

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

This function contains credit assistance for community development in the Department of Housing and Urban Development (HUD), area and regional development in the Departments of Commerce and Agriculture, disaster loans of the Small Business Administration (SBA), and assistance to Indian tribes in the Department of the Interior. For 1984, the CBO baseline projects \$2.2 billion in new direct loan obligations, an increase of \$0.6 billion from 1983. New loan guarantee commitments are projected to be \$509 million in 1984. Table IV-23 summarizes the credit activity in this function for 1982 through 1988.

The Administration's request as estimated by CBO for new direct loan obligations is \$1.0 billion in 1984. For 1984 loan guarantee commitments the Administration requests \$19 million. Table VI-24 shows the Administration's proposed changes from CBO's baseline for credit programs in 1984-1988.

Under the CBO baseline, \$1.6 billion of the 1984 loan guarantee commitments will be used to guarantee loan asset sales by the Rural Development Insurance Fund (RDIF) to the Federal Financing Bank.

Small Business Administration Disaster Assistance

The Small Business Administration makes direct loans to assist small businesses and property owners to recover from natural disasters under Section 7(b) of the Small Business Act, as amended.

The CBO baseline projects new direct loan obligations of \$603 million in 1983, increasing to \$1.1 billion in 1984 and \$1.3 billion by 1988. The increase in 1984 and beyond reflects the expiration of legislation prohibiting farmers from borrowing from SBA for business-related disaster losses. The Administration's request as estimated by CBO assumes continuation of the farmers' exclusion provisions, and estimates new direct loan obligations of \$440 million in 1983 and 1984, rising to \$745 million by 1988. The Administration proposes an appropriation limitation on disaster lending in 1984 as it did in 1983, reflecting its belief that federal disaster relief should supplement state and individual assistance rather than be unlimited. The Congress did not enact a limitation on this program in 1983. Table IV-25 shows detailed lending activity for disaster loans for 1982-1984.

TABLE IV-23. COMMUNITY AND REGIONAL DEVELOPMENT CREDIT PROGRAM
BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Community develop- ment grants, FFB purchase of agency-guaranteed direct loans	179	225	236	247	258	268	278
Rural Development Insurance Fund (RDIF) a/ RDIF, FFB pur- chase of loan assets	569 1,535	518 1,191	539 1,646	610 1,142	590 450	606 384	873 619
Rural Telephone Bank	185	185	193	203	212	220	229
Small Business Admin- istration disaster loan fund	237	603	1,110	1,163	1,214	1,263	1,311
Other	<u>69</u>	<u>107</u>	<u>104</u>	<u>109</u>	<u>114</u>	<u>118</u>	<u>123</u>
Total, gross	2,774	2,829	3,828	3,473	2,837	2,859	3,433
Less Sales of loan assets to the FFB	<u>-1,535</u>	<u>-1,191</u>	<u>-1,646</u>	<u>-1,142</u>	<u>-450</u>	<u>-384</u>	<u>-619</u>
Total	1,239	1,638	2,182	2,331	2,387	2,476	2,814

(Continued)

Table IV-23. (Continued)

Program	1982 Actual	CBO Baseline Estimates					
		1983	1984	1985	1986	1987	1988
Loan Guarantee Commitments							
Community develop- ment grants	179	225	236	247	258	268	278
Rural Development Insurance Fund	1,674	1,491	1,960	1,471	793	741	990
Economic Development Revolving Fund	14	170	178	186	194	202	210
Other	<u>33</u>	<u>21</u>	<u>17</u>	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>
Total, gross	1,900	1,907	2,390	1,921	1,263	1,229	1,498
Less Guarantees of direct loans sold to the FFB	<u>-1,714</u>	<u>-1,416</u>	<u>-1,881</u>	<u>-1,452</u>	<u>-877</u>	<u>-874</u>	<u>-1,151</u>
New primary guarantees	186	491	509	470	385	355	347

a/ RDIF direct loan obligations are shown net of FmHA's repurchases of loan assets from the FFB.

TABLE IV-24. PROPOSED CHANGES IN COMMUNITY AND REGIONAL DEVELOPMENT CREDIT PROGRAMS, (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
Baseline Direct Loans	2.2	2.3	2.4	2.5	2.8	
Proposed changes						
RDIF	-0.2	-0.2	-0.2	-0.3	-0.3	-1.2
RDIF FFB loan assets	*	-0.1	-0.2	-0.2	-0.2	-0.7
SBA Disaster loans	-0.7	-0.5	-0.5	-0.5	-0.6	-2.8
Community development grants, FFB purchases of agency- guaranteed loans	-0.2	-0.2	-0.3	-0.3	-0.3	-1.3
Other	-0.1	---	---	0.1	---	---
Total changes	<u>-1.2</u>	<u>-1.0</u>	<u>-1.2</u>	<u>-1.2</u>	<u>-1.3</u>	<u>-5.9</u>
President's budget as estimated by CBO	1.0	1.3	1.3	1.3	1.5	
Baseline Loan Guarantees	0.5	0.5	0.4	0.4	0.3	
Proposed changes						
RDIF	-0.3	-0.3	-0.2	-0.1	-0.1	-1.0
Economic Development Revolving Fund	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
Community development grants	-0.2	-0.2	-0.3	-0.3	-0.3	-1.3
Community development grants, guarantees of direct loans	0.2	0.2	0.3	0.3	0.3	1.3
Total changes	<u>-0.5</u>	<u>-0.5</u>	<u>-0.4</u>	<u>-0.3</u>	<u>-0.3</u>	<u>-2.0</u>
President's budget as estimated by CBO	*	*	*	*	*	

* Less than \$50 million.

TABLE IV-25. SMALL BUSINESS ADMINISTRATION, DISASTER LOANS
(By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		Administration Request as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Limitation	---	---	---	---	440
Exempt from limitation					
Entitlements and other mandatory programs	237	603	1,110	440	---
Total, gross direct loan obligations	237	603	1,110	440	440
Loan Guarantee Commitments					
Exempt from limitation	6	---	---	---	---
Net Direct Lending					
On-budget	-371	-63	333	-332	-274
Cumulative Outstanding					
Direct loans	6,073	6,010	6,196	5,741	5,467
Loan guarantees	11	---	---	8	5

Rural Development Insurance Fund

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

TABLE IV-26. RURAL DEVELOPMENT INSURANCE FUND (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		Administration Request as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Limitation	505	505	529	505	350
Unused balance of limitation	-4	---	---	---	---
Exempt from limitation					
Repurchases from the FFB	475	505	980	505	980
Repurchases from private investors	<u>67</u>	<u>13</u>	<u>10</u>	<u>13</u>	<u>10</u>
Total, on-budget direct loan obligations	1,043	1,023	1,519	1,023	1,340
FFB transactions					
Loan asset purchases	<u>1,535</u>	<u>1,191</u>	<u>1,646</u>	<u>1,191</u>	<u>1,644</u>
Total, gross direct loan obligations	2,578	2,214	3,165	2,214	2,984
Loan Guarantee Commitments					
Limitation	611	300	314	300	---
Unused balance of limitation	-472	---	---	---	---
Exempt from limitation	<u>1,535</u>	<u>1,191</u>	<u>1,646</u>	<u>1,191</u>	<u>1,644</u>
Gross loan guarantee commitments	1,674	1,491	1,960	1,491	1,644
Net Direct Lending					
On-budget	-132	21	-108	21	-108
Off-budget	<u>1,060</u>	<u>686</u>	<u>675</u>	<u>686</u>	<u>664</u>
Total	928	707	567	707	556
Cumulative Outstanding					
Direct loans	153	173	153	173	65
Loan guarantees	9,790	10,415	11,107	10,415	10,805
FFB	6,403	7,089	7,756	7,089	7,753

For 1984, the CBO baseline projects a limitation of \$529 million on new direct loan obligations. In addition, \$990 million in direct loan obligations are projected for the repurchase of publicly held loans and maturing certificates of beneficial ownership from the FFB. The CBO revised baseline projection for 1984 loan guarantee commitments is \$2.0 billion, declining to \$990 million by 1988. CBO estimates that \$0.3 billion of the 1984 commitments represent new lending, while the remainder are used to guarantee loan assets sold to the FFB. Table IV-26 shows detailed 1982-1984 credit activity for RDIF.

The Administration's request as estimated by CBO consists of a limitation on 1984 new direct loan obligations of \$350 million and \$990 million for loan repurchases. For 1984 loan guarantee commitments, the Administration requests \$1.6 billion, declining to \$428 million by 1988. All of the Administration's request represents guarantees of loan asset sales to the FFB. The Administration requests no new loan guarantees for the industrial development and alcohol fuel production facilities programs in 1984.

Community Development Loan Guarantees

Section 108 of the Housing and Community Development Act of 1974, as amended, provided that the Secretary of HUD may guarantee debt certificates issued by community development block grant (CDBG) recipients. A guarantee may be up to three times the amount of the CDBG award, assisting recipients in financing acquisition of real property and in rehabilitating public property.

The CBO baseline projects new loan guarantee commitments of \$236 million in 1984. All of the guaranteed loans are financed through the FFB as off-budget direct loans. The Congress has rejected previous Administration attempts to reduce or eliminate this program significantly. For 1984, the Administration requests no new CDBG loan guarantee commitments.

Rural Telephone Bank

The Rural Telephone Bank (RTB) is an off-budget entity that was established in 1971 by Public Law 92-12 to provide a supplemental source of financing for the Rural Electrification Administration's telephone program. The RTB makes direct loans, charging an interest rate based on its average cost of money. On loans through September 30, 1982, the weighted average interest rate was 7.9 percent. During the first quarter of 1983, loans were

made at 11.5 percent interest. To date, loans have been made by the RTB to 496 borrowers totaling \$1.7 billion.

The CBO baseline estimates for RTB new direct loan obligations are \$193 million in 1984, increasing to \$229 million by 1988.

Economic Development Administration

The Economic Development Administration (EDA) provides guaranteed loans to encourage private credit and investment in economically distressed areas. In 1978, a program of loan guarantees to assist steel companies was established. The CBO baseline projects \$178 million in new loan guarantee commitments for 1984. No new direct loan obligations are estimated after 1982.

The Administration proposes to discontinue all EDA programs as soon as possible. It also proposes to transfer balances from the Economic Development Administration programs account to both the Economic Development Revolving Fund and the Small Business Administration to cover default claims and to meet Treasury interest payments. No new lending activity is estimated by the Administration for EDA programs in 1983 or 1984.

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

Credit programs in this function consist primarily of direct loans and loan guarantees to assist students and their families in financing college educations. In addition, there are loans to colleges and other academic institutions to finance construction of facilities. The CBO baseline estimate for total direct loan obligations is \$654 million in 1984, increasing to \$880 million by 1988. The baseline projects total loan guarantee commitments of \$6.6 billion annually from 1984 through 1988. Table IV-27 summarizes the credit activity in this function.

The Administration's budget as estimated by CBO requests \$424 million in 1984 new direct loan obligations, increasing to \$600 million in 1988. New loan guarantee commitments are estimated to be \$5.6 billion in 1984, increasing to \$5.7 billion by 1988. Table IV-28 shows the Administration's proposed changes to the CBO baseline for 1984-1988.

Student Financial Assistance

National direct student loans (NDSLs) are 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 education institutions. Colleges then use loan repayments and the new federal capital to make new loans, rather than repaying the federal government. The CBO baseline projects \$188 million in 1984 new direct loan obligations. The Administration does not request any new direct loan obligations in 1984 for NDSLs since previous payments accumulated in the revolving funds can be used to make approximately 688,000 loans at an average of \$800 each for the 1984-1985 school year. CBO estimates that the proposed elimination of new direct loan obligations will result in a decrease of 200,000 loans. As part of an effort to intensify loan collections, the Administration also proposes appropriation language for 1983 to allow private debt collection agencies to offset their costs with collected loan funds.

Guaranteed Student Loans

The guaranteed student loan program is designed to promote the availability of commercial and other loans to students and their parents to help pay education costs. This is accomplished through the provision of federal insurance and reinsurance against borrower default and through subsidy payments. The CBO baseline estimate for new loan guarantee commitments is \$6.6 billion in 1984. Direct loan obligations used to pay

TABLE IV-27. EDUCATION ACTIVITIES CREDIT PROGRAM BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Student financial assistance	175	179	188	198	209	220	231
Guaranteed student loans	289	391	424	500	550	600	600
Guarantees of SLMA obligations, FFB purchases of agency-guaranteed loans	700	---	---	---	---	---	---
College housing	<u>40</u>	<u>40</u>	<u>42</u>	<u>44</u>	<u>46</u>	<u>48</u>	<u>49</u>
Total	1,204	610	654	742	804	867	880
Loan Guarantee Commitments							
Guaranteed student loans	6,195	6,500	6,650	6,650	6,650	6,650	6,650
Guarantees of SLMA obligations	<u>700</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total gross	6,895	6,500	6,650	6,650	6,650	6,650	6,650
Less							
Guarantees of direct loans sold to the FFB	<u>-700</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
New primary guarantees	6,195	6,500	6,650	6,650	6,650	6,650	6,650

claims on defaulted guaranteed student loans are estimated to be \$424 million in 1984. Table IV-29 shows detailed credit activity for guaranteed student loans.

TABLE IV-28. PROPOSED CHANGES IN EDUCATION CREDIT PROGRAMS (By fiscal year, in billions)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
Baseline Direct Loans	0.7	0.7	0.8	0.9	0.9	
Proposed changes Student financial assistance	<u>-0.2</u>	<u>-0.2</u>	<u>-0.3</u>	<u>-0.3</u>	<u>-0.3</u>	-1.3
President's budget as estimated by CBO	0.4	0.5	0.6	0.6	0.6	
Baseline Loan Guarantees	6.6	6.6	6.6	6.6	6.6	
Proposed changes Guaranteed Student Loans	<u>-1.0</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-0.9</u>	<u>-0.9</u>	-4.8
President's budget as estimated by CBO	5.6	5.6	5.7	5.7	5.7	

The Administration proposes two significant changes from current law for the guaranteed student loan program. First, all applicants would be subject to a needs analysis. Currently, only those with family incomes of over \$30,000 are required to undergo a needs analysis. Second, the origination fee for graduate and professional student loans would increase from 5 to 10 percent.

The Administration's request for 1984 loan guarantee commitments as estimated by CBO is \$5.6 billion. CBO estimates that the volume of

guaranteed student loans will decline by about \$1.0 billion annually in 1984-1988 as a result of the proposal to broaden the needs analysis requirement

TABLE IV-29. GUARANTEED STUDENT LOANS (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Exempt from limitation Defaults	289	391	424	391	424
Loan Guarantee Commitments					
Exempt from limitation	6,195	6,500	6,650	6,000	5,625
Net Direct Lending					
On-budget	162	335	230	335	230
Cumulative Outstanding					
Direct loans	1,525	1,860	2,090	1,860	2,090
Loan guarantees	22,700	27,300	30,700	25,600	27,900

and to limit eligibility solely to financial need. Under current needs analysis requirements, more than 700,000 students would experience either reduced borrowing eligibility or would be ineligible to receive loans. The Administration's assumption of a July 1983 implementation date for its proposals is reflected in CBO's estimate of 1983 loan guarantee commitments.

Guarantees of SLMA Obligations

No new loan guarantee commitments are proposed for Student Loan Marketing Association (SLMA) obligations in 1983 or 1984. Previously, the Department of Education guaranteed SLMA's borrowing from the Federal Financing Bank to finance its activities. As part of a policy to promote private rather than government financing of SLMA obligations, 1982 was the last year that SLMA financed its activities through the FFB.

College Housing Loans

Title IV of the Housing Act of 1950 authorized loans at 3 percent interest rates to colleges and eligible hospitals for the construction and acquisition of housing facilities. The CBO baseline projects \$42 million in new direct loan obligations for 1984, increasing to \$49 million by 1988.

The Administration is proposing supplemental language to override the legislative requirement that new college housing loans be made in 1983. If enacted, this would result in a reduction of \$40 million in estimated 1983 new direct loan obligations. The Administration requests no 1984 new direct loan obligations for this program.

FUNCTION 550: HEALTH

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. Table IV-30 summarizes new direct loan obligations and new primary loan guarantee commitments in this function.

For 1984, CBO's baseline projects a total of \$29 million in new direct loan obligations, increasing to \$33 million in 1988. CBO projects a total of \$256 million in new primary loan guarantee commitments in 1984, \$75 million above the Administration estimate. The major difference is in the health professions graduate student loan insurance program. Total new loan guarantee commitments are projected to increase to \$308 million by 1988.

Health Maintenance Organizations (HMOs)

The Public Health Service Act authorizes financial assistance to HMOs in the form of grants, contracts, loans, and loan guarantees for planning, development, acquisition, and construction of ambulatory health care facilities. Both the direct and guaranteed loans have a 20-year maturity and bear interest at 12 percent. The CBO baseline projection is \$26 million for new direct loan obligations and for new loan guarantee commitments.

Direct loans are financed through a revolving fund. As new loans are made they are sold to the Federal Financing Bank as loan assets to provide funds for additional loans. All the loan sales are fully guaranteed. CBO projects asset sales of \$6 million in 1984.

Health Professions Graduate Student Loans

Under Title VII of the Public Health Service Act, the health professions graduate student loan insurance fund enables students to borrow from private lenders to finance their medical training. The government fully insures the principal amount of the loans. The loans have a ten-year maturity and an interest rate of 12 percent. The CBO baseline projection for new loan guarantee commitments is \$236 million in 1984, \$61 million above the Administration's request of \$175 million.

TABLE IV-30. HEALTH CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Health maintenance organizations	14	42	26	27	28	29	30
Health maintenance organizations, FFB purchases of loan assets	17	16	6	5	1	---	---
Other	<u>13</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total, gross	44	62	35	35	32	32	33
Less							
FFB loan asset sales	<u>-17</u>	<u>-16</u>	<u>-6</u>	<u>-5</u>	<u>-1</u>	<u>---</u>	<u>---</u>
Total	27	46	29	30	31	32	33
Loan Guarantee Commitments							
Health maintenance organizations	17	24	26	27	28	29	30
Health professions graduate student loan insurance	<u>200</u>	<u>225</u>	<u>236</u>	<u>247</u>	<u>258</u>	<u>268</u>	<u>278</u>
Total, gross	217	249	262	274	286	287	308
Less							
Guarantees of direct loans sold to the FFB	<u>-17</u>	<u>-16</u>	<u>-6</u>	<u>-5</u>	<u>-1</u>	<u>---</u>	<u>---</u>
Total	200	233	256	269	285	297	308

FUNCTION 600: INCOME SECURITY

Credit assistance in the income security function is primarily for housing. Local public housing authorities (PHAs) are assisted in the construction of low-rent public housing, and interest-free direct loans are provided to nonprofit organizations planning to build subsidized housing for low-income, elderly, and handicapped tenants. The Pension Benefit Guaranty Corporation also administers direct loan assistance to prevent the loss of pension benefits to participants if pension plans are terminated or otherwise unable to pay insured benefits. Table IV-31 illustrates the lending activity in this function, which is almost entirely in the low-rent public housing program.

Low-rent Public Housing

This program provides three stages of federal credit assistance for the construction, acquisition, or modernization of public housing projects owned by PHAs. First, direct loans are made to finance the early costs of project development or modernization. The CBO baseline projects \$1.0 billion in new direct loan obligations for 1983 and 1984.

At a second stage, when the direct loans accumulate to an amount that is attractive to private investors, PHAs sell short-term tax-exempt notes to the public. The notes are used to repay the federal direct loans and to raise additional construction funds. The government effectively guarantees these notes with pledges to issue direct loans if the PHA is unable to refinance them. These notes are used to finance the construction of housing projects and comprise the largest volume of lending activity in the low-rent public housing program. The CBO baseline projects \$14.7 billion in new loan guarantee commitments for 1984, increasing to \$18.5 billion by 1988. Since the short-term notes are refinanced at least once a year, the loan guarantee commitments overstate the net volume of lending. They do, however, reflect the total new activity. Detailed credit activity for this program is presented in Table IV-32.

The third stage of federal assistance involves permanent financing of completed or nearly completed projects. Before 1974, completed projects were permanently financed for up to 40 years with long-term tax-exempt bonds sold to the public. Between 1974 and 1979, short-term tax-exempt notes were sold to the public. In 1980, PHAs began selling long-term bonds to the FFB for permanent project financing after construction was completed. The government pledges to make full principal and interest payments on the bonds through annual contributions contracts.

TABLE IV-31. INCOME SECURITY CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982 Actual	CBO Baseline Estimates					
		1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Low-rent public housing	905	1,000	1,000	750	500	250	100
Other income security programs	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	906	1,002	1,002	752	503	253	103
Loan Guarantee Commitments							
New primary guarantees for low-rent public housing	13,284	14,637	14,709	16,493	18,146	18,474	18,502

Beginning in 1983, the Administration requests no further FFB financing for long-term PHA bonds. Instead, through an administrative proposal the Administration requests that the Department of Housing and Urban Development sell taxable bonds to the public to permanently finance public housing projects.

TABLE IV-32. LOW-RENT PUBLIC HOUSING (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Exempt from limitation Entitlements and other mandatory programs	905	1,000	1,000	1,000	1,000
Loan Guarantee Commitments					
Exempt from limitation	13,284	14,637	14,709	14,637	14,709
Net Direct Lending					
On-budget	-22	---	---	---	---
Off-budget	696	592	-37	592	-37
Total	675	592	-37	592	-37
Cumulative Outstanding					
Direct loans	162	162	162	162	162
Loan guarantees	20,770	22,989	24,867	22,989	24,867
FFB	1,624	2,216	2,179	2,216	2,179

FUNCTION 700: VETERANS' BENEFITS AND SERVICES

Credit assistance to veterans includes direct loans in the form of borrowing against the cash value of life insurance policies and for educational purposes, and loans and guarantees to purchase homes. The CBO baseline projection for new direct loan obligations is \$0.8 billion in 1984. For new loan guarantee commitments, CBO projects \$9.0 billion, \$11.9 billion below the Administration request for 1984. The difference lies entirely in the Veterans Administration loan guaranty revolving fund. The Administration is not requesting limitations on any of these programs because they are considered assistance to which veterans are entitled. Table IV-33 summarizes the new direct loan obligations and new primary loan guarantee commitments in this function.

Insurance Benefits

Veterans and their survivors may borrow against the cash value of life insurance policies issued by the federal government under the following programs: the Service-Disabled Veterans' Insurance program, the Veterans' Reopened Insurance program, the U.S. Government Life Insurance program, and the Veterans' Special Life Insurance program. For 1984, CBO's baseline projection is \$163 million for new direct loan obligations.

Education Loans

Certain veterans may borrow up to \$2,500 per academic year for educational expenses directly from the Veterans' Education Loan Fund. No interest rate is charged on these loans nor is repayment required as long as the veteran is training at least half-time. When training is completed, the loans carry an interest rate of 11 percent and have a maturity of ten years. Repayments on previous loans are returned to the fund and used to make new loans. The Omnibus Reconciliation Act of 1981 restricted entitlements for these loans to certain small categories of veterans, as of October 1, 1981. In 1982, 1,400 new loans were made at an average of \$481 per loan. In 1983 and 1984, the Administration estimates that 190 and 165 new loans, respectively, will be made at an average of approximately \$1,000 per loan. Veterans may also receive loans up to \$564 to pay expenses while taking vocational rehabilitation training courses. These loans are interest free and are repaid over a period of ten months. New loans are made as previous loans are repaid. Both CBO and the Administration estimate a total of \$1.2 million in new direct loan obligations for these programs.

TABLE IV-33. VETERANS' CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Insurance programs	152	156	163	166	168	166	163
Education programs	2	1	1	1	1	1	1
Housing programs	<u>720</u>	<u>808</u>	<u>627</u>	<u>472</u>	<u>572</u>	<u>612</u>	<u>727</u>
Total	874	965	791	639	681	779	891
Loan Guarantee Commitments							
Housing programs	5,983	8,010	9,000	10,500	12,500	15,000	17,000

Housing Credit

The primary form of credit assistance to veterans is guarantees of loans made by private lenders for the purchase or construction of homes. The CBO baseline projection for new loan guarantees in 1984 is \$9.0 billion, a 12.5 percent increase over the 1983 base, that is 50 percent higher than the 1982 actual level. CBO has reestimated the President's estimate to this level. The Administration originally proposed a 212 percent increase in 1983 over 1982 to \$18.6 billion and a further increase to \$19.9 billion in 1984. This difference was due in part to the expectation by the Administration of a huge surge in lending activity as the housing industry recovers from its depressed 1982 level. The Administration's 1983 estimate of \$18.6 billion in guarantees was nearly 60 percent higher than the highest level of activity experienced in this program to date. While CBO's projection also assumes a recovery in the housing industry, the magnitude of the recovery in fiscal year 1983 is not expected to be as dramatic.

The CBO baseline estimate also differs from the Administration's in the manner in which direct loan obligations are calculated. CBO's direct loan estimate includes vendee loans resulting from the sale of property, and excludes real property acquisitions and property improvement cost related to these acquisitions. Under CBO's definition, Administration estimates for VA direct loan obligations for housing are reduced by \$0.6 billion from 1983-1988. The Administration anticipates that the lower volume of loans in 1982 will result in lower default claims in the next few years. Defaults of guaranteed loans are estimated at \$796 million in 1983 and \$615 million in 1984. Table IV-34 highlights the activity of the veterans' loan guarantee revolving fund.

The Veterans Administration is also authorized to make direct loans to severely disabled veterans for specially adapted housing. The CBO baseline projection for new direct loans for this program is \$2.0 million in 1984. New loan guarantee commitments are only anticipated in 1983, when \$10.4 million in guarantees are estimated to be sold.

TABLE IV-34. VETERANS' LOAN GUARANTEE REVOLVING FUND (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		Administration's January Estimates	
		1983	1984	1983	1984
Direct Loan Obligations					
Exempt from limitation					
Defaults	709 <u>a/</u>	796	615	679	709
Entitlements and other mandatory programs	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total, gross direct loan obligations	719	806	625	689	719
Loan Guarantee Commitments					
Exempt from limitation	5,983	8,000	9,000	18,637	19,875
Net Direct Lending					
On-budget <u>b/</u>	251	<u>c/</u>	<u>c/</u>	-390	259
Cumulative Outstanding					
Direct loans <u>b/</u>	1,906	<u>c/</u>	<u>c/</u>	1,516	1,774
Loan guarantees	108,784	<u>c/</u>	<u>c/</u>	125,858	144,172

a/ The 1982 actuals are based on the Administration's definition of defaults. CBO estimates \$420 million in defaults in 1982. See page 104 for an explanation.

b/ Includes Direct Loan Revolving Fund outlays and outstanding.

c/ Not estimated.

FUNCTION 800: GENERAL GOVERNMENT

Neither the CBO baseline nor the Administration project any new loan guarantee commitments in 1983 or 1984. The function previously contained two loan guarantee programs: loans to the U.S. territories of Guam and the Virgin Islands, and General Services Administration (GSA) loans for lease-purchase agreements on some federal buildings. The loan guarantees have been financed through the Federal Financing Bank as off-budget direct loans. In 1982, \$12 million in new loan guarantees were committed for the GSA program.

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

Credit assistance in function 850 consists of direct loans to the District of Columbia for capital projects and short-term general borrowing. Table IV-35 summarizes the estimated activity level for these two programs.

TABLE IV-35. GENERAL PURPOSE CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
District of Columbia capital projects	145	121	151	160	168	175	182
Repayable advances to District of Columbia general fund	<u>140</u>	<u>150</u>	<u>158</u>	<u>166</u>	<u>174</u>	<u>181</u>	<u>189</u>
Total	285	271	309	326	342	356	371

The U.S. Treasury makes direct loans to the District of Columbia for capital projects. In 1984, CBO's baseline projection for the program is \$151 million, to be used for projects from the general fund and water and sewer enterprise fund. From 1985 through 1988, the program is projected to increase steadily to \$182 million.

Temporary advances have been made by the U.S. Treasury to the District of Columbia to meet short-term cash requirements resulting from variation in the rate of disbursements and tax collection during the year. The CBO baseline projection for new direct loans in this program in 1984 is \$158 million. From 1985 through 1988, the program is projected to increase steadily to \$189 million. The Administration is not planning to make new or future loans for the program since it anticipates that future borrowing will be done in the private market. In each year, repayments are made in the full amount of that year's loan.

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