



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 8, 2003

### **H.R. 2595**

#### **A bill to restore the operation of the Native American Veteran Housing Loan Program during fiscal year 2003 to the scope of that program as in effect on September 30, 2002**

*As ordered reported by the House Committee on Veterans' Affairs on June 26, 2003*

H.R. 2595 would repeal a provision in current law that sets a \$5 million limitation on direct loans made by the Department of Veterans Affairs (VA) to Native American veterans in 2003. CBO estimates that enacting this legislation would lower spending for the Native American Veteran Housing Loan Pilot Program by about \$1 million in 2003. That change would result in a change in direct spending.

Under the program, VA makes direct loans to veterans living on trust lands for the purchase, construction, or improvement of a home. Public Law 102-389, an act making appropriations for the Departments of Veterans Affairs and Housing and Urban Development, and for other independent agencies, boards, commissions, corporations, and offices for fiscal year 1993, provided appropriations of \$4.5 million for the subsidy cost of these loans. Since the program's inception, VA has made about 270 loans at an originally estimated subsidy cost of \$2.3 million. The program is scheduled to end on December 31, 2005. Public Law 108-7, the Consolidated Appropriations Resolution, 2003, limited loans under this program to \$5 million in 2003. (Section 504 (b)(2) of the Federal Credit Reform Act of 1990 requires a limitation on new direct loan obligations be provided in advance in an appropriations act.)

In February 2003, VA exceeded the current loan limitation of \$5 million, and has been unable to make any new direct loans since then. The bill would lift the loan limitation for 2003, allowing VA to resume making direct loans under this program. Based on information from VA, CBO estimates that there is a backlog of roughly \$30 million in new loan applications (mainly refinancings) and that VA could issue about half of those new loans in 2003. According to VA, the department would not need additional funding for administrative expenses. In contrast to earlier subsidy estimates, the program now has a negative subsidy rate of almost -9 percent. Thus, making these loans would reduce spending by about \$1 million, CBO estimates.

H.R. 2595 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act and would have no effect on the budgets of state, local, or tribal governments.

The CBO staff contact is Sunita D'Monte. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.