Congressional Budget Office
Cost Estimate

September 6, 2023

H.R. 1767, Student Veteran Benefit Restoration Act

As ordered reported by the House Committee on Veterans' Affairs on July 26, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	2	-4
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	2	-4
Spending Subject to Appropriation (Outlays)	0	0	0

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	**< $2.5 billion**
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	**< $5 billion**

Statutory pay-as-you-go procedures apply?	**Yes**
Mandate Effects	
Contains intergovernmental mandate?	**No**
Contains private-sector mandate?	**No**

H.R. 1767 would make changes to education benefit and home loan programs administered by the Department of Veterans Affairs (VA). The costs of both programs are paid from mandatory appropriations. Enacting the bill would decrease net direct spending by $4 million over the 2023-2033 period, CBO estimates.

Benefit Restoration. Under current law, for most of its education benefit programs, VA makes payments for up to 36 months for students enrolled at schools that meet departmental standards and regulatory requirements. If students are unable to complete an educational course or program and do not receive credits because the school closed or because VA disapproved payments for required courses because of legal or regulatory changes, those students may have their benefits restored. VA typically restores benefits, as measured in months, for the academic term in which a closure or disapproval occurred, and restored benefits are not deducted from a student's total term of entitlement.[1]

The bill would allow VA to restore benefits to students when a school engages in fraudulent behavior as determined by VA under specified conditions. VA would also determine the amount of benefits to restore for those affected students. CBO expects that few students

1. Students who transfer fewer than 12 credits from a school that closed or was disapproved for the use of VA benefits between August 1, 2021, and September 30, 2023, may obtain restoration of benefits for the entire period they were enrolled at the school before it closed or lost approval.

would be affected by such fraudulent behavior, and that some who are affected would have some benefits restored under provisions of current law or have enough benefits remaining to complete their education. Using information from VA, CBO estimates that the department would restore benefits for about 40 students each year at an average cost of about $26,000, totaling $10 million over the 2023-2033 period.

The bill also would require schools to repay benefits that VA determine were obtained through fraudulent behavior and require VA to disapprove enrollment in schools that do not repay. Any repayments to VA would be reflected on the budget as negative outlays. CBO expects that most schools that engage in fraud as determined by VA would not repay benefits to VA and that some schools that would repay the department would have done so under current law. Using information from VA, CBO estimates that the increase in repayments received as a result of H.R. 1767 would total $5 million over the 2023-2033 period. On net, provisions in the bill affecting education benefits would increase direct spending by $5 million, CBO estimates.

Loan Fees. In addition, the bill would extend—for four days—the higher fees VA charges borrowers for its loan guarantees. VA provides loan guarantees to lenders that allow eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—to purchase, construct, improve, or refinance a home. VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower's home is foreclosed upon. Those payments, net of fees paid by borrowers and recoveries by lenders, constitute the subsidy cost for the loan guarantees.[2]

Under current law, most of the fees that borrowers pay to VA for loans guaranteed on or after November 14, 2031, will drop from a weighted average of about 2.4 percent to about 1.2 percent of the loan amount. The bill would extend the higher rates through November 18, 2031, thereby reducing the subsidy cost of loans guaranteed during that four-day period. Using information from VA, CBO estimates that extending the higher rates would decrease direct spending by $9 million over the 2023-2033 period.

Uncertainty. A significant source of uncertainty for CBO's estimate involves the number of students who would be unable to complete courses and lose credit because a school engages in fraudulent behavior as determined by VA. If more or fewer students lose credit than CBO projects, the cost of the bill would differ from the estimated amounts.

2. Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses offset by any payments to the government, including origination or other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed or modified. A positive subsidy indicates that the loan results in net outlays from the Treasury; a negative subsidy indicates that the loan results in net receipts to the Treasury.

The costs of the legislation, detailed in Table 1, fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 1767

	By Fiscal Year, Millions of Dollars											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2028	2023-2033
Increases and Decreases (-) in Direct Spending													
Benefit Restoration	0	*	1	*	1	*	1	*	1	*	1	2	5
Loan Fees	0	0	0	0	0	0	0	0	0	-9	0	0	-9
Total Changes in Direct Spending	0	*	1	*	1	*	1	*	1	-9	1	2	-4

* = between zero and $500,000; budget authority equals outlays for all sections.

The CBO staff contact for this estimate is Paul B.A. Holland. The estimate was reviewed by Christina Hawley Anthony, Deputy Director of Budget Analysis.

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