

REVISIONS TO THE 1981 CREDIT BUDGET

In the Second Budget Resolution for 1981 the Congress passed non-binding targets for 1981 credit budget totals. In the 1982 budget presented by President Carter, the revised estimates for the 1981 credit budget exceeded the targets set by the Congress (see Table 8). The March revisions reduce the 1981 totals for direct loans and primary loan guarantees slightly below the resolution targets. The secondary loan guarantee total, \$66.2 billion, primarily for FNMA mortgage-backed securities, still exceeds the target by \$13.2 billion.

TABLE 8. THE CREDIT BUDGET TOTALS FOR FISCAL YEAR 1981 (In billions of dollars)

Credit Activity	Original Adminis- tration Estimate	Second Budget Resolution	January Budget	March Revision
Direct Loan Obligations, Unadjusted				
Unified budget	35.4	44.6	42.1	38.6
Off-budget	<u>25.3</u>	<u>28.9</u>	<u>32.2</u>	<u>32.6</u>
Total, direct loan obligations	60.7	73.5	74.2	71.2
Primary Loan Guarantee Commitments a/				
Total, credit budget	<u>81.4</u> 142.1	<u>82.8</u> 156.3	<u>92.8</u> 167.0	<u>81.8</u> 153.0
Secondary Loan Guarantee Commitments				
	53.1	53.0	73.2	66.2

a/ Does not include correction for TVA guarantees.

The targets in the budget resolutions themselves were greater than the original estimate presented in the 1981 budget by 10 percent. Two factors pushed the 1981 credit budget totals beyond the original estimate and the resolution. First, some of the increases may be ascribed to the fact that the credit budget is a new development and that relatively little attention has been devoted to credit program estimates in the past. A large number of agencies simply underestimated the rate of increase in their activity by a few percentage points. Second, several unanticipated events pushed federal

lending higher in 1981: natural disasters created demands for loans to businesses and farmers; the demand for federally backed mortgage credit rose sharply as borrowers faced high market interest rates; and the Carter Administration's restructuring of the student loan program was not enacted.

The need for increases in direct lending estimates for disaster relief were already evident by the time of the second budget resolution and were incorporated into its total. The estimates for loan guarantees for housing, however, increased only after the second resolution had been passed.

In the March revisions the Administration has taken some steps to bring the 1981 totals below the resolution targets which require no Congressional action, and has proposed others that will require Congressional approval. The major reductions from the January budget were achieved simply by withdrawing supplemental requests for increases in loan levels, leaving programs subject to their previously enacted limitation. This action accounts for reductions from January of \$0.9 billion in direct loans (primarily SBA disaster insurance), \$5.8 billion in primary guarantees (FHA mortgage insurance and the Export-Import Bank), and \$8.0 billion in secondary guarantees (GNMA mortgage-backed securities). It also represents a change from previous practice for several of these programs, as they will for the first time face limitations lower than the demand for loans and guarantees from eligible applicants. If the current limitations remain in force for SBA, FHA, and GNMA, the programs will have to devise methods for selection among the eligible applicants.

The Administration is also requesting that the Congress act to bring down the 1981 credit budget totals by reducing appropriation limitations previously enacted. These reductions are analagous to rescissions of appropriations. Reductions in limitations are requested for \$2.0 billion in new direct loan obligations, with the largest reductions requested for the Export-Import Bank (from \$5,900 million to \$5,148 million) and for the FmHA (from \$6,904 million to \$6,339 million). Limitation reductions requested for loan guarantee commitments total \$0.4 billion, for reductions in the levels of aircraft purchase and Economic Development Administration guarantees.

CHAPTER III. ISSUES IN CREDIT BUDGETING

The term "budget" may refer to a system that records all financial transactions, or it may refer to a procedure for controlling financial activity in order to allocate scarce resources effectively. The credit budget is an important step forward in providing complete accounting for federal credit. Yet control over levels of activity remains incomplete. As the Congress considers increasing budgetary control over its credit resources, three questions arise:

- o Should the credit budget totals in the concurrent budget resolutions be binding?
- o Who should be responsible for placing limitations on individual programs?
- o Should any credit programs be exempt from limitation and, if so, which ones?

BUDGET RESOLUTIONS

The credit targets set by the Congress in the 1981 budget resolutions are not now binding; they have none of the enforcement mechanisms included in the Congressional Budget Act of 1974. They could, however, be made binding through changes in legislation. Legislation has been introduced in the 97th Congress in the House (H.R. 2372) and the Senate (S. 265) to amend the Congressional Budget Act to include the credit budget in the Congressional budget process at every step, and to subject budget resolution credit ceilings to the same point-of-order provisions that now apply to direct spending ceilings. For 1982, the Congress has the options of making the credit budget totals binding, or of continuing to experiment with various credit budget procedures.

Whether or not credit targets are to be made binding, the Congress will have to give further consideration to which credit aggregates to include in the budget resolutions. Targets were set in the first budget resolution for 1981 for on- and off-budget direct loans and for primary loan guarantees. In the second resolution, targets were added for secondary loan guarantees. Explicit targets were not set for activities funded through the FFB. Because FFB lending was included as part of off-budget direct loans, there were implicit targets on the volume of new FFB activity (see Table 9).

The Congress may wish to set explicit budget resolution targets for FFB activity in 1982, as a means to strengthen Congressional oversight of this form of federal lending. The Administration's credit budget makes no provision, however, for controlling FFB transactions. Setting budget resolution targets for FFB lending would be an indication that the Congress intends to limit the authority of agencies to finance lending through the FFB, authority that has previously been largely a matter of administrative discretion. The targets could be accompanied by limitations by program on the amount of lending that could be financed through the FFB during the fiscal year.

TABLE 9. CREDIT TARGETS IN THE FISCAL YEAR 1981 SECOND BUDGET RESOLUTION (In billions of dollars)

Credit Activity	Budget Resolution Targets	Amounts Implicitly Assumed in Resolution Targets
New Direct Loan Obligations		
Unified budget	44.6	44.6
Off-budget	28.9	28.9
Less FFB purchases of loan assets	---	-18.7
Total, direct loan obligations	---	54.8
New Loan Guarantee Commitments		
Gross guarantees	---	165.3
Less secondary guarantees	53.0	-53.0
Less guarantees of direct loans <u>a/</u>	---	-29.5
Total, primary guarantees	82.8	82.8

a/ Largely guarantees of FFB loans and loan asset purchases by the FFB.

PROGRAM LIMITATIONS

In its consideration of the fiscal year 1982 credit budget, the Congress may wish to resolve the question of who should be responsible for placing limitations on the annual activity levels of federal credit programs. The Carter Administration's 1981 credit budget proposed annual dollar limitations in the form of appropriation language setting an annual ceiling on the authority of agencies to incur obligations for direct loans and to enter into commitments for guaranteed loans. In action on 1981 appropriations, the

Congress enacted limitations totaling \$25.3 billion on new direct loan obligations and \$42.9 billion on new primary loan guarantee commitments.

In the absence of such limitations, most loan and guarantee programs have no annual limits on the amount of new loans that can be extended or guaranteed in a fiscal year. The programs are governed by authorizing legislation which may have limits on the total amount of loans or guarantees that can be outstanding any one time or, for direct loans, limits on budget authority with which to finance net lending.

It is not clear at this time who should have jurisdiction over annual limitations. Though activity levels for most programs are governed by authorizing legislation for the most part, authorizing committees have not exercised discretion over annual levels of new lending or new guarantees. The Appropriations Committees, on the other hand, have begun to exercise discretion through the limitations. At present, House and Senate rules neither require nor prohibit appropriation action; there is no clear basis for affirming or denying the authority of Appropriations Committees to report annual limitations in their bills. The lack of a specific legal requirement for appropriation limitations led the House State, Justice and Commerce Appropriations Subcommittee to declare that the authorizing committee had sole jurisdiction over new loans for most programs in its area, on the grounds that an appropriated limitation would constitute a change to authorizing legislation.

The Congress has several alternatives available to resolve this issue. The jurisdiction of the authorizing committees in this area could be explicitly affirmed in the rules. Alternatively, the Congress could amend the rules to require approval in appropriations before any credit authority can take effect. This would establish a two-step, authorization/appropriation sequence for credit programs, just as is now required for most direct spending programs. The credit control bills mentioned above include such provisions for newly enacted legislation, as did the Senate-passed version of the First Concurrent Resolution on the Budget for 1981. Such a requirement could instead be written into authorizing legislation, program by program. Recent authorizations for some credit programs, such as the Chrysler and New York City loan guarantee programs, have included language requiring approval in appropriations.

EXEMPTIONS FROM LIMITATIONS

If appropriation limitations continue to be the vehicle for program control, what should the criteria be for exempting a program from limitation? The Administration is not proposing limitations on entitlement,

disaster, or emergency programs, or on financing transactions (see Table 7 in Chapter II). Other programs are also granted exemptions from limitations on a case-by-case basis. The criteria have not been formalized by the Administration, however, nor has the Congress explicitly reviewed them. To achieve systematic control of credit programs, the Congress will have to define a policy regarding exemptions from limitations.

If the Congress wishes to exempt entitlement credit programs from annual limitations, it must first determine which credit programs are in fact entitlements. If an agency has no discretion but must extend a loan or guarantee to every eligible borrower that applies, then the program is an entitlement and a limitation could not control the program's annual level of activity.

If the Congress wished to establish an exemption policy for emergency and insurance programs, it would need to determine whether the requirement to wait for a supplemental increase in a limitation would render a program unable to provide assistance on a timely basis. If an annual limitation in appropriations is found to be an unsuitable control mechanism, the program could be classified exempt. To achieve reductions in the levels of such programs, it might be necessary to resort to instructions to authorizing committees mandating reductions in program levels, in much the same way that reconciliation instructions are used to instruct the authorizing committees to make reductions in mandatory spending programs.

Exemptions for FFB transactions present slightly different problems. The programs that use the FFB are controlled through annual limitations on their new transactions with the public. Because the FFB transactions do not affect credit program activity levels, their volume has been left to administrative discretion. The Congress has not, for example, limited the sale of Farmers Home Administration loan assets. Such financing transactions, however, can alter budget outlays and federal borrowing requirements substantially. Because of these effects on the unified budget, the Congress may wish to consider enacting limitations on the volume of lending an agency may finance through the FFB.

A related problem is the practice of proposing limitations in excess of estimated obligation or commitment levels. These "padded" limitation requests are justified on the grounds of needed flexibility. This practice, however, is not in keeping with standard budgetary practice in either the credit budget or the unified budget. In the unified budget, the Congress would provide budget authority in the amount of the expected program level, granting additional amounts as necessary through supplemental appropriations. Limitations on new activity for these credit programs could

be handled in the same fashion. ^{1/} In several instances the Administration's 1982 budget proposes limitations in excess of new activity estimates (see Table 10). For example, the requested 1982 limitation on the Central Liquidity Facility of the National Credit Union Administration is \$750 million above the estimated obligation level.

TABLE 10. PROGRAMS FOR WHICH PROPOSED LIMITATION FOR 1982 EXCEEDS ESTIMATED NEW ACTIVITY (In millions of dollars)

Program	Estimated New Activity	Limitation Request	Excess
New Direct Loan Obligations			
Rural Electrification and Telephone Revolving Fund	700	900	200
Rural Telephone Bank	185	220	35
Central Liquidity Facility (NCUA)	3,650	4,400	750
Loans to the District of Columbia	145	155	10
New Loan Guarantee Commitments			
Rural Electrification and Telephone Revolving Fund	5,245	6,755	1,510

OTHER ISSUES

As the Congress implements the credit budget as part of the Congressional budget process, many of the procedures of the Congressional Budget Act will have to be adapted to the credit budget. These include developing procedures for scorekeeping Congressional action on the credit budget, setting functional as well as aggregate credit targets, and developing rules for allocating the credit budget targets by committee in

^{1/} This practice also poses a scorekeeping problem. In arriving at its credit budget totals, the Administration included the estimated program level, not the higher requested limitation. If the Congress enacted the limitation, however, the higher amount would be scored in the Congressional credit budget.

the conference reports on the concurrent resolutions. These changes raise a variety of technical issues that will have to be addressed by the Budget Committees and their staffs.

CHAPTER IV. THE CREDIT BUDGET BY FUNCTION

This chapter discusses the estimates for federal credit activities for fiscal year 1982 and the limitations the Administration proposed for a portion of those activities. The chapter is organized by major functional category, using the same budget functions for which the Congress sets targets and ceilings for direct spending in the concurrent resolutions on the budget. The tables highlight past and requested Congressional action.

Data on credit programs in this chapter are from the appendix to The Budget of the United States Government for Fiscal Year 1982 as updated in the March Budget Revisions and from Office of Management and Budget data. The source of data is the series of schedules entitled "Status of Direct Loans" and "Status of Loan Guarantees" that follow the "Program and Financing" schedule for each budget account containing credit activity. The data in these schedules do not necessarily correspond to obligations and outlay data in the "Program and Financing" schedule. Nor do the data in these status schedules correspond to credit program data in Special Analysis F, Federal Credit Programs, which accompanies the budget, because of the differences in the coverage of the credit budget and the special analysis. Table F-12 in that analysis contains an explanation of these differences.

One set of figures in the tables summarizing credit activity for several of the programs in this chapter may be confused with total outlay figures in the "Program and Financing" schedule. "Net direct loan outlays" in the credit tables indicates that portion of total outlays for an account that is attributable to changes in direct loan principal outstanding. These are new direct loan disbursements, minus repayments, loan sales, write-offs for default, and other adjustments. The total for net loan outlays will not in many cases be equal to total outlays for the budget account because of other activities, receipts, and balances in the account. The corresponding figure, net loans guaranteed, is slightly different. It includes new loans guaranteed minus guarantees terminated on loans that have been completely paid off; it does not include partial repayments.

Two observations must be made about the functional summary tables in this chapter. First, they make no distinction between on-budget and off-budget credit activities. Second, they do not include Federal Financing Bank (FFB) lending attributed to the originating agencies. For this attribution, see Table 4 in Chapter II.

NATIONAL DEFENSE (FUNCTION 050)

The only active credit program in the national defense function is a program of loans and loan guarantees administered by the Department of Defense to assist private enterprises in fulfilling defense production contracts. Title III of the Defense Production Act of 1950 as amended (50 USC 2091) sets a limit of \$20 million for individual loan guarantees and \$25 million for direct loans that may be made by defense procurement agencies without prior Congressional approval. There have been no direct loans in recent years. For fiscal year 1982 the Administration is requesting a limitation of \$30 million on new loan guarantee commitments. During the two year period 1979-1980, the Carter Administration requested a total limitation of \$60 million. For the same period only \$520,000 in loan guarantee commitments were issued, leaving \$59.5 million in loan guarantee authority unused.

The Administration is also requesting appropriation language stating that direct loan obligations are authorized to the extent necessary to cover defaults on guaranteed loans. No estimates of defaults were included in the 1982 Budget. Table 11 summarizes credit activity in function 050.

TABLE 11. NATIONAL DEFENSE--SUMMARY OF CREDIT ACTIVITY (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	<u>Administration Estimates</u>	
		1981	1982
New Loan Guarantee Commitments			
Limitation enacted	30.0	30.0	---
Limitation proposed	---	30.0	30.0
Commitments subject to limitation	0.5	30.0	30.0
Guaranteed Loans Outstanding	---	5.0	5.0

INTERNATIONAL AFFAIRS (FUNCTION 150)

Credit assistance in the international affairs function includes loans to foreign countries for economic development, for the purchase of military equipment, and for purchase 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 of all federal credit programs. Table 12 summarizes the major credit programs in this function.

TABLE 12. INTERNATIONAL AFFAIRS--SUMMARY OF MAJOR CREDIT PROGRAMS (By fiscal year, in millions of dollars)

Program	New Direct Loan Obligations			New Loan Guarantee Commitments		
	1980	1981 <u>a/</u>	1982 <u>a/</u>	1980	1981 <u>a/</u>	1982 <u>a/</u>
Economic Support Fund	713	255	1,000	---	---	---
Functional Development Assistance	445	396	369	---	---	---
Overseas Private Investment Corp.	4	10	---	175	120	100
Housing and Other Credit Guarantee Programs	---	---	---	175	150	150
Food for Peace	877	840	808	---	---	---
Emergencies in the Diplomatic and Consular Service	1	1	1	---	---	---
Foreign Military Sales Credit	635	640	1,652	1,450	2,546	2,573
Export-Import Bank	<u>4,365</u>	<u>5,148</u>	<u>4,400</u>	<u>8,031</u>	<u>7,559</u>	<u>8,220</u>
Total	7,040	7,290	8,230	9,831	10,375	11,043

a/ Administration estimates.

The Administration's 1982 budget recommends limitations for \$7.3 billion of new direct loan obligations and for all new loan guarantee commitments in function 150. The Food for Peace program and loans for emergencies in the diplomatic and consular service are exempted from the requirement for limitation, as are direct loans for loan guarantee defaults in the foreign military sales credit program.

Direct loan obligations in function 150 are estimated to rise by 13 percent from 1981 to 1982. New loan guarantee commitments will increase 6 percent from 1981 levels. The following sections highlight 1980-1982 activities in each major program of function 150.

Economic Support Fund

The Economic Support Fund provides grants, cash transfers, or direct loans to countries of strategic importance to the United States, particularly those in the Middle East. Loans from the fund require annual authorization and appropriations equal to their face value.

The International Security and Development Cooperation Act of 1980 (Public Law 96-533), passed in late December 1980, eliminated loans to Egypt and Israel and replaced them with cash grants. As a result of this change, direct loan obligations for 1981 are expected to be only \$255 million. For 1982 the Administration requests a limitation of \$1.0 billion for new direct loan obligations. The limit requested is almost four times higher than the obligations estimated for 1981. CBO estimates that obligations will not be made as quickly as the Administration predicts, and will reach only \$695 million for 1982. Few repayments are expected, resulting in large net loan outlays in the unified budget.

Table 13 summarizes the lending activity of the Fund.

Functional Development Assistance--Agency for International Development

The Foreign Assistance Act of 1961 (sections 103-106) authorizes grants and direct loans for various development assistance programs administered by the Agency for International Development (AID). These funds may be used for development assistance projects in the areas of agriculture, rural development, nutrition, health, education, human resources development, and energy research.

TABLE 13. ECONOMIC SUPPORT FUND LOANS (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Limitation enacted	---	---	---
Limitation proposed	---	---	1,000.0
Obligations subject to limitation	---	---	1,000.0
Obligations exempt from limitation	713.0	255.0	---

For 1982 the Administration proposes a limitation of \$369.4 million on new direct loan obligations. The proposed limitation is a 22 percent reduction from the January request. Almost no repayments are expected during 1981 or 1982. Table 14 summarizes activity in this program.

TABLE 14. FUNCTIONAL DEVELOPMENT ASSISTANCE LOANS (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Limitation enacted	---	---	---
Limitation proposed	---	---	369.4
Obligations subject to limitation	---	---	369.4
Obligations exempt from limitation	444.8	396.0	---

Overseas Private Investment Corporation (OPIC)

OPIC encourages U.S. investment overseas through programs of risk insurance against losses due to war or political upheaval. It also offers investment financing through direct loans and loan guarantees. The Foreign

Assistance Act of 1969 as amended (22 U.S.C. 2194 et seq.) authorizes OPIC to guarantee up to 75 percent of the principal of a loan. Maximum contingent liability is limited to \$750 million or four times the amount of guarantee fees collected, whichever is smaller.

For fiscal year 1982 the Administration proposes terminating OPIC's direct loan program and reducing new loan guarantee commitments to \$100 million. The new loan guarantee commitments for 1982 are estimated to decrease 17 percent from 1981, after an estimated 32 percent decrease in 1981 from 1980.

In previous years OPIC was partially financed by sale of loan assets to the Federal Financing Bank. It is now in the process of repurchasing those loan assets. Table 15 details OPIC activities for 1980-1982.

Housing and Other Credit Guarantee Programs

The housing guarantee program provides federal guarantees of long-term financing extended by U.S. lenders for housing projects and programs in developing nations. The International Development Cooperation Act of 1979 (Public Law 96-53) extends the authority of this program through the end of fiscal year 1982. The act sets a ceiling of \$1,555 million on the total principal amount of guarantees that may be outstanding at one time for housing guarantees, and a ceiling of \$20 million on the total principal amount of guarantees outstanding for self-help community development programs. Loans guaranteed under this program may not have an average face value in a fiscal year exceeding \$15 million, nor may the total loans guaranteed for projects in any country for a fiscal year exceed \$25 million. The interest rate for guaranteed loans is expected to average 14 percent in 1981; it varies with the Federal Housing Administration insured mortgage rate.

For fiscal year 1982, the Administration proposes a limitation of \$150 million on new loan guarantee commitments. Table 16 summarizes recent activity for this program.

Food for Peace (Public Law 480)

Public Law 480, the Agriculture Trade Development and Assistance Act of 1954, authorizes the Commodity Credit Corporation (CCC) to extend credit to foreign countries and exporters to finance the sale of agricultural commodities. Credit sales for dollars are repayable over 20 years; sales for convertible foreign currencies are repayable over 40 years. Outstanding loans had accumulated to \$7.1 billion by the end of 1980.

TABLE 15. CREDIT ACTIVITIES FOR OVERSEAS PRIVATE INVESTMENT CORPORATION (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
<hr/>			
New Direct Loan Obligations			
Limitation enacted	---	---	---
Limitation proposed	---	10.0	---
Obligations subject to limitation	---	10.0	---
Obligations exempt from limitation	4.3	---	---
<hr/>			
New Loan Guarantee Commitments			
Limitation enacted	---	---	---
Limitation proposed	---	---	100.0
Commitments subject to limitation	---	---	100.0
Commitments exempt from limitation	175.3	120.0	---
<hr/>			
Sale of Loan Assets to FFB			
Repurchases	-4.3	-5.0	-5.0
Outstanding FFB holdings	33.2	28.2	23.2

TABLE 16. HOUSING AND OTHER CREDIT GUARANTEES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
<hr/>			
New Loan Guarantee Commitments			
Limitation enacted	---	---	---
Limitation proposed	---	---	150.0
Commitments subject to limitation	---	---	150.0
Commitments exempt from limitation	175.0	150.0	---

New direct loan obligations for 1982 are estimated to total \$808.2 million. No limitation is proposed because the full program amounts for the Public Law 480 program must be appropriated each year. The Administration contends, therefore, that a separate limitation on new loans obligations is not necessary.

Table 17 summarizes Public Law 480 loans for 1980-1982.

TABLE 17. FOOD FOR PEACE (PUBLIC LAW 480) LOANS (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations Exempt from Limitation	876.8	839.6	808.2
Net Direct Loan Outlays	651.1	658.6	682.4
Direct Loans Outstanding	7,134.2	7,792.8	8,475.2

Emergencies in the Diplomatic and Consular Services

Public Law 84-885 authorizes the Secretary of State to make expenditures to meet emergencies arising in the diplomatic and consular service. The funds are used for relief and repatriation loans to U.S. citizens abroad. No limitation is proposed because the full program amounts must be appropriated each year. The Administration contends, therefore, that a separate limitation on new loan obligations is unnecessary. It also argues that a limitation would restrain the Secretary's power to meet emergencies.

New loans are estimated to total \$1 million for 1982. Defaults on loans in 1982 are estimated to be 30 percent, up from 20 percent in 1980. Table 18 summarizes loan activity for this program during 1980-1982.

Foreign Military Sales Credit

The Arms Export Control Act (22 U.S.C. 2763, 2764) authorizes direct loans by the Department of Defense and federal guarantees of commercial or Federal Financing Bank loan agreements to foreign countries for the purchase of defense articles and services. The direct loans require an appropriation equal to the face value of the loan and are offered only when

there is a legal requirement that repayment be forgiven or when special conditions make a guarantee inappropriate. In 1980, 1981, and 1982 the government is expecting to make forgiveness credits for \$500 million in direct loans each year. The forgiven loans have in effect been converted into grants. These credits result in a negative figure for net lending activity in the program.

TABLE 18. EMERGENCIES IN THE DIPLOMATIC AND CONSULAR SERVICES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Obligations exempt from limitation	0.9	1.0	1.0
Direct Loans Outstanding	3.9	4.3	4.7

Until the beginning of fiscal year 1982, the guaranteed loan program required an appropriation equal to 10 percent of the loan principal that was to be guaranteed. The International Security and Development Cooperation Act of 1980 (Public Law 96-533) amends the Arms Export Control Act by eliminating the 10 percent requirement and creating a guarantee reserve. The President is required to maintain the reserve at a level of \$750 million, and, if the reserve falls below that level, to request additional appropriations to replenish the fund.

For fiscal year 1982, the Administration is requesting appropriated limits of \$1.48 billion for direct loan obligations. This represents an almost threefold expansion in direct loan obligations over 1981 and previous levels. The \$2.6 billion requested for new loan guarantee commitments represents almost no growth in 1982. Defaults on guaranteed loans during fiscal year 1982 are estimated at \$170 million. The default payments will increase total new direct loan obligations to \$1.65 billion for 1982.

In recent years all new guaranteed loans have been financed through the Federal Financing Bank. Thus, the loans are actually direct loans of the federal government held off-budget; no private lender is involved. By the end of 1982, the FFB will be holding 98 percent of all outstanding loans. Table 19 illustrates the financing of foreign military sales credit for 1980-1982.

TABLE 19. FOREIGN MILITARY SALES CREDIT (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
<hr/>			
New Direct Loan Obligations			
Limitation enacted	---	500	---
Limitation proposed	---	500	1,482
Obligations subject to limitation	---	500	1,482
Obligations exempt from limitation	635	140 a/	170 a/
Total obligations	635	640	1,652
<hr/>			
New Loan Guarantee Commitments			
Limitation enacted	---	2,546	---
Limitation proposed	---	2,546	2,573
Commitments subject to limitation	---	2,546	2,573
Commitments exempt from limitation	1,450	---	---
<hr/>			
Guarantees of FFB Loans			
New FFB loans	2,380	2,600	2,700
Repayments	-448	-556	-767
Outstanding FFB holdings	7,209	9,253	11,186

a/ Disbursements for loan guarantee default claims.

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 countries or firms. Eximbank provides direct loans, loan guarantees, insurance, or reinsurance on terms and conditions that make 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). Only 25 percent of loan guarantees or insurance outstanding is charged against that limitation, up to a limitation of \$25 billion. In addition, an annual limitation on program activity and administrative expenditures has been included in Foreign Assistance Appropriation Acts.

Originally the Carter Administration requested a limitation of \$4.7 billion for direct loans for 1981. This was increased to \$5.9 billion by the Foreign Operations Subcommittee in their appropriation bill. The bill was not enacted, however, and the programs within it are being funded under a continuing resolution. The revised budget proposes substantial cutbacks from January levels in Eximbank loan and loan guarantee authority and reduction in interest rate subsidies, effective in both 1981 and 1982. The reduction in 1981 direct loans will require the Congress to enact a limitation \$752 million lower than the current limitation. Under the revised proposals, in 1982 the Eximbank will be held near its 1980 level (see Table 20).

TABLE 20. CREDIT ACTIVITIES FOR EXPORT-IMPORT BANK (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Limitation enacted	---	5,900	---
Limitation proposed	---	5,148	4,400
Obligations subject to limitation	---	5,148	4,400
Obligations exempt from limitation	4,365	---	---

New Loan Guarantee Commitments			
Limitation enacted	---	7,559	---
Limitation proposed	---	7,559	8,220
Commitments subject to limitation	---	7,559	8,220
Commitments exempt from limitation	8,031	---	---