

Note 4. Loans Receivable, Net and Loan Guarantee Liabilities

Loans Receivable, Net as of September 30, 2021						
(In billions of dollars)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Subsidy Cost Allowance	Loans Receivable, Net	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education	1,292.2	86.5	-	(273.9)	1,104.8	93.9
Disaster Assistance Loans - SBA.....	249.2	7.5	-	(12.6)	244.1	2.9
Federal Family Education Loans - Education	82.0	23.9	-	(47.7)	58.2	0.6
Electric Loans - USDA	51.0	-	-	(2.6)	48.4	(0.8)
Rural Housing Services - USDA .	23.0	1.1	0.1	(2.5)	21.7	(0.1)
Federal Housing Admin Loans - HUD	46.2	19.9	0.6	(17.6)	49.1	-
All other programs	136.4	2.1	0.8	(14.6)	124.7	1.4
Total loans receivable	1,880.0	141.0	1.5	(371.5)	1,651.0	97.9

Loans Receivable, Net as of September 30, 2020						
(In billions of dollars)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Subsidy Cost Allowance	Loans Receivable, Net	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education	1,224.8	92.1	-	(216.4)	1,100.5	100.9
Disaster Assistance Loans - SBA.....	185.3	1.8	-	(5.6)	181.5	5.4
Federal Family Education Loans - Education	84.8	24.1	-	(41.5)	67.4	2.2
Electric Loans - USDA	48.9	-	-	(2.9)	46.0	0.9
Rural Housing Services - USDA .	23.6	1.2	-	(3.0)	21.8	-
Federal Housing Admin Loans - HUD	41.9	17.8	0.8	(17.1)	43.4	-
All other programs	130.9	2.3	0.7	(17.1)	116.8	0.1
Total loans receivable	1,740.2	139.3	1.5	(303.6)	1,577.4	109.5

Loans receivable consists primarily of direct loans disbursed by the government, receivables related to guaranteed loans that have defaulted, and certain receivables for guaranteed loans that the government has purchased from lenders. Direct loans are used to promote the nation's welfare by making financing available to segments of the population not served adequately by non-federal institutions, or otherwise providing for certain activities or investments. For those unable to afford

credit at the market rate, federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate.

The amount of the long-term cost of post-1991 direct loans equals the subsidy cost allowance for direct loans as of September 30. The amount of the long-term cost of pre-1992 direct loans equals the allowance for subsidy amounts (or PV allowance) for direct loans. The long-term cost is based on all direct loans disbursed in this fiscal year and previous years that are outstanding as of September 30. It includes the subsidy cost of these direct loans estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortizations, and write-offs.

Loans receivable, net includes related interest and foreclosed property. Foreclosed property is property that is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as compensation for losses that the government sustained under post-1991 loan guarantees. Please refer to the financial statements of HUD, USDA, and VA for additional information regarding foreclosed property.

The total subsidy expense/(income) is the cost recognized during the fiscal year. It consists of the subsidy expense/(income) incurred for direct loans disbursed during the fiscal year, for modifications made during the fiscal year of direct loans outstanding, and for upward or downward reestimates as of the end of the fiscal year. This expense/(income) is included in the Statements of Net Cost.

Loans Receivable Programs

The majority of loans receivable programs are provided by Education, SBA, USDA, and HUD. For additional information regarding the direct loan programs listed in the tables above, please refer to the financial statements of the entities.

Education has loan programs that are authorized by Title IV of the *Higher Education Act of 1965*. The William D. Ford Federal Direct Loan Program (referred to as the Direct Loan Program), was established in FY 1994 and offered four types of educational loans: Stafford, Unsubsidized Stafford, Parent Loan for Undergraduate Students, and consolidation loans. With this program, the government makes loans directly to students and parents through participating institutions of higher education. Education disbursed approximately \$104.8 billion in direct loans to eligible borrowers in FY 2021 and approximately \$117.4 billion in FY 2020. The COVID-19 relief legislation and administrative actions provided support for student loan borrowers by temporarily suspending nearly all federal student loan payments interest free. In addition, all federal wage garnishments and collections actions for borrowers with federally held loan in default were halted.

The SBA makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses recover from disasters. The CARES Act provides funding for SBA to offer low-interest EIDLs for working capital to small businesses suffering substantial economic injury as a result of COVID-19 that can be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact. These receivables increased to \$245.4 billion during FY 2021, stemming from a \$62.7 billion increase in COVID-19 EIDLs.

USDA's Rural Development offers direct loans with unique missions to bring prosperity and opportunity to rural areas. The Rural Housing programs provide affordable, safe, and sanitary housing and essential community facilities to rural communities. Rural Utility programs help improve the quality of life in rural areas through a variety of loan programs for electric energy, telecommunications, and water and environmental projects.

HUD's Office of Housing plays a vital role for the nation's homebuyers, homeowners, renters, and communities through its nationally administered programs. It includes FHA who administers active mortgage insurance programs which are designed to make mortgage financing more accessible to the home-buying public and developers/owners of rental housing and healthcare facilities. FHA insures private lenders against loss on mortgages which finance single family homes, multifamily projects, healthcare facilities, property improvements, and manufactured homes. Prior to 1990, the Office of Housing also provided direct loans for construction and rehabilitation of housing projects for the elderly and persons with disabilities. Due to COVID-19 the CARES Act provided borrowers with federally backed mortgage loans a 60-day foreclosure and eviction moratorium and a right to forbearance of loan payments for up to one year for homeowners experiencing financial hardship. HUD and other federal entities extended the foreclosure and eviction moratorium administratively through September 30, 2021, and extended the forbearance period for some borrowers to a maximum of 18 months.

Loan Guarantee Liabilities as of September 30, 2021, and 2020								
	Loan Guarantee Liabilities		Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the U.S.		Subsidy Expense (Income) for the Fiscal Year	
(In billions of dollars)	2021	2020	2021	2020	2021	2020	2021	2020
Federal Housing Administration Loans - HUD	(17.9)	(6.3)	1,503.6	1,544.4	1,344.4	1,379.7	(25.2)	(20.6)
Veterans Housing Benefit Programs - VA	10.9	7.3	862.2	816.0	218.3	206.3	0.6	(2.3)
Small Business Loans	227.8	512.7	459.6	646.0	435.3	621.7	296.8	526.8
Federal Family Education Loans - Education	7.3	0.9	116.9	128.9	116.9	128.9	10.1	(3.5)
Rural Housing Services - USDA ..	(1.1)	0.7	123.4	127.9	111.1	115.0	(2.3)	0.7
All other guaranteed loan programs	3.7	4.8	85.2	93.9	79.8	88.8	(0.9)	(0.2)
Total loan guarantee liabilities..	230.7	520.1	3,150.9	3,357.1	2,305.8	2,540.4	279.1	500.9

Loan guarantee programs are also used to promote the nation's welfare by making financing available to segments of the population not served adequately by non-federal institutions, or otherwise providing for certain activities or investments. For those to whom non-federal financial institutions are reluctant to grant credit because of the high risk involved, federal credit programs guarantee the payment of these non-federal loans and absorb the cost of defaults.

The amount of the long-term cost of post-1991 loan guarantees outstanding equals the liability for loan guarantees as of September 30. The amount of the long-term cost of pre-1992 loan guarantees equals the allowance for subsidy amounts (or PV allowance) and the liability for loan guarantees. The long-term cost is based on all guaranteed loans disbursed in this fiscal year and previous years that are outstanding as of September 30. It includes the subsidy cost of the loan guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortizations, and write-offs.

The total subsidy expense/(income) is the cost of loan guarantees recognized during the fiscal year. It consists of the subsidy expense/(income) incurred for guaranteed loans disbursed during the fiscal year, for modifications made during the fiscal year of loan guarantees outstanding, and for upward or downward reestimates as of the end of the fiscal year of the cost of loan guarantees outstanding. This expense/(income) is included in the Statements of Net Cost.

Loan Guarantee Liability Programs

The majority of the loan guarantee programs are provided by HUD, VA, SBA, Education and USDA. For additional information regarding the guaranteed loan programs listed in the tables above, please refer to the financial statements of the entities.

HUD's Office of Housing promotes equal housing opportunities. It includes FHA who provides mortgage insurance on mortgages for single family mortgage loans made by FHA-approved lenders and strives to meet the needs of many first-time and minority homebuyers who, without the FHA guarantee, may find mortgage credit to be unaffordable or simply unavailable.

VA operates the following loan guarantee programs: Housing Guaranteed Loans and Loan Sale Guarantees. The Home Loans program provides loan guarantees to veterans, service members, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms. During FY 2021, the face value of outstanding principal on loans guaranteed by the VA increased by \$46.2 billion. This increase was primarily due to \$394.5 billion in new loans guaranteed by the VA, partially offset by \$225.3 billion in guaranteed loan terminations.

The SBA provides guarantees that help small businesses obtain bank loans and licensed companies to make investments in qualifying small businesses. The loan guarantee PPP provides loan forgiveness for amounts used for eligible expenses for payroll and benefit costs, interest on mortgages, and rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. The loan guarantee liability for Small Business Loan Programs which includes the PPP decreased by \$284.9 billion due to PPP loan forgiveness that started taking place in FY 2021.

Education has loan programs that are authorized by Title IV of the *Higher Education Act of 1965*. The FFEL Program was established in FY 1965 and operates through state and private, nonprofit guaranty agencies that provided loan guarantees on loans made by private lenders to eligible students. The *Student Aid and Fiscal Responsibility Act*, which was enacted as part of the *Health Care Education and Reconciliation Act of 2010* (P.L. 111-152), eliminated the authority to guarantee new FFEL after June 30, 2010. The COVID-19 relief legislation and administrative actions provided support for student loan borrowers by temporarily suspending nearly all federal student loan payments interest-free. In addition, all federal wage garnishments and collections actions for borrowers with federally held loan in default were halted.

USDA's Rural Development offers guaranteed loans with unique missions to bring prosperity and opportunity to rural areas. The Rural Housing programs provide affordable, safe, and sanitary housing and essential community facilities to rural communities.

For additional information regarding the CARES Act refer to the financial statements of SBA, Education, HUD and Note 30—COVID-19 Activity.