CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 14, 2001

H.R. 2095
Reservist VA Home Loan Fairness Act of 2001

As introduced on June 7, 2001

SUMMARY

H.R. 2095 would lower certain fees paid by members of the selected reserves who use the Department of Veterans Affairs (VA) home loan program. CBO estimates that enacting this legislation would increase direct spending by $6 million in 2002, $34 million over the 2002-2006 period, and $41 million over the 2002-2011 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply. H.R. 2095 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2095 is shown in the following table. This estimate assumes the legislation will be enacted by October 1, 2001. The costs of this legislation would fall within budget function 700 (veterans benefits and services).

The bill would lower the fees paid by reservists when they use the VA home loan program for the first time. Under current law, reservists pay fees ranging from 2.75 percent to 1.5 percent of the loan amount, depending on the downpayment made. H.R. 2095 would lower these fees by 75 basis points to the same range used for active-duty veterans—a range of 2 percent to 0.75 percent. Based on an average loan amount of $128,500, a caseload of 7,000 loans a year, and a fee cut of 75 basis points, CBO estimates that under the bill, VA would lose collections of about $7 million a year over the 2002-2007 period. Lowering the fees would also save an average borrower roughly $965, but CBO estimates these savings would not be significant enough to induce additional loans or larger loan amounts. Under current law, reservists lose eligibility for the VA home loan program in 2008; therefore, the bill would have no budgetary impact after 2007.

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
DIRECT SPENDING						
Spending Under Current Law for VA Home Loan Program						
Estimated Budget Authority	-991	262	275	283	288	294
Estimated Outlays	-991	262	275	283	288	294
Proposed Changes						
Estimated Budget Authority	0	6	7	7	7	7
Estimated Outlays	0	6	7	7	7	7
Spending Under H.R. 2095 for VA Home Loan Program						
Estimated Budget Authority	-991	268	282	290	295	301
Estimated Outlays	-991	268	282	290	295	301

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	6	7	7	7	7	7	0	0	0	0
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2095 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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