As noted previously, the increase reflects anticipated higher demand for housing, rather than a policy change. The increase in low-income housing guarantees results from the assumed refinancing of existing short-term bonds and notes already outstanding to finance public housing projects. It does not reflect new federal investment in low-income public housing.

The Administration's credit budget proposals assume no additional direct loan obligations or loan guarantee commitments for a number of existing credit programs in either 1982 or 1983. The total reductions amount to direct loan savings from the 1982 base of $1.4 billion in 1982 and $3.6 billion in 1983. The loan guarantee savings from the 1982 base are estimated to be $3.3 billion in 1982 and $4.4 billion in 1983. Table 5 lists the affected programs. In the Omnibus Reconciliation Act of 1981, the Congress concurred with the Administration's proposal to make the National

TABLE 3. NEW PROPOSALS FOR 1982 APPROPRIATIONS LIMITATIONS (In millions of dollars)

Program	Direct Loans		Loan Guarantees a/	
	Enacted Limitation	Proposed Limitation	Enacted Limitation	Proposed Limitation
Economic Development Administration	---	30	---	45
International Trade Administration	20	12	38	28
Small Business Administration				
Business Loan and Investment Fund	---	---	---	2,735
Pollution Control Equipment	---	---	---	150
Rural Electrification Administration	---	---	5,145	4,245
Aircraft Purchase Loan Guarantee Program	---	---	100	50
Government National Mortgage Association				
Guarantees of mortgage-backed securities b/	---	---	68,250	48,000

SOURCE: Appendix to the Budget of the U.S. Government, Fiscal Year 1983, Part III, "Proposed Supplementals and Rescission Proposals."

a/ Amount shown reflects contingent liability for loan principal.

b/ GNMA mortgage-backed securities are secondary guarantees and, as such, are deleted from the credit budget totals to avoid double counting.

Consumer Cooperative Bank a private enterprise. The Congress has previously rejected proposals to terminate funding for college housing loans and the GNMA tandem plan.

TABLE 4. MAJOR CHANGES BETWEEN THE REVISED 1982 AND 1983 CREDIT BUDGET TOTALS (In billions of dollars)

Major Programs	Direct Loan Obligations	Guaranteed Loan Commitments
Revised 1982 Credit Budget Totals	56.4	87.1
Changes		
Export-Import Bank	-0.6	---
Farmers Home Administration	-2.6	-0.6
Rural Electrification Administration	-0.4	-0.5
Small Business Administration	-0.4	-0.3
Low-income public housing	-0.5	1.5
International security assistance	1.0	0.8
CCC export loans	-2.0	---
FHA fund	-0.1	6.4
Veterans Administration housing	a/	2.9
Other	-1.8	1.0
Total change	-7.4	11.3
1983 Credit Budget Totals	49.0	98.4

SOURCE: Budget of the U.S. Government, Fiscal Year 1983, Part 3, p. 3-25.

a/ Less than $50 million.

The Administration's 1983 proposal for $49.0 billion in total direct loans far exceeds the amount that actually will be lent directly by federal agencies for new activities (see Table 6). Direct lending for new activities will be limited to $23.5 billion or 48 percent of the proposed total new direct loan obligations. Support to farmers and rural communities through the CCC and the FmHA will account for $11.9 billion; international assistance and aid to U.S. exporters will amount to another $7.6 billion. Direct loans for new activites have been reduced by 33 percent since 1981, a far larger cut than the 14 percent cut in total new direct loans would suggest.

TABLE 5. CREDIT PROGRAMS FOR WHICH NO FUNDS ARE REQUESTED IN 1983 (By fiscal year, in millions of dollars)

Credit Program	1982 Base	1982 Revised Request	1983 Estimate
Direct Loan Obligations			
Energy supply, R & D	6	---	---
Self-help housing	2	2	---
International Trade Administration	20	12	---
Self-help development	14	11	---
National Consumer Co-op Bank	260	---	---
Federal Savings and Loan Insurance Corporation (FSLIC)	877	---	---
GNMA tandem plan	1,973	1,983	---
Rail service assistance	113	35	---
Regional rail reorganization program	1	1	---
Coastal energy impact	7	1	---
College housing loans	75	---	---
Student financial assistance	286	179	---
Subtotal	3,634	2,224	---
Loan Guarantee Commitments			
Defense production guarantees	30	---	---
Synthetic Fuels Corporation	2,000	---	---
SBA surety bond guarantees	1,200	---	---
Rail service assistance	34	---	---
Aircraft purchase loan guarantees	100	55	---
Railroad rehabilitation and improvement financing fund	270	135	---
Community development grants	225	125	---
Guarantees of Student Loan Marketing Association obligations	500	700	---
Subtotal	4,359	1,015	---

SOURCE: Administration estimates are taken from the Status of Direct Loans and Loan Guarantees schedules in the Appendix to the Budget of the U.S. Government, Fiscal Year 1983; 1982 Base figures are taken from the CBO's Credit Budget Scorekeeping System.

TABLE 6. DISTRIBUTION OF DIRECT LOAN OBLIGATIONS BY PURPOSE
(By fiscal year, in billions of dollars)

Purpose	1981 Actual	1982 Base	Administration Estimate 1982	Administration Estimate 1983
New Direct Loans	35.1	34.9	30.9	23.5
Direct Loans to Repay Guarantee Claims	2.5	2.4	2.4	2.3
Direct Loans to Repurchase Loan Assets	4.5	7.6	7.6	6.8
Agency Guaranteed loans Held as Direct Loans by the FFB	15.1	15.6	15.2	16.4
Total	57.2	60.5	56.1	49.0

SOURCE: Administration estimates are taken from the Status of Direct Loans and Loan Guarantees schedules in the Appendix to the Budget of the U.S. Government, Fiscal Year 1983; 1982 Base figures are taken from CBO's Credit Scorekeeping System.

The other half of total direct loans that will not result in direct lending by federal agencies fall into three categories. First, direct loans to cover guarantee default claims will account for $2.3 billion or 5 percent of the total direct loans. Second, $6.8 billion, or 14 percent, will be obligated to repurchase loan assets held by the FFB. These loan asset repurchases are required because, in an attempt to hold down program interest costs, the Farmers Home Administration and the Rural Electrification Administration originally financed long-term loans with shorter-term loan asset sales to the FFB. The remaining 34 percent of total direct loans will be for agency-guaranteed loans held and disbursed by the FFB (see Table 7). The agency-guaranteed loans support new activities similar to direct loans for new activities, but as FFB loans differ in two respects: they are off-budget and the funds are lent at near Treasury borrowing rates rather than subsidized rates.

The Administration also proposes to reduce total federal borrowing through reductions in the transactions of the off-budget Federal Financing Bank (FFB). Net outlays from FFB activities are estimated to drop from $21 billion in 1981 to $12 billion in 1983 (see Table 7). The FFB purchases

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transactions result in off-budget outlays. 3/ To finance its purchases, the FFB borrows from the Treasury. The Administration has proposed a significant reduction in loan asset sales by the Farmers Home Administration to the FFB, reflecting reductions in program activity. It has also proposed that the Student Loan Marketing Association no longer finance its activities through the FFB. Table 7 provides an overview of the distribution of FFB lending.

For 1983, the Administration has continued to propose exemptions from limitation for a substantial portion of the credit budget (see Table 8). A majority of these programs are entitlements or mandatory programs, such as direct loans for the Commodity Credit Corporation (CCC) price supports, guaranteed student loans, and Veterans Administration mortgage guarantees. The Administration also continues to exempt the financing transactions of the Federal Financing Bank (FFB) from limitation, an action that potentially leads to an uncontrolled increase in off-budget outlays. Exemptions are proposed for a limited number of programs for other policy reasons, as follows:

1983 Request
(In millions of dollars)

Program	Direct Loans	Guaranteed Loans
Public Law 480 Export Sales	767	---
CCC Export Credit	---	2,500
Federal Highway Administration	32	---
College Housing Loans	100	---
Tennessee Valley Authority	80	5,289
NASA Satellite Leases	---	171

3/ See Congressional Budget Office, The Federal Financing Bank and the Budgetary Treatment of Federal Credit Activity (January 1982).

TABLE 7. DISTRIBUTION OF FEDERAL FINANCING BANK DIRECT LENDING (By fiscal year, in millions of dollars)

Credit Activity	1981 Actual	Administration Estimates 1982	Administration Estimates 1983
Purchases of Agency Loan Assets			
Farmers Home Administration	14,510	12,521	7,804
Rural Electrification Admin.	683	623	525
Health Maintenance Organizations	15	28	16
Subtotal	15,208	13,173	8,346
Agency-Guaranteed Loans Held as Direct Loans			
Foreign military credit sales	2,505	3,320	4,400
Rural Electrifiction Admin.	4,007	4,311	4,136
Student Loan Marking Assoc.	1,955	700	---
Alternative fuels and other energy programs	18	498	915
Low-rent public housing	822	1,261	1,026
Railroad programs	1,794	173	58
TVA--Seven States Energy Corporation	3,624	4,285	5,289
Other	336	656	531
Subtotal	15,061	15,204	16,355
Total FFB New Lending	30,269	28,377	24,701
Net Outlays	20,956	16,217	12,071

SOURCE: Administration estimates are taken from Special Analysis F of the Budget of the U.S. Government, Fiscal Year 1983; Table F-5.

TABLE 8. DISTRIBUTION OF CREDIT BUDGET REQUESTS BETWEEN THOSE PROPOSED FOR APPROPRIATIONS LIMITATIONS AND THOSE EXEMPTED (By fiscal year, in billions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Programs Under Appropriations Limitations	16.6	16.3	14.8	77.6	93.8	93.1
Programs Exempt from Appropriations Limitations						
Entitlement and mandatory programs	8.3	10.2	7.8	38.8	47.3	52.5
Insurance programs	a/	a/	a/	.1	.1	.1
Financing transactions	34.8	36.0	31.4	14.6	12.6	7.8
Defaulting guaranteed loans	2.5	2.4	2.3	---	---	---
Other policy exemptions	1.0	1.2	1.0	5.8	7.0	8.0
Programs previously exempted	9.2	3.3	---	15.8	5.4	---
Subtotal, exempt programs	55.8	53.2	42.5	75.1	72.3	68.4
Less Deductions to Eliminate Double Counting	-15.2	-13.2	-8.3	-76.2	-79.1	-63.1
Credit Budget Totals	57.2	56.4	49.0	76.5	87.1	98.4

SOURCE: Special Analysis F of the Budget of the U.S. Government, Fiscal Year 1983, Table F-2.

a/ Less than $50 million.

CHAPTER III. CONGRESSIONAL ACTION ON THE CREDIT BUDGET

The Congress exercises control of the credit budget by setting nonbinding targets for aggregate new credit activities in the concurrent budget resolutions and by enacting limitations on individual programs in appropriations legislation. Credit budget targets were first included in the concurrent budget resolutions for 1981 and 1982. During the first session of the 97th Congress, both the House and Senate Budget Committees considered legislation providing for the formal inclusion of the credit budget in the Congressional budget process. This chapter describes actions taken by the Congress on the credit budget during that session.

BUDGET RESOLUTIONS

In the concurrent budget resolutions for 1982, the Congress set targets for direct loans and for primary and secondary loan guarantees (see Table 9). The Administration's revised 1982 request for direct loans exceeds the budget resolution target. The revised requests for primary and secondary guarantees are substantially below the targets. The differences between these targets and the revised requests result from the Administration's cuts in loan guarantee programs and from reestimates because of changed economic conditions.

APPROPRIATIONS LIMITATIONS

The Congress enacted appropriations limitations for 1982 on 38 percent of total direct loan obligations and 73 percent of total loan guarantee commitments. (The basis for these percentages is the Administration's July 1981 request, the last formally transmitted request prior to action on the appropriations bills.) These limitations amounted to 94 percent of the direct loan amounts proposed for limitation by the Administration and 104 percent of the limitations requested for guarantees. Table 10 provides a comparison between the July request, appropriations action, and the revised request for 1982.

Most of the subcommittees responded to the Administration's proposed limitations by setting limitations. In some cases, however, limitations were not enacted. The foreign operations bill did not include limitations for either the functional development assistance program or the economic support fund. The program levels for these programs were determined by the budget authority appropriated. The Commerce, Justice, State and Judiciary bill has not yet been enacted and the continuing resolution did not include limitations for the largest credit programs covered by this bill—the SBA and federal ship financing programs. The Senate appropriations bill included limitations for these programs, but the House bill did not. In three instances the Congress enacted program limitations that the Administration had not requested: the Overseas Private Investment Corporation, National Consumer Cooperative Bank, and the college housing program.

TABLE 9. COMPARISON BETWEEN THE BUDGET RESOLUTION FOR FISCAL YEAR 1982 AND THE PRESIDENT'S REQUESTS FOR FISCAL YEARS 1982 AND 1983 (In billions of dollars)

	1982		
	Budget Resolution	Revised Request	1983 Request
New Direct Loan Obligations	51.9	56.4	49.0
New Primary Loan Guarantee Commitments	85.1 a/	87.1	98.4
New Secondary Loan Guarantee Commitments	70.1	48.7	38.4
Sense of Congress			
FFB origination of direct loans guaranteed by other federal agencies	16.4	15.2	16.4
FFB purchases of loan assets from federal agencies	6.5	13.2	8.3

SOURCE: Budget Resolution figures are taken from the Conference Report on the First Concurrent Resolution on the Budget--Fiscal Year 1982. Administration estimates are taken from the CBO's Credit Budget Scorekeeping System.

a/ The Administration's requests for 1982 and 1983 are stated in terms of the full principal of the loans guaranteed. A comparable figure for the budget resolution would be $102.2 billion.

The final continuing resolution (Public Law 97-92) enacted December 15, 1981, included the "Levin Amendment" (Section 136), language intended to set as mandatory program levels for loan guarantees any limits established in the continuing resolution or in the HUD-Independent Agencies appropriations bill. The amendment was proposed to prevent reductions in credit programs through administrative actions. It was prompted by the Administration's announcement on November 5, 1981, that it intended to reduce administratively a number of credit programs below the levels established in the appropriations bill. The impoundment control provisions in the Impoundment Control Act of 1974 prohibit impoundment of budget authority enacted by the Congress, but loan guarantees do not require budget authority since they result only in contingent liabilities for the government. Section 136 required commitment of funds up to levels established in the appropriations bill or continuing resolution, except in those programs for which there are insufficient qualified borrowers. The Administration's requests for additional limitations in 1982 responded to this requirement (see Table 5 in Chapter II).

TABLE 10. 1982 APPROPRIATIONS LIMITATIONS ON CREDIT PROGRAMS, BY APPROPRIATIONS SUBCOMMITTEE (In millions of dollars)

	Direct Loans			Loan Guarantees		
Subcommittee	July Request	Approp. Action	Revised Request	July Request	Approp. Action	Revised Request
Agriculture	7,417	10,205	10,206	6,957	7,131	5,021
Commerce, Justice, State, Judiciary	731	20	42	5,608	38	2,958
Defense	---	---	---	30	30	---
District of Columbia	155	145	145	---	---	---
Energy and Water Development	28	67	67	---	---	---
Foreign Operations	7,251	5,160	5,160	11,043	12,554	12,554
HUD-Independent Agencies	8,944	7,577	7,317	100,009	109,231	88,981
Interior	15	15	15	28	28	61
Labor, Health and Human Services, and Education	76	150	76	176	76	276
Transportation	---	---	---	423	373	323
Treasury	---	---	300	---	---	300
Total	24,617	23,340	23,324	124,272	129,459	110,472

SOURCE: CBO's Credit Budget Scorekeeping System.

NEW CREDIT BUDGET PROPOSALS

The implementation of the federal credit budget to date has been accomplished through adjustments within the Congressional budget process but has not involved changes in law. The budget resolutions have contained nonbinding credit budget targets under the general authority provided by section 301(a)(6) of the 1974 budget act. That language provides for the inclusion in the budget resolutions of "such other matter relating to the budget as may be appropriate to carry out the purposes of this Act." Similarly, the Appropriations Committees have established annual limitations on credit program levels under their general mandate to appropriate revenue for the support of the government (House Rule XXI; Senate Rule XVI). Both Budget Committees initiated efforts during the first session of the 97th Congress to consider formal inclusion of credit in the Congressional budget process.

In the House, the Federal Lending and Oversight Control Act (H.R 2372), introduced by Congressmen Mineta and Bethune, has 228 cosponsors. This bill provides for the amendment of all relevant sections of Title III and Title IV of the budget act to require inclusion of credit program levels in the Congressional budget process. Budget resolutions, committee reporting requirements, and point of order language would all apply to credit programs. The bill is now pending before the House Committee on Rules, which has jurisdiction over the budget act.

The Senate Budget Committee Task Force on Credit, under the chairmanship of Senator Gorton, is reviewing the economic and budgetary implications of federal credit activity and is expected to recommend appropriate changes in the budget process to the Senate Budget Committee by March 15, 1982. The principal credit budget bill pending in the Senate is S. 265, the Federal Lending Program Control Act of 1981, introduced by Senator Percy. The bill's provisions are similar to the Mineta-Bethune bill. The Senate Governmental Affairs Committee, which shares jurisdiction with the Senate Budget Committee on budget act revisions, has tentatively scheduled a hearing on S. 265 for later this spring.

CHAPTER IV. THE CREDIT BUDGET BY MAJOR BUDGET FUNCTION

This chapter provides a function by function discussion of the Administration's estimates of federal credit activities for 1982 and 1983 and its requested appropriations limitations. A summary table of total direct loan obligations and loan guarantee commitments proposed for 1982 and 1983 is provided for each function containing active credit programs. Actual program levels are given for 1981. The estimates are then discussed in terms of the Administration's requests and CBO's 1982 base.

Data on credit programs in this chapter are from the Appendix to the Budget of the United States Government, Fiscal Year 1983. The source is the series of schedules entitled "Status of Direct Loans" and "Status of Loan Guarantees" that follow the "Programs and Financing" schedule for each budget account containing credit activity. The tables are taken from Part 5 of the Budget, "Meeting National Needs: The Federal Program by Function."

Table 11 summarizes the 1983 proposed credit activities by function. Direct loan programs are concentrated in three functions: agriculture, energy, and international affairs. The majority of guaranteed lending supports housing through the Commerce and Housing, Veterans Affairs, and Income Security functions. The functional distribution of the credit budget was included for the first time in the 1982 targets of the first concurrent resolution and in the House and Senate Budget Committee reports on the resolution.

TABLE 11. CREDIT BUDGET BY FUNCTION, FISCAL YEAR 1983 (In millions of dollars)

Function		Direct Loan Obligations	Primary Guarantee Commitments	Secondary Guarantee Commitments
050	National Defense	---	---	---
150	International Affairs	12,215	7,779	---
250	General Science, Space and Technology	171	---	---
270	Energy	11,182	-1,816 a/	
300	Natural Resources	39	---	---

(Continued)

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TABLE 11. (Continued)

Function	Direct Loan Obligations	Primary Guarantee Commitments	Secondary Guarantee Commitments
350 Agriculture	13,818	2,631	---
370 Commerce and Housing Credit	5,938	37,730	38,400
400 Transportation	117	542	---
450 Community and Regional Development	1,715	-104 a/	---
500 Education, Training, Employment and Social Services	648	10,300	---
550 Health	40	88	---
600 Income Security	1,031	18,745	
700 Veterans' Benefits and Services	936	22,451	
750 Administration of Justice	---	---	---
800 General Government	---	8	---
850 General Purpose Fiscal Assistance	145	---	
Total	48,994	98,354	38,400

SOURCE: Budget of the U.S. Government, Fiscal Year 1983, Special Analysis F, Table F-7.

a/ Primary guarantee amounts are negative because the sum of new loan guarantee commitments is less than the sum of adjustments for loan asset sales and guarantees held as default by the FFB.

FUNCTION 050: NATIONAL DEFENSE

The national defense function contains only one credit program: direct loans and loan guarantees administered by the Department of Defense to assist private businesses to fulfill defense production contracts. No credit has been extended under this program in recent years, however. The Administration does not plan to issue any new loan guarantee commitments during 1982, although a $30 million limit for this purpose was approved in the 1982 Defense Appropriation Act. The Administration has proposed that no new loan guarantee authority be provided for 1983.

FUNCTION 150: INTERNATIONAL AFFAIRS

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Foreign Military Sales Credit a/	500	750	1,739	2,546	3,084	3,929
Economic Support Fund	274	216	895	---	---	---
Bilateral Development Credit	401	403	403	229	250	250
Public Law 480 Food Aid	821	754	767	---	---	---
Export-Import Bank	5,431	4,400	3,830	7,416	8,000	8,000
Other International Assistance	165	171	181	---	---	---
Off-Budget Federal Entity						
Federal Financing Bank b/						
Foreign military sales credit	2,505	3,320	4,400	---	---	---
Subtotal	10,097	10,014	12,215	10,192	11,334	12,179
Less						
Guaranteed loans held as direct loans by the FFB						
Foreign military sales credit	---	---	---	-2,505	-3,320	-4,400
Total, international affairs	10,097	10,014	12,215	7,687	8,014	7,779

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit assistance in the international affairs function includes loans to foreign countries for economic development, the purchase of military equipment, and export financing of U.S. surplus commodities. International trade is promoted through assistance to U.S. firms doing business overseas and to foreign countries and businesses making purchases in the United States. The Export-Import Bank is one of the largest federal credit programs.

Export-Import Bank

The Export-Import Bank (Eximbank) is a wholly owned government corporation that aids in financing exports by U.S. firms to foreign purchasers. Eximbank provides direct loans, loan guarantees, insurance, or reinsurance on concessionary terms and conditions that lower the cost of U.S. products competitive with foreign products. Eximbank's authority for loans, guarantees, or insurance outstanding is limited to $40 billion (12 U.S.C. 635e). In addition, an annual limitation on program activity and administrative expenditures has been included in Foreign Assistance Appropriations Acts.

For 1983, the Administration proposes to reduce direct lending by the Bank to $3.8 billion, a 13 percent cut from the 1982 appropriation. During 1982, the Administration plans to issue $8 billion in new loan guarantee commitments, a reduction of $1.2 billion from the appropriated limitation. The Administration intends to use restrictive eligibility criteria to reduce the number of qualified borrowers. The Administration proposes to continue Eximbank guarantees at the $8 billion program level for 1983. The Administration feels that the reductions in program levels are necessary to insure the targeting of resources in the most efficient manner and to reduce federal subsidies that distort market forces.

Foreign Military Sales Credits

Foreign military sales credits consist of direct credits and loan repayment guarantees to enable foreign governments to purchase U.S. defense goods, services, and training. New lending activity in 1983 is estimated to be $5.6 billion, an increase of $1.8 billion above the 1982 level. Direct loans would total $1.7 billion, an increase of $989 million over 1982 appropriations. New loan guarantee commitments would increase by $845 million, to $3.9 billion in 1983. Direct loans made by the Federal Financing Bank (FFB) and guaranteed by this program would increase to the same levels. All the foreign military sales credit activity is financed through the Federal Financing Bank and as such is considered to be off-budget direct and guaranteed loan activity.

Economic Support Fund

The Economic Support Fund is used primarily to provide economic assistance in the form of grants or direct loans to certain countries to support U.S. efforts to achieve stability in these areas. Loans from the fund require annual authorization and appropriations equal to their face value.

In the past, loans requested from the fund have been converted to grants through Congressional action. As a result of the conversion to grants, only $216 million in direct loans are expected to be obligated for 1982. For 1983, the Administration has requested a limitation of $895 million, an increase of $679 million.

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
NASA Satellite Leases a/	---	---	---	111	206	171
Off-Budget Federal Entity						
Federal Financing Bank b/						
NASA satellite leases	111	206	171	---	---	---
Subtotal	111	206	171	---	---	---
Less						
Guaranteed loans held as direct loans by the FFB						
NASA satellite leases	---	---	---	-111	-206	-171
Total, general science, space and technology	111	206	171	---	---	---

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

There is only one credit program in function 250: guarantees by NASA of loans to Western Union Space Communications, Inc. for the construction of the Tracking and Data Relay Satellite System (TDRSS). The Federal Financing Bank provides direct loans to Western Union, which are guaranteed by NASA through a ten-year service contract. For 1983, the Administration estimates new loan guarantee commitments of $171 million.

FUNCTION 270: ENERGY

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Tennessee Valley Authority a/	102	83	80	3,624	4,285	5,289
Alternative Fuels Production a/	---	---	---	3,253	---	---
Biomass Energy Development	---	---	---	---	700	---
Geothermal and Other	4	40	62	45	2	---
Off-Budget Federal Entities						
Rural electrification and telephone revolving fund a/ b/	1,100	1,100	700	5,131	4,245	3,760
Federal Financing Bank c/						
Tennessee Valley Authority	3,624	4,285	5,289	---	---	---
Rural electric and telephone revolving fund	4,690	4,934	4,661	---	---	---
Alternate fuels production	---	470	915	---	---	---
Other energy programs	18	28	---	---	---	---
Subtotal	9,538	10,941	11,707	12,053	9,233	9,049
Less						
Loan assets sold to the FFB and associated guarantees						
Rural electrification and telephone revolving fund	-683	-623	-525	-683	-623	-525

(Continued)

TABLE (Continued)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Less (continued)						
Guaranteed loans held as direct loans by the FFB						
Tennessee Valley Authority	---	---	---	-3,624	-4,285	-5,289
Rural electrification and telephone revolving fund	---	---	---	-4,007	-4,311	-4,136
Alternate fuels production and other	---	---	---	-18	-498	-915
Total, energy	8,855	10,317	11,182	3,721	-484	-1,816

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ Includes loans sold to the FFB as loan assets and guarantees of those loan assets. The FFB purchases are shown below.

c/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit activities in the energy function include programs for rural electrification and telephones funded through the Rural Electrification Administration (REA) and power projects funded through the Tennessee Valley Authority (TVA). The Administration proposes to eliminate most of the credit programs in the energy area.

Rural Electrification and Telephone Revolving Fund

The Rural Electrification Administration (REA) of the Department of Agriculture makes direct and guaranteed loans for the construction and operation of electric and telephone utilities in rural areas. By statute, REA makes direct loans at interest rates of 2 percent or 5 percent, depending on the project and financial condition of the borrower. Loan guarantees are authorized to attract private capital to rural electric and telephone projects.

In 1983, the Administration proposes to reduce REA direct loans by $400 million or 36.3 percent below 1982 appropriated levels. Appropriations limitations for REA are set for both minimum and maximum levels. For 1982, the appropriated minimum for direct loans is $1,100 million; the maximum is $1,425 million. The appropriated minimum for loan guarantees is $5,145 million; the maximum is $6,400 million. The Administration proposes a supplemental limitation for 1982 to reduce the minimum level of guaranteed loan commitments by $900 million to $4.2 billion. For 1983, the Administration proposes to drop the minimum and the maximum level of new loan guarantee commitments to $3.8 billion, down 41 percent from the 1982 ceiling. The Administration projects that the revised levels of funding will support the program's activities through 1987. The Administration's rationale for the proposed reductions is that private capital is now available to finance many of the projects previously funded by the REA.

Tennessee Valley Authority

The Tennessee Valley Authority (TVA) is a government-owned corporation which leases nuclear fuel from the Seven States Energy Corporation. The Corporation borrows from the Federal Financing Bank (FFB) to finance its purchases, with TVA guaranteeing the loans through long-term contractual agreements. Estimates for new loan guarantee commitments for 1982 have been reduced by $216 million to $4.3 billion. For 1983, new loan guarantee commitments will increase by $1.0 billion.

Synthetic Fuels Corporation

The Synthetic Fuels Corporation (SFC) was established by the Energy Security Act (Public Law 96-294) as part of an effort to reduce U.S. dependence on imported oil. The goal of the Corporation is to assist private industry to finance the development of two million barrels of oil substitutes by 1992. To achieve this goal, the Corporation is authorized to provide financial assistance in the form of direct loans, loan guarantees, price guarantees, and purchase agreements.

The Administration has proposed eliminating both the direct loan and loan guarantee programs of the SFC--a $2 billion cut in loan guarantees from the 1982 level--and replacing them with a program of price guarantees. The assumption that no loan guarantees will be granted is questionable. The SFC has given first stage approval to funding requests for eleven projects, nine of which contain requests for loan guarantees.

Other Programs

The Administration proposes to terminate several small loan guarantee programs after 1982. They are listed below with their 1982 funding levels.

- o Biomass energy development guarantee commitments of $700 million;
- o Loan guarantees for research on electric and hybrid vehicles, of $2.5 million; and
- o Loan guarantee commitments of $2.1 million for Naval Petroleum Reserve exploration activities.

FUNCTION 300: NATURAL RESOURCES

This function contains only one credit program. The Department of the Interior's Bureau of Reclamation makes direct loans to state, local, and private organizations for construction and rehabilitation of non-federal irrigation districts and municipal and industrial water systems. The Administration proposes direct loan obligations of $39 million in 1983, $11 million above 1982 appropriated levels.

FUNCTION 350: AGRICULTURE

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Price Support and Related Commodity Loans (CCC)	5,872	8,600	6,560	2,015	2,500	2,500
Agricultural and Emergency Credit (FmHA) a/						
New loans	8,048	3,728	3,737	49	201	131
Repurchases and guarantees of loan assets	1,181	4,468	3,481	6,910	5,391	3,071
Off-Budget Federal Entity						
Federal Financing Bank b/						
Agricultural credit insurance fund	6,815	5,391	3,071	---	---	---
Subtotal	21,916	22,187	16,889	8,973	8,092	5,702
Less						
Loan assets sold to the FFB						
Agricultural and emergency credit (FmHA)	-6,815	-5,391	-3,071	-6,815	-5,391	-3,071
Total, agriculture	15,101	16,796	13,818	2,158	2,701	2,631

a/ Includes loans sold to the Federal Financing Bank (FFB) as loan assets and guarantees of those loan assets. The FFB purchases are shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit assistance for agriculture consists of loans and loan guarantees of the Farmers Home Administration's Agricultural Credit Insurance Fund and the Commodity Credit Corporation, both in the Department of Agriculture.

Agricultural Credit Insurance Fund

Through the Agricultural Credit Insurance Fund (ACIF), the Farmers Home Administration (FmHA) makes a wide variety of direct loans to farmers, ranchers, and others engaged in agricultural activities. The ACIF's principal programs are loans for farm ownership, farm operations, and disaster relief. FmHA also conducts a small program of guaranteeing loans by private lenders for these same purposes.

The Administration has reestimated the new direct loan obligations for the ACIF for 1982 and anticipates a level of $8.2 billion, a decrease of 6.5 percent from the current $8.8 billion. New loan guarantee commitments are expected to total $5.6 billion, a decrease of 8.4 percent from the current 1982 level of $6.1 billion. For 1983, the Administration proposes to reduce new direct loan obligations by the ACIF to $7.2 billion, a decrease of 12.2 percent from the reestimated 1982 level of $8.2 billion. The Administration proposes to increase the limitation on new direct loan obligations from $2.1 billion to $3.7 billion. Although the limitation on new loan activity is increased, it is expected that loan asset sales to the FFB will decrease, thus reducing the pool of money available for loans.

Most loan guarantee commitments are guarantees of loan asset sales to the FFB. Only the portion subject to limitation, $131 million for 1983, is for new loan guarantees by the ACIF to private lenders. For 1983, the Administration estimates that new loan guarantee commitments will be $3.2 billion, a reduction of 42.9 percent from the reestimated 1982 level of $5.6 billion.

The proposed reduction in ACIF credit activity results from several factors, including the expiration of the economic emergency loan program in 1983, with the resulting shift in emphasis to the farm ownership and farm operating loan programs, and proposed changes in eligibility requirements for the disaster loan program. The Administration is also proposing several legislation changes: increasing the interest rates on loss loans from 8 percent to the cost of borrowing from the Treasury, restoring the "credit elsewhere" test, and lowering the individual loan limit from $500,000 to $300,000. In addition, the Administration proposes no new loans in 1983 for irrigation and drainage, grazing, or resource conservation and development.

Commodity Credit Corporation

The Commodity Credit Corporation's (CCC) principal form of credit assistance is the "nonrecourse" commodity loan. Under this program, the CCC makes direct loans to producers with their crops or commodities serving as collateral. On the date of maturity, the producer may pay off the loan or deliver the commodity to the CCC in lieu of repayment. These commodity loans set a floor under market prices, since producers are assured of the loan amount as a base price for their products. For 1982 the Administration estimates that new direct loan obligations will total $8.6 billion, an increase of 19.5 percent over the current 1982 level of $7.2 billion. This increase is attributable to the Administration's revised estimates of new direct loan obligations necessary to meet the increased demands for nonrecourse loans in 1982. For 1983, the Administration proposes to reduce new direct loan obligations for nonrecourse commodity loans to a level of $6.6 billion, a reduction of 23.3 percent from the reestimated 1982 level of $8.6 billion. This reduction assumes improved market conditions for farmers in 1983.

The Administration proposes to terminate short- and medium-term export loans and, therefore, has proposed no limitation on new direct loan obligations for export purposes in 1983. New loan guarantee commitments are expected to remain at $2.5 billion. This level will permit the CCC to conduct its export credit sales program at the 1982 current level.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Mortgage Purchase Activity (GNMA) a/	1,836	1,993	6	42,150	48,000	38,400
Mortgage Credit (FHA)	414	383	311	23,635	28,609	35,000
Housing for the Elderly or Handicapped	873	819	453	---	---	---
Rural Housing (FmHA) b/						
New loans	3,487	3,727	1,145	6	---	---
Repurchases and guarantees of loan assets	2,592	2,644	2,750	6,076	5,648	3,557
Central Liquidity Facility (NCUA)	68	330	473	---	---	---
Small Business Assistance c/ d/	871	712	554	3,616	3,150	2,850
National Consumer Cooperative Bank	130	11	---	---	---	---
Chrysler Corporation	---	---	---	400	---	---
Other Programs	278	19	5	152	181	100
Off-Budget Federal Entities						
Federal Financing Bank e/						
Rural housing (FmHA)	6,045	5,619	3,537	---	---	---
Small business assistance	165	275	240	---	---	---
Subtotal	16,759	16,532	9,475	76,035	85,589	79,907
Less						
Loan assets sold to the FFB and associated guarantees						
Rural housing (FmHA)	-6,045	-5,619	-3,537	-6,045	-5,619	-3,537

(Continued)

TABLE (Continued)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Less (Continued)						
Guaranteed loans held as direct loans						
By the FFB						
Small business assistance	---	---	---	-165	-275	-240
By GNMA						
Tandem plan purchases	---	---	---	-1,832	-1,988	---
Secondary guarantees						
Mortgage purchase activity (GNMA)	---	---	---	-42,150	-48,000	-38,400
Total, commerce and housing credit	10,714	10,913	5,938	25,843	29,707	37,730

a/ Includes guarantees of direct loans purchased under the GNMA tandem plan.

b/ Includes loans sold to the FFB as loan assets and guarantees of those loan assets. The FFB purchases are shown below.

c/ Direct loan obligations for 1983 consist primarily of repurchases of defaulted guaranteed loans.

d/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

e/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit programs in this function are designed to promote the flow of funds into housing and commerce. These programs include the mortgage insurance and purchase activities of the Department of Housing and Urban Development (HUD), the rural housing activities of the Department of Agriculture (USDA), the business loan programs of the Small Business Administration (SBA), and other activities.

Federal Housing Administration

The first major loan guarantee program of the federal government was home mortgage insurance, begun during the Depression. Today, home mortgage insurance continues to be the largest of federal credit activities. The mortgage insurance programs of the Federal Housing Administration (FHA) are administered through the FHA Fund, which is actually a collection of insurance funds, each of which provides mortgage insurance for a targeted group of consumers.

For 1982 the Administration has reestimated the levels of new direct loan obligations and new loan guarantee commitments for the FHA fund. New direct loan obligations are expected to be $382.9 million, an increase of 37.8 percent from the current level of $277.8 million. These new direct loan obligations are to be used to provide assistance to financially troubled borrowers before default and cover a portion of defaults against FHA-insured mortgages. New loan guarantee commitments are expected to total $28.6 billion, a decrease of 28.5 percent from the 1982 appropriated level. This reestimate reflects the Administration's belief that, because of economic conditions, there will be fewer qualified borrowers in 1982. The Administration plans to direct mortgage insurance to those homebuyers who cannot obtain private insurance elsewhere.

The Administration's estimates for fiscal year 1983 reflect a projected improvement in the housing industry from 1981 levels. For 1983 the Administration proposes a limitation of $45 million on new direct loan obligations for temporary mortgage assistance payments. New direct loan obligations exempt from limitation, estimated to be $266.3 million for 1983, are used to cover a portion of defaults against FHA-insured mortgages. The Administration proposes a limitation of $35 billion on new loan guarantee commitments. This limitation reflects the Administration's program to provide mortgage insurance for the neediest homebuyers and to direct other homebuyers to private mortgage insurers.

Government National Mortgage Association

The Government National Mortgage Association (GNMA) guarantees securities issued by mortgage bankers and other financial institutions, backed by pools of privately held, federally insured mortgages. These transactions are guarantees of securities which have been previously guaranteed by the federal government. As such, they do not support new economic activity. They are designed to increase the liquidity of housing finance.

Through its special assistance functions fund (tandem plan), GNMA also purchases below-market interest rate FHA and VA loans from lenders at prices near par. GNMA then sells these loans at market rates to other institutional investors.

The Administration has proposed signficiant reductions for GNMA. For 1982, appropriations language has been proposed to reduce the limitation on new loan guarantee commitments of mortgage-backed securities from $68.3 billion to $48 billion, a cut of nearly 30 percent. For 1983, the Administration proposes a further reduction in the limitation to $38.4 billion, a decrease of 20 percent from the revised 1982 limitation. The reduction in the mortgage-backed security program is part of the Administration's overall plan to reduce federal credit programs, relieve pressure on interest rates, and encourage the development of private-sector alternatives to federal credit activities. The Administration also plans to increase the commitment fee charged to issuers of mortgage-backed securities to a level comparable to that charged by private-sector programs. This change will be effective in 1983.

The Administration proposes that the GNMA tandem mortgage purchase program make no new direct loan obligations for 1983. This proposal was also advanced last year and rejected by the Congress.

Housing for the Elderly or Handicapped

Section 202 of the Housing Act of 1959, as amended, provides for a program of direct loans to nonprofit sponsors, consumer cooperatives, and certain public agencies to construct rental housing for elderly and handicapped persons independent of income. The loans have a maximum term of forty years and bear interest based on the Treasury's borrowing rate, plus an allowance to cover administrative expenses.

The Administration has reestimated the level of new direct loan obligations for 1982 from $850.8 million to $819.7 million, a reduction of 4 percent. The Administration bases this estimate on the assumption that there will be a lack of qualified borrowers for this program in 1982. For 1983 the Administration proposes a limitation of $453 million for new direct loan obligations, a reduction of 46.8 percent from the 1982 limitation. This reduction is part of the Administration's overall plan to reduce credit activity by the federal government.

Rural Housing Credit

The Farmers Home Administration (FmHA) of the USDA conducts two programs in function 370 that provide rural housing credit. FmHA's Rural

Housing Insurance Fund makes direct loans for rural housing purchases, rental and cooperative housing projects, farm labor housing projects, and preparation of rural housing sites. The second program, the Self-help Housing Land Development program, lends to public or private nonprofit organizations to finance the origination and development of sites for homes.

For 1982 the Administration estimates that both new direct loan obligations and new loan guarantee commitments will be lower than the 1982 current level. It is anticipated that new direct loan obligations will be $6.4 billion ($2.6 billion of this represents the repurchase of existing Certificates of Beneficial Ownership from the Federal Financing Bank), a reduction of 9 percent from current levels. New loan guarantee commitments are expected to decline by 4.9 percent to $5.6 billion.

For 1983 the Administration proposes to reduce the limitation on new direct loan obligations from $3.7 billion to $1.1 billion, and total new direct loan obligations are expected to decline to $3.9 billion. Loan guarantee activity is to be reduced by $2.4 billion, to $3.6 billion. No new loan activity is proposed for the Self-help Housing Land Development program. The Administration proposes sharp reductions in both the single-family housing and multifamily housing programs. These reductions reflect the Administration's efforts to reduce federal credit activity and to target these programs for the neediest homebuyers.

National Credit Union Administration

The National Credit Union Administration (NCUA), through its Central Liquidity Facility, provides direct loans to member credit unions to meet seasonal and emergency needs. For 1982 the Administration estimates that $4.1 billion of the $4.4 billion limitation on direct loan obligations will not be needed. For 1983 the Administration has proposed a limitation of $709.6 million.

The Administration estimates $5 million in direct loan obligations for 1983 for the Share Insurance Fund that insures members deposits in federal credit unions. Loan guarantee commitments are estimated at $75 million, a reduction of 25 percent from the 1982 estimate.

National Consumer Cooperative Bank

The National Consumer Cooperative Bank (NCCB) was established to provide credit to consumer cooperative organizations. Before passage of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), the Bank provided both direct loans to cooperatives and guaranteed loans by private institutions to cooperatives. The Bank's Office of Self-help

Development and Technical Assistance provided capital investment advances to consumer cooperatives not eligible for regular loans by the Bank.

The reconcilation act provided for the orderly conversion of the Bank to a private institution, which was accomplished on December 31, 1981. For 1982 the Administration estimates that the $260 million appropriations limit for the NCCB will not be needed. It also estimates that only $11 million of the $14 million limitation for direct loan obligations for self-help assistance will be used. No activity is proposed for the NCCB in 1983.

Small Business Administration

The Small Business Administration (SBA) provides credit to small business in the form of direct loans, loan guarantees, guarantees of surety bonds, lease contracts, and pollution control equipment contracts. Most of this credit assistance is provided through the Business Loan and Investment Fund.

For 1983 the Administration proposes to eliminate SBA direct business loans. It proposes a limitation of $41 million on direct loan obligations used to purchase preferred securities from small business investment companies owned by disadvantaged persons. An additional $513 million is targeted to cover defaults of SBA-guaranteed loans. CBO anticipates a higher level of repurchase of SBA-guaranteed loans than the Administration and has reestimated the level of new direct loan obligations accordingly. For 1982 its reestimated level is $756 million, while the 1983 level is $627 million. The proposed elimination of direct business loans is part of the Administration's program to stabilize financial markets and reduce interest rates by allowing the private sector to provide for the needs of small businesses.

The Administration proposes to reduce total SBA new loan guarantee commitments from $3.2 billion in 1982 to $2.9 billion in 1983. The Administration also proposes a 1982 limitation of $2.7 billion on new business guaranteed loan commitments and supplemental language to increase the limitation on new loan guarantee commitments to $150 million for pollution control equipment contracts. This increase is intended to offset the proposed loss of loan guarantees from the business and investment fund.

The Administration has dropped the surety bond guarantees program from the credit budget. This shift reflects a refinement in the definition of credit. The Administration will no longer view bond guarantees as credit assistance. This change will reduce the 1982 credit budget loan guarantee totals by $1.2 billion.

Other Programs

The Administration is not requesting any funding for the Federal Savings and Loan Insurance Corporation (FSLIC) for either 1982 or 1983. The current level for direct lending is $877.3 million. Assistance to savings and loans is more likely to be provided through mergers and capitol contributions.

FUNCTION 400: TRANSPORTATION

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Highways and Mass Transportation	13	19	32	---	---	---
Aid to Railroads a/	39	144	2	16	135	---
Aircraft Purchase Loan Guarantees	---	---	---	408	56	---
Assistance to Ocean Shipping	24	25	25	1,047	675	600
Off-Budget Federal Entities						
U.S. Railway Association	17	1	---	---	---	---
Federal Financing Bank b/						
Aid to railroads	1,794	173	58	---	---	---
Subtotal	1,886	362	117	1,472	866	600
Less						
Guaranteed loans held as direct loans by the FFB						
Aid to railroads	---	---	---	-1,802	-173	-58
Total, transportation	1,886	362	117	-330	693	542

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Function 400 includes credit programs of the Department of Transportation that provide financial assistance for highways and mass transit, rail, air, and sea transportation projects.

Credit Assistance for Railroads

Railroad assistance, which accounted for more than three-quarters of all new direct loan obligations made for transportation activities for 1982, will be reduced to less than 2 percent in 1983.

The Administration has proposed new appropriations language to reduce loan guarantee commitments made from the Rail Rehabilitation and Improvement Financing Fund from $270 million to $135 million for 1982. Funding from this source would be totally eliminated for 1983. For 1983, the Administration also proposes to eliminate all other direct loans and loan guarantee commitments under other railroad credit assistance programs, except for $2.3 million for emergency rail facilities restoration. The Administration offers two reasons for these reductions: the improved financial condition of the industry and the need for budgetary restraint.

Federal Credit for Ship Financing

Under Title XI of the Merchant Marine Act of 1936, as amended, the Maritime Administration (MarAd) of the Department of Transportation is authorized to guarantee construction loans and mortgages on U.S.-flag vessels built in the United States. Guarantees for loans under Title XI have no proof-of-need requirement. MarAd may also make direct loans in the form of advances to operators of vessels built under Title XI guarantees to forestall possible default and to satisfy claims on defaulted loans.

The Administration has proposed a limitation of $675 million for new loan guarantee commitments for 1982. The amount originally requested for 1982 and included in the Commerce, State, Justice appropriation was $1,050 million. The Administration has further proposed to limit commitments to $600 million for 1983. These reductions reflect both the Administration's more narrow definition of "eligible borrowers" and its overall efforts to restrain credit.

Aircraft Purchase Loan Guarantee Program

The Federal Aviation Administration (FAA) is authorized to guarantee 90 percent of principal and 100 percent of interest on loans up to $100 million per carrier for the purchase of aircraft and equipment by private airlines. The 1982 appropriations bill directed that new commitments for guarantee loans should be exclusively for commuter aircraft, and should not exceed an aggregate limit $100 million.

The Administration has proposed new appropriation language for fiscal year 1982 that would limit new loan commitments for the current fiscal year to $50 million. No new loan commitments are proposed for 1983.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Community Development a/	---	---	---	156	125	---
Other Housing and Urban Development Programs	110	68	---	---	---	---
Rural Development Insurance Fund (FmHA) b/						
New loans	1,010	505	430	743	575	---
Repurchases and guarantees of loan assets	659	541	518	1,650	1,511	1,196
Economic Development Assistance	54	30	---	178	50	---
Small Business Administration Disaster Loans	1,522	640	440	1	6	---
Other Programs	41	17	22	4	31	16
Off-Budget Entities						
Rural Telephone Bank	160	185	185	---	---	---
Federal Financing Bank c/						
Rural development insurance fund (FmHA)	1,650	1,511	1,196	---	---	---
Community development	45	110	120	---	---	---
Subtotal	5,250	3,607	2,911	2,732	2,292	1,212
Less						
Loan assets sold to the FFB and accompanying guarantees						
Rural development insurance fund (FmHA)	-1,650	-1,511	-1,196	-1,650	-1,511	-1,196

(Continued)

TABLE (Continued)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Less (continued)						
Guaranteed loans held as direct loans by the FFB						
Community development	---	---	---	-45	-110	-120
Total, community and regional development	3,600	2,096	1,715	1,037	671	-104

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) shown below.

b/ Includes loans sold to the FFB as loan assets and guarantees of those loan assets. The FFB purchases are shown below.

c/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

This function contains credit asistance for community development in the Department of Housing and Urban Development (HUD), area and regional development in the Departments of Commerce and Agriculture and smaller agencies, disaster loans of the Small Business Administration (SBA), and assistance to Indian tribes in the Department of the Interior.

For 1983 the Administration estimates that new direct loan obligations for function 450 will total $1.7 billion, a decrease of 19 percent from the revised 1982 level. The major reductions are proposed for the SBA disaster loan program and the Rural Development Insurance Fund of the Farmers Home Administration in the Department of Agriculture. It is anticipated that new loan guarantee commitments will be $1.2 billion, a decrease of 47.8 percent from the revised 1982 level. Under the Administration's proposals, all but $16 million of the proposed loan guarantee commitments will be guarantees of loan asset sales from the Rural Development Insurance Fund to the Federal Financing Bank (FFB).

SBA Disaster Loans and Loan Guarantees

The Small Business Administration makes both direct and guaranteed loans to assist small businesses and property owners to recover from physical disasters under sections 7(b), 7(f), and 7(g) of the Small Business Act, as amended.

For 1983 the Administration proposes a limitation of $440 million on new direct loan obligations for the disaster loan fund. This program level is a reduction of 31.3 percent from the revised 1982 level of $640 million. In the past, disaster loans have not been subject to limitation on annual new obligations. The limitation requested for 1983 reflects the Administration's wish to restrain the federal role in disaster relief--a role, it contends, that should only supplement individual and state efforts.

Rural Development Insurance Fund

The Farmers Home Administration (FmHA) makes loans for water systems, waste disposal facilities, community facilities, industrial development, and alcohol production facilities through the Rural Development Insurance Fund (RDIF).

For 1983 the Administration is requesting a limitation of $430 million on new direct loan obligations for the RDIF, a reduction of 14.9 percent from the 1982 limitation. Under the Administration's proposals, new loans would be confined to the water and waste disposal systems and community facilities programs. No new loans are proposed for industrial development or alcohol production facilities in 1983. The Administration is also estimating that $518 million in direct loans will be required to repurchase loan assets held by the FFB that have matured.

New loan guarantee commitments are expected to total $1.2 billion in 1983, a reduction of 42.7 percent from the revised 1982 level. All loan guarantee commitments represent guarantees of loan asset sales to the FFB.

The Administration's proposals represent a continuation of its efforts to curb the lending activities of the FmHA's credit programs.

Community Development Loan Guarantees

Title I of the Housing and Community Development Act of 1974, as amended, established the Community Development Block Grant program. Under this program, HUD makes annual grants to state and local governments for community development programs. Section 108 of that act provides that the Secretary may guarantee debt certificates issued by grant recipients in amounts equal to three times their grant award to enable them to finance acquisition of real property and to rehabilitate publicly owned property.

For 1982 the Administration has proposed appropriations language to reduce the limitation on new loan guarantee commitments from $225 million to $125 million. No new loan guarantee commitments are proposed for 1983.

Housing Rehabilitation Loans

Section 312 of the Housing Act of 1974, as amended, authorizes direct loans for the rehabilitation of residential and commercial properties. These loans may be used in areas undergoing federally assisted development provided in the programs for urban renewal, code enforcement, community development block grants, and urban homesteading.

The Administration proposes to terminate this program in 1983. In its place, the Administration proposes a grant program for rental rehabilitation to provide funds to states and localities to cover part of the cost of rehabilitating multifamily rental properties. The Administration contends that this new program would be less costly and more efficient than the Section 312 program.

Economic Development Administration

The Administration proposes to eliminate funding for the Economic Development Administration, asserting that EDA programs are not effective, and that other means will be used to stimulate economic expansion and employment opportunities in distressed areas. For example, the Administration proposes that the FmHA provide development assistance to rural areas. It does not, however, propose any new development loans for rural businesses in the FmHA's credit program for 1983. The Administration also proposes to eliminate the EDA in 1982, even though the Congress provided funding for EDA, although at reduced levels.

For 1982 the Administration proposes a supplemental appropriation of $30 million in direct loan obligations, and $45 million in contingent liability for new loan guarantee commitments to provide for the orderly phase out of EDA.

Coastal Energy Impact Loans

The Coastal Zone Management Act, as amended, authorizes grants, loans, loan guarantees, and repayment assistance to state and local governments to assist in financing new or improved public facilities necessitated by energy-related activities in coastal and outer-continental shelf areas.

The Administration proposes to terminate coastal energy impact loans in the belief that states and localities are capable of dealing with the effects of oil and gas development. A similar proposal was made in 1981. For 1982, the Administration has reestimated the level of new direct loan obligations of the Coastal Energy Impact Fund from $7 million to $529,000.

Rural Telephone Bank

The Rural Telephone Bank (RTB) is an off-budget credit program administered by the Rural Electrification Administration (REA). Established by Public Law 92-12, the RTB provides a supplemental source of financing for the REA telephone program.

For 1983, the Administration proposes a limitation of $185 million on new direct loan obligations, the same amount as the reestimated 1982 level. The proposed limitation language amends last year's language, which set a minimum of $160 million and a maximum of $220 million in new direct loan obligations.

Indian Credit Assistance

To provide Indian tribes on federal reservations greater access to credit, the Indian Financing Act of 1974 established a revolving fund for direct loans and the Indian Guaranty and Insurance Fund to guarantee private lending to Indians.

For 1983 the Administration proposes to increase the limitation on new direct loan obligations for the revolving fund from $14.8 million to $19.9 million. At the same time, it proposes to reduce the limitation on new loan guarantee commitments for the Indian Loan Guaranty and Insurance Fund from $30.7 million to $15.8 million.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Guaranteed Student Loans	238	410	548	7,762	9,500	10,300
Student Financial Assistance	183	179	---	---	---	---
Guarantees of SLMA Obligations a/	---	---	---	1,955	700	---
Other Education	138	344	100	---	---	---
Off-Budget Federal Entities						
Federal Financing Bank b/						
SLMA obligations	1,955	700	---	---	---	---
Subtotal	2,514	1,633	648	9,717	10,200	10,300
Less						
Guaranteed loans held as direct loans by the FFB						
Guarantees of SLMA obligations	---	---	---	-1,955	-700	---
Secondary guarantees						
Guarantees of SLMA obligations	---	---	---	-1,955	-700	---
Total, education	2,514	1,633	648	5,807	8,800	10,300

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit assistance in this function consists primarily of loans and loan guarantees to assist students and their families to finance college educations. In addition there are loans to colleges and other academic institutions to finance construction of facilities. The Administration requested a limitation only for the college housing program in 1982.

Guaranteed Student Loan Program

The guaranteed student loan program is designed to promote the availability of commercial and nonprofit institution loans to students and their parents to help pay education costs at universities, colleges, and other postsecondary institutions. The Administration proposes a number of changes in the guaranteed student loan program, which build on those made in the Omnibus Reconciliation Act of 1981. These changes include:

- o Increasing the origination fee from 5 percent to 10 percent;
- o Extending the analysis of need limitation to all income levels and limiting loans to those students who qualify after taking into account family contributions and other financial aid;
- o Allowing graduate and professional students to borrow only under the auxiliary loan program and increasing the loan limits for those programs;
- o Increasing the Federal Insured Student Loan program premium from 1/4 to 1 percent;
- o Charging guarantee agencies a new reinsurance premium equal to half of their insurance premium income; and
- o Limiting special allowance interest benefit payments to in-school and deferment periods plus a two-year period following graduation or withdrawal from school.

For 1982, the Administration estimates $410 million in new direct loan obligations and $9.5 billion in new loan guarantee commitments. This represents a reduction of $178.1 million and $2.5 billion respectively from the 1982 base. For 1983, the Administration estimates $548.3 million in new direct loan obligations and $10.3 billion in new loan guarantee commitments. This reflects a 7.5 percent increase in direct lending and a 9.3 percent increase in guarantee commitments over the 1982 requests.

National Direct Student Loans

National direct student loans (NDSL) are long-term, low-interest loans to assist financially needy students in pursuing postsecondary education at eligible institutions. The federal government makes loans in the form of annual capital contributions to revolving funds at higher educational institutions. Colleges use their repayment receipts and new federal capital to make new loans, rather than repaying the federal government. The Administration estimates total direct lending obligations of $179 million for 1982, which would reduce NDSLs by $107 million. The Administration is not requesting any funding for NDSLs for 1983 and estimates that the $5 billion currently in the loan funds can be used to make approximately 590,000 loans at an average of $700 for the 1983-84 school year, in contrast to the 800,000 thousand loans estimated for 1982.

College Housing Loans

Title IV of the Housing Act of 1950 authorized loans at 3 percent interest rates to colleges and eligible hospitals for construction and acquisition of housing facilities. The loans have a 40-year term. The Administration is proposing to eliminate college housing loans for 1982 and 1983. The 1983 Budget overstates the Administration's request for 1982 by $344.2 million and for 1983 by $99.7 million. The budget totals should be adjusted by these amounts to reflect this error.

Guarantees of SLMA Obligations

The primary function of the Student Loan Marketing Association (SLMA) is to purchase insured loan portfolios from financial institutions. SLMA also has authority to act as a lender of last resort to enable students to obtain a federally insured loan and to consolidate federal loans for students with several separate loans.

The Administration has reestimated its request for 1982 funding for SLMA from $1 billion to $700 million. No new funding is requested for 1983, indicating the Administration's commitment to promoting private rather than government financing of SLMA obligations.

FUNCTION 550: HEALTH

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Health Maintenance Organization Loan Fund	27	41	38	19	36	24
Other Health Programs a/	30	13	1	48	80	80
Off-Budget Federal Entity b/						
Federal Financing Bank						
Health programs	15	28	16	---	---	---
Subtotal	72	83	56	67	116	104
Less						
Loan assets sold to the FFB and associated guarantees						
Health maintenance organization loan fund	-15	-28	-16	-15	-28	-16
Total, health	57	54	40	52	88	88

a/ Includes loans sold to the Federal Financing Bank (FFB) as loan assets and guarantees of those loan assets. The FFB purchases are shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit assistance in the health function includes loans and loan guarantees for health services, health maintenance organizations, and the education and training of health-care professionals.

For 1983, the Administration proposes a total of $39.6 million in new direct loan obligations for all programs in function 550, a $14.8 million reduction from the level estimated for 1982. The decrease results primarily from a reestimate of direct lending for health services. The Administration increased the 1982 base for health services from $1 million to $13.2 million, but is requesting a limitation of $1 million for 1983.

Health Maintenance Organizations Loan and Loan Guarantee Fund

The Health Maintenance Organization (HMO) program provides grants and loans for the establishment or expansion of HMOs. Loans may also be awarded for construction of ambulatory care facilities. HMOs provide specific health services to their members in return for a prepaid, fixed payment. They are an alternative to the traditional health-care delivery system, which provides health care on a fee for service basis.

Both the direct and guaranteed loans have a 20-year maturity and bear interest at 12 percent. Direct loans are financed through a revolving fund. As new loans are made, they are sold to the FFB loan as assets to provide funds for additional loans. All of the loan sales are fully guaranteed by the Department of Health and Human Services.

As part of the effort to eliminate federal subsidies, the Administration has reestimated 1982 new direct loan obligations from $92 million to $41 million, a $50 million reduction. For 1983, direct lending is estimated at $38.4 million. Limitations of $75.5 million and $24.5 million are requested for 1982 and 1983, respectively. Loan guarantee commitments have been reestimated from the $75.5 million appropriations limitation to $36.5 million for 1982. For 1983, the Administration has requested a limitation of $24.5 million. The Administration is proposing to phase out the federal subsidy program to HMOs by the end of 1983.

Health Professions Graduate Student Loan Program

The Health Professions Graduate Student Loan Insurance Fund enables students to borrow from private lenders to help pay the cost of their medical training under Title VII of the Public Health Service Act. Limitations of $200 million and $80 million have been requested for loan guarantee commitments in 1982 and 1983, respectively. The Administration plans to make commitments of only $80 million in 1982, $120 million below the proposed limitation.

FUNCTION 600: INCOME SECURITY

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Low Rent Public Housing a/	2,196	1,500	1,000	19,343	18,293	19,771
Other Income Security	2	5	5	---	---	---
Off-Budget Federal Entity						
Federal Financing Bank b/						
Low rent public housing	822	1,261	1,026	---	---	---
Subtotal	3,020	2,766	2,031	19,343	18,293	19,771
Less						
Guaranteed loans held as direct loans by the FFB						
Low-rent public housing	---	---	---	-822	-1,261	-1,026
Total, income Security	3,020	2,766	2,031	18,520	17,032	18,745

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ The FFB is an off-budget entity that finances direct loans sold or guaranteed by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit assistance in the income security function is primarily for housing. Local public housing authorities are assisted in the construction of low-rent public housing and a "seed money" loan program assists nonprofit organizations to build Section 8 subsidized housing for low-income elderly and handicapped tenants. Only the loans to nonprofit sponsers are subject to limitation.

Low-Rent Public Housing

The low-rent public housing loan fund provides federal financing for the construction, acquisition, or modernization of public housing projects owned by local public housing agencies (PHAs) until the projects can be financed through the Federal Financing Bank (FFB). Direct loans are made to finance the early costs for both the development and modernization of projects. The Administration estimates total direct loan obligations of $1 billion for 1983 and has reestimated the 1982 level at $1.5 billion, up $1.2 billion from the 1982 base estimate of $300 million.

When the volume of direct loans has accumulated to a size that is attractive to private investors, PHAs issue short-term, tax-exempt notes (See definition of tax-exempt credit in Appendix A.) that are guaranteed by federal pledges to issue direct loans in case of default. These short-term notes are for terms averaging between 90 days and one year. They constitute the largest volume of lending under this program. With the guaranteed notes, PHAs can raise sufficient funds to repay the initial direct federal loans and to continue construction. The Administration has reestimated loan guarantee commitments from the 1982 base level of $17.4 billion to $18.3 billion. Commitments are estimated at $19.8 billion for 1983. The $19.8 billion represents the gross of all new lending extended during the year. Because the loans mature within a year, this overstates the net volume of funds involved, but it is an accurate reflection of total new activity.

Near completion of construction, the third or permanent stage of financing takes place. This long-term financing is provided by the FFB and, in some cases, by refinancing the short-term notes. The Administration has reestimated new FFB loan purchases from the 1982 base of $2.6 billion to $1.2 billion. For 1983, the Administration estimates $1.0 billion in new FFB loan purchases.

The Administration proposes to end new construction and acquisition of public housing programs. The commitments already made to the programs will be used to support modernization activities and sales of permanent financing to the FFB.

Nonprofit Sponsor Assistance

The nonprofit sponsor assistance program provides interest-free direct loans to nonprofit organizations to plan housing projects to be financed under the Section 202 Housing for the Elderly or Handicapped program (in function 370). To ensure a sufficient commitment to the project and demonstrate their financial capacity, sponsors are required to provide 20 percent or $50,000, whichever is less, of the start-costs. The interest-free, seed-money loans cover the remainder. Once the project is approved, these funds are repaid from the initial proceeds of the construction loan from the Housing for the Elderly or Handicapped program. For 1983, the Administration is requesting a limitation of $1.7 million for new direct loan obligations, which represents a decrease of 35 percent from the 1982 request of $2.6 million.

Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation administers insurance programs to prevent the loss of pension benefits to participants if pension plans are terminated and not able to pay the insured benefits. Since 1981, P.L. 96-364 has required inclusion of the Corporation's receipts and disbursements in the unified budget totals. For 1983, direct loan obligations are estimated at $2.8 million, a slight increase over the 1982 level.

FUNCTION 700: VETERANS' BENEFITS AND SERVICES

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Insurance Policy Loans	241	118	152	---	---	---
Education Programs	7	2	2	---	---	---
Mortgage Insurance and Other Housing Programs	738	757	781	11,719	19,542	22,451
Total, veterans', benefits and services	987	878	936	11,719	19,542	22,451

Credit assistance to veterans includes direct loans for educational purposes, direct loans in the form of borrowing against the cash value of life insurance policies, and direct and guaranteed loans to purchase homes. For 1983 new direct loan obligations are estimated to total $936 million. New loan guarantee commitments are estimated at $22.4 billion. Since most of the credit assistance in this function is considered to be part of the benefits to which veterans are entitled, the Administration is not recommending limitations on most of these programs.

Housing Credit

The principal form of credit assistance to veterans is guarantees of loans made by private lenders for the purchase or construction of homes. The Administration estimates that $22,451 million in loan guarantee commitments will be made in 1983. For 1982 the Administration has estimated that $19,542 million will be made, a 52 percent increase from the current 1982 base of $8,228 million. This represents a change in credit budget accounting. In the past, the credit budget has only recorded the government's contingent liability for the guarantees. The new procedure records the full principal, a measure of the resources being allocated through the assistance of the Veterans Administration (VA). Under this measure, a comparable figure for the current 1892 would be over $22 billion. The 1982 estimate, therefore, assumes a reduction in housing loans.

The Veterans Administration is also authorized to make direct loans to severly disabled veterans for specially adapted housing. New obligations for these loans are estimated at $1.9 million in 1982 and 1983. In addition, the VA takes over defaulting guaranteed loans, pays off the lender, and assists borrowers in rescheduling payments. This constitutes extension of a direct loan to satisfy a guarantee claim, and is estimated to be $444.3 million in 1983. Finally, in 1983, the VA will make obligations to repurchase $6.9 million in existing VA-insured loans from private lenders.

Insurance Policy Loans

Veterans and their survivors may borrow against the cash values of life insurance policies issued by the government under five programs: the Service-Disabled Veterans' Insurance program, the Veterans' Reopened Insurance program, the National Service Life Insurance program, the U.S. Government Life Insurance program, and the Veterans' Special Life Insurance program. The Administration expects policy loans against VA-administered life insurance to increase direct loan obligations to $152.7 million in fiscal 1983, as veterans take advantage of the projected decline in market interest rates. This assumption may prove incorrect. Veterans may be less likely to borrow against their life insurance policies as market interest rates decline. Decreasing the value of one's life insurance policy may be more attractive only when other sources of credit have become prohibitively expensive. The Administration has reestimated direct loan obligations from the 1982 base of $202.4 million to $118 million.

FUNCTION 800: GENERAL GOVERNMENT

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Loans to U.S. Territories and Other a/	---	---	---	---	30	8
Off-Budget Federal Entities						
Federal Financing Bank b/						
Loans to U.S. territories	---	30	---	---	---	---
Subtotal	---	30	---	---	30	8
Less						
Guaranteed loans held as direct loans by the FFB						
Loans to U.S. territories	---	---	---	---	-30	---
Total, general government	---	30	---	---	---	8

a/ Includes guarantees of direct loans made by the Federal Financing Bank (FFB) as shown below.

b/ The FFB is an off-budget entity that finances loan asset sales or loan guarantees made by other federal agencies. The deductions below eliminate overlap with transactions shown above in this table.

Credit assistance in function 800 is limited to one active program: loans and guarantees for U.S. territories made by the Department of the Interior. This program has included direct loans to Guam for rehabilitation after typhoons, guarantees of Guam Power Authority obligations, and guarantees of bonds and loans for capital improvement projects in the Virgin Islands.

For fiscal year 1983, the Administration is requesting an $8 million limitation on new loan guarantee commitments for the construction of power facilities for American Samoa.

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

(In millions of dollars)

	Direct Loan Obligations			Loan Guarantee Commitments		
	1981	1982	1983	1981	1982	1983
Loans to the District of Columbia	134	145	145	---	---	---
Repayable Advance to D.C. General Fund	80	80	---	---	---	---
Guarantees of New York City Loans	---	---	---	300	300	---
Total, general purpose fiscal assistance	214	225	145	300	300	---

Credit assistance in function 850 consists of direct loans to the District of Columbia and loan guarantees for New York City.

Loans to the District of Columbia

The District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198) terminated the District's permanent authority to borrow from the Treasury to finance capital improvements. It authorized interim loans by the Treasury to the District for capital projects until the District is able to develop its own bond financing program. Because of delays in the program's development, the interim financing program has been extended to include all new projects approved in the 1982 and 1983 budgets.

The Administration plans to submit legislation to discontinue the city's authority to borrow interest-free, short-term funds from the U.S. Treasury. For 1983 the Administration is proposing a ceiling on federal lending to the District of $145 million, the same level approved in 1982.

New York City Loan Guarantees

Public Law 93-339 authorizes the Secretary of the Treasury to guarantee $1.65 billion of borrowing by New York City through June 30, 1982, to enable it to regain financial soundness after its fiscal crisis of 1975.

The Administration has estimated that only $300 million of the $755 million limit appropriated for 1982 will be needed before termination of the program.

APPENDIXES

Certificates of Beneficial Ownership (CBOs). Farmers Home Administration and Rural Electrification Administration securities backed by pools of agency direct loans, which are generally sold to the Federal Financing Bank and occasionally to the public.

Contingent Liability. The actual portion of a loan that the government would have to pay in the event of default by a guaranteed borrower.

Direct Loan. A disbursement of funds by the federal government directly to the borrower under a contract that requires the repayment of such funds with or without interest. Includes the purchase of, or participation in, a loan made by another lender and the acquisition of a federally guaranteed loan in satisfaction of default claims.

Direct Loan Obligation. A binding agreement by the government to make a direct loan once specified conditions are fulfilled by the borrower.

Direct Loans Outstanding. The stock of direct loan principal currently outstanding.

Federal Financing Bank (FFB). A unit of the Treasury Department that assists federal agencies in financing marketable agency-issued or agency-guaranteed securities. The Bank borrows at the Treasury's current rates and lends to agencies and agency-guaranteed borrowers at the Treasury rate plus one-eighth percent. Since the rate is generally below the rate that these agencies and borrowers would have to pay in the private credit market, they can save a considerable amount in interest costs by financing through the FFB.

Full Principle Value of a Loan. The total value of a loan guaranteed by the government. Full principle value is used to reflect the impact of federal loan guarantees on capital markets by showing the total amount of resources allocated as a result of the federal intervention.

Government-Sponsored Enterprises. Privately owned corporations that promote a secondary market in various types of loans, primarily home mortgages. They began as government corporations and then became independent entities. Although their bonds are not backed by any guarantee from the federal government, they are usually treated in the securities market as government securities.

Guaranteed Loans Held as Direct Loans by the FFB. Direct loans extended by the FFB at the request of another federal agency under that agency's loan guarantee authority. Such loans are fully guaranteed by the requesting agency. (Same as guarantees of direct loans, but used in reference to the FFB direct loans rather than to the guarantees).

Interest Subsidy. The difference between the interest rate charged by the private credit market and that charged under a federal credit program for an identical loan.

Loan Assets. Agency direct loans sold, usually as certificates of beneficial ownership, to the FFB or the public, thereby reducing the agency's outstanding loan balance.

Loan Guarantee. A pledge by the federal government to repay principal and/or interest on a loan, in full or in part, in the event of default by the borrower.

Loan Guarantee Commitment. A binding agreement by the government to guarantee a loan once specified conditions are fulfilled by borrower and lender.

Loan Guarantees Outstanding. The stock of guaranteed loans currently outstanding.

Net Lending, Net Direct Loan Outlays. New disbursements for direct loans minus repayments, prepayments, and other loan offsets.

Net Loan Guarantee. New loans guaranteed minus guaranteed loan amounts that have been repaid.

Primary Loan Guarantees. Federal government guarantees of loans made to private borrowers by private lenders. Secondary guarantees and guarantees held as direct loans by the FFB are deducted from gross new guarantees to arrive at the total for primary loan guarantees.

Secondary Loan Guarantees. Guarantees of repayment for loans previously guaranteed by the federal government. The largest secondary guarantee program is the Government National Mortgage Association (GNMA) mortgage-backed security program. The GNMA secondary guarantees take the form of a guarantees of securities that are backed by mortgages already guaranteed by the Federal Housing Administration or the Veterans Administration.

Tax-Exempt Credit. Because interest on bonds of state and local governments and some of their agencies is exempt from federal income tax, investors are willing to purchase them at lower interest rates than comparable private securities. This foregone tax revenue represents an interest subsidy from the federal government.

Exhibit 33A

SCHEDULE ON STATUS OF DIRECT LOANS

PY – past year
CY – current year
BY – budget year

Account title and identification code must be the same as other budget materials (show specific subfunction code for multi-function accounts) (section 21.3).

A-11-33A

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF GOVERNMENT
BUREAU OF BUSINESS MANAGEMENT
COMMERCIAL REVOLVING FUNDS

Status of Direct Loans (in thousands of dollars)

Identification code 16-4023-0-3-754	19PY actual	19CY estimate	19BY estimate
Position with respect to limitation on obligations:			
111001 Limitation on obligations.....	18,700	12,800	13,100
113001 Obligations exempt from limitation..................	1,300	1,700	1,900
115001 Obligations incurred, gross...	-20,000	-14,500	-15,000
119001 Unused balance of limitation, expiring.....................	1,300	---	---
Cumulative balance of direct loans outstanding:			
121001 Outstanding, start of year....	33,650	46,195	38,510
New loans:			
123101 Disbursements for direct loans......................	18,700	12,800	13,100
123201 Disbursements for guarantee claims.....................	1,300	1,700	1,900
Recoveries:			
125101 Repayments and prepayments..	-6,625	-20,075	-8,280
Adjustments:			
126101 Write-offs for default......	-430	-1,410	-809
126301 Other adjustments 1/........	-400	-700	-1,100
129001 Outstanding, end of year......	46,195	38,510	43,321
Addendum: Federal Financing Bank transactions:			
Direct loans made by the FFB and guaranteed by this account:			
141001 Outstanding, start of year..	---	---	4,800
143001 New loan disbursements......	---	5,000	5,000
145001 Repayments.................	---	-200	-1,100
149001 Outstanding, end of year....	---	4,800	8,700

1/ Proceeds from the sale of collateral acquired by foreclosure.

Amounts must agree with those shown in appropriation language – enacted for CY and proposed for BY.

Starting balance must equal previous year's ending balance.

SOURCE: OMB Circular No. A-11, Exhibit 33A, June 15, 1981.

SCHEDULE ON STATUS OF LOAN GUARANTEES

PY – past year
CY – current year
BY – budget year

A-11-33B

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.

DEPARTMENT OF GOVERNMENT
BUREAU OF BUSINESS MANAGEMENT
COMMERCIAL REVOLVING FUND

Status of Loan Guarantees (in thousands of dollars)

Account title and identification code must be the same as other budget materials (show specific subfunction code for multi-function accounts) (section 21.3).

Identification code 16-4023-0-3-754	19PY actual	19CY estimate	19BY estimate
Position with respect to limitation on commitments:			
211001 Limitation on commitments.....	20,000	20,310	18,700
215001 Commitments, gross............	-16,130	-20,310	-18,700
219001 Unused balance of limitation, expiring......................	3,870	---	---
Cumulative balance of guarantees outstanding:			
221001 Outstanding, start of year....	70,000	71,186	71,985
Loans guaranteed:			
223101 New loans guaranteed........	12,586	12,799	14,611
225001 Repayments or prepayments...	-10,100	-10,300	-10,850
Adjustments:			
226201 Terminations for default....	-1,300	-1,700	-1,900
229001 Outstanding, end of year......	71,186	71,985	73,846
Memorandum:			
229901 U.S. contingent liability for guaranteed loans outstanding, end of year.......	71,186	71,985	73,846

Amounts must agree with those shown in appropriation language - enacted for CY (except as noted in section 33.4) and proposed for BY.

Note:
Report full principal amount of loans guaranteed, except as indicated.

Starting balance must equal previous year's ending balance

SOURCE: OMB Circular No. A-11, Exhibit 33B, June 15, 1981.

APPENDIX C. CBO CREDIT PUBLICATIONS

Loan Guarantees: Current Concerns and Alternatives for Control, Background Paper (August 1978)

Loan Guarantees: Current Concerns and Alternatives for Control: A Compilation of Staff Working Papers (January 1979)

"Federal Credit Programs: A Statistical Compilation"

"Loan Asset Sales: Current Budgetary Treatment and Alternatives"

"The Federal Financing Bank: A Primer"

"Loan Insurance and Guarantee Programs: A Comparison of Current Practices and Procedures" (Prepared for the Congressional Budget Office by Peat, Marwick, Mitchell and Company, February 1980)

Federal Credit Activities: An Analysis of the President's Credit Budget for 1981, Staff Working Paper (February 1980)

Federal Credit Activities: An Analysis of President Reagan's Credit Budget for 1982, Staff Working Paper (April 1981)

Conference on the Economics of Federal Credit Activity, Part I, Special Study (December 1980)

Conference on the Economics of Federal Credit Activity, Part II, Special Study, (September 1981)

"Macroeconomic Consequences of Federal Credit Activity" by Mary Kay Plantes and David Small, University of Wisconsin

"Loan Guarantees and Crowding Out" by Herbert M. Kaufman, Arizona State University

"Subsidies in Government Credit Programs: General Theory with Illustrations from the Mortgage Market" by William L. Silber and Deborah G. Black, New York State University

"Moral Hazard, Adverse Selection, and SBA Business Loan Guarantees" by William C. Hunter, University of Georgia

"The Effects of Federal Loan Guarantees on Small Entrepenuers: Focus on Commercialization of Electric and Hybrid Vehicles" by Christopher F. Baum, Commonwealth Research Group, Inc. and Boston College

"Valuation of Loan Guarantees" by E. Phillip Jones, The Wharton School--University of Pennsylvania and Scott P. Mason, Harvard Business School

The Federal Financing Bank and the Budgetary Treatment of Federal Credit Activities (January 1982)