CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 3, 2003

H.R. 1735

A bill to amend title 38, United States Code, to increase the maximum amount of a home loan guarantee available to a veteran

As introduced on April 10, 2003

SUMMARY

H.R. 1735 would increase the maximum amount that the Department of Veterans Affairs (VA) can guarantee on a home loan made to a veteran from $60,000 to $81,000. CBO estimates that enacting the legislation would increase direct spending by $348 million over the 2004-2013 period, but would not affect administrative expenses for the program, which are provided for in annual appropriations acts.

H.R. 1735 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 enacting H.R. 1735 is shown in the following table. This estimate assumes that the legislation will be enacted by October 1, 2003. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CHANGES IN DIRECT SPENDING										
Estimated Budget Authority	25	26	26	27	27	28	30	30	64	65
Estimated Outlays	25	26	26	27	27	28	30	30	64	65

BASIS OF ESTIMATE

H.R. 1735 would increase the maximum loan guarantee amount on VA home loans from $60,000 to $81,000, thereby raising the maximum loan amount from $240,000 to $324,000. (For large loan amounts, VA can guarantee no more than 25 percent of the loan amount.) Based on information from VA, CBO estimates that the bill would result in 13,000 new loans a year over the 2004-2013 period. In addition, roughly 4,000 loans each year would now be made with higher loan amounts—these would not be new borrowers, but veterans who would no longer need a downpayment (or as large a downpayment) to qualify for the VA loan guarantee. CBO estimates that the added subsidy costs of these loans would average $27 million a year over the 2004-2011 period and rise to $65 million a year over the 2012-2013 period. Costs would increase significantly from 2011 to 2012 because, under current law, certain loan fees expire in 2012, resulting in a higher subsidy cost beginning in that year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1735 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

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