Note 4. Loans Receivable, Net and Loan Guarantee Liabilities

Loans Receivable, net as of September 30, 2023

(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	1,336.2	83.4	-	(388.7)	1,030.9	(116.5)
Disaster Assistance Loans - SBA	311.3	13.3	-	(53.9)	270.7	34.4
Federal Housing Admin Loans - HUD	61.8	25.8	0.7	(17.6)	70.7	(0.1)
Electric Loans - USDA	56.5	0.2	-	0.7	57.4	(1.3)
FDIC (acting in its capacity as receiver)[1]	50.0	0.1	-	-	50.1	-
Federal Family Education Loans - Education	79.0	20.9	-	(60.5)	39.4	2.3
All other programs	190.1	4.2	0.8	(19.2)	175.9	2.0
Total loans receivable	2,084.9	147.9	1.5	(539.2)	1,695.1	(79.2)

[1]Treasury purchased a $50 billion note issued by a trust created by FDIC in its receivership capacity and guaranteed by FDIC in its corporate capacity.

Loans Receivable, net as of September 30, 2022

(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	1,341.8	86.7	-	(611.9)	816.6	385.4
Disaster Assistance Loans - SBA	367.0	14.8	-	(61.5)	320.3	43.0
Federal Housing Admin Loans - HUD	53.8	20.9	0.5	(14.3)	60.9	(0.1)
Electric Loans - USDA	53.9	-	-	(2.2)	51.7	0.7
Federal Family Education Loans - Education	80.3	21.6	-	(62.1)	39.8	10.8
All other programs	159.6	4.0	0.8	(19.6)	144.8	0.1
Total loans receivable	2,056.4	148.0	1.3	(771.6)	1,434.1	439.9

Loans Receivable

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.

The majority of loans receivable programs are provided by Education, SBA, HUD, and USDA. 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 offers 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 $122.3 billion in direct loans to eligible borrowers in FY 2023 and approximately $120.4 billion in FY 2022. In FY 2023, there was a $214.3 billion increase in Education's Federal Direct Loan program primarily due to the combination of 1) broad based debt relief announced in FY 2022 causing a decrease in the net loans receivable reported in FY 2022; and 2) an increase in the net loans receivable balance during FY 2023 largely due to a downward modification to reverse the inclusion of student loan debt relief as a result of the Supreme Court's ruling on June 30, 2023. In FY 2023, there were also upward modifications of $23.3 billion related to COVID-19 administrative actions. In addition, Education stopped all federal wage garnishments and collection actions for borrowers with federally held loans in default. For additional information regarding the CARES Act refer to the financial statements of Education and Note 29—COVID-19 Activity.

The SBA makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses recover from disasters. SBA's Disaster Assistance Loan Program makes direct loans to disaster survivors under four categories: physical disaster loans to repair or replace damaged homes and personal property; physical disaster loans to businesses of any size; EIDLs to eligible small business and nonprofit organizations without credit available elsewhere; and economic injury loans to eligible small businesses affected by essential employees called up to active duty in the military reserves. In FY 2023, SBA's credit program receivables saw a decrease of $49.6 billion from FY 2022 from a decrease in direct disaster loans as a result of disaster lending activity returning to a comparable level with the pre-pandemic period due to the EIDL program no longer approving loans for COVID-19 in FY 2023, recoupment of loans previously dispersed, and current year write-offs.

HUD's loans receivable balance largely comprises defaulted single-family mortgages and reverse mortgages that were insured by FHA. In addition, HUD finances mortgages and provides loans to support construction and rehabilitation of low-rent housing, principally for the elderly and disabled.

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.

In FY 2023, Treasury purchased a $50 billion note guaranteed by the FDIC in its corporate capacity as deposit insurer and regulator. FDIC as Receiver for the First Republic Bank created a trust and sold a PMN to the trust. JPMorgan had issued the PMN to the FDIC as Receiver for the First Republic Bank in connection with the resolution of the First Republic Bank and JPMorgan's acquisition of certain assets and liabilities of First Republic Bank. The PMN, which matures in 2028, is full-recourse to JPMorgan and is collateralized by a pool of mortgage loans acquired by JPMorgan through the related receivership and sale of First Republic Bank. Cash flows from the PMN will be used to repay the principal and interest due on the Treasury-purchased note issued by the trust. The Treasury-purchased note principal is due to Treasury from the trust on May 4, 2028, with semi-annual interest payments at 4.445% beginning May 2024. The Treasury-purchased note is recorded at cost ($50 billion) and considered to be fully collectable by Treasury based on the following factors: 1)

JPMorgan's strength as a counterparty and commitment under the PMN; 2) over-collateralization of the PMN's underlying collateral; 3) a funded reserve account to cover shortfalls in interest owed on the Treasury-purchased note relative to the PMN; and 4) an option to prepay the note at par prior to maturity. For information on additional receivership activity see Note 30—Subsequent Events.

All other programs saw an increase of $31.2 billion in FY 2023 largely due to fluctuations in loan programs for HUD, DOT, and DFC. The increase in HUD's Other Non-Credit Reform Loans of $19.5 billion is primarily due to Ginnie Mae's new Home Equity Conversion Mortgage portfolio, as a result of the Reverse Mortgage Funding issuer default.

Loan Guarantee Liabilities as of September 30, 2023, and 2022

	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)	2023	2022	2023	2022	2023	2022	2023	2022
Federal Housing Administration Loans - HUD	(32.6)	(39.8)	1,669.1	1,533.7	1,481.3	1,368.0	(2.2)	(37.8)
Small Business Loans	7.9	25.7	165.5	187.9	140.3	163.8	(1.1)	(5.0)
Federal Family Education Loans - Education	10.9	10.4	80.6	98.6	80.6	98.6	5.3	11.2
Veterans Housing Benefit Programs	9.1	9.9	994.7	940.9	250.1	237.3	(4.5)	(2.2)
All other guaranteed loan programs	0.1	0.2	189.0	195.0	172.3	178.3	(1.6)	(2.3)
Total loan guarantee liabilities	(4.6)[1]	6.4	3,098.9	2,956.1	2,124.6	2,046.0	(4.1)	(36.1)

[1]Loan guarantees are recorded as a liability except when cash inflows are expected to exceed cash outflows on a PV basis. This results in a negative loan guarantee that is reported as an asset on the Balance Sheet.

Loan Guarantee Liabilities

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.

The majority of the loan guarantee programs are provided by HUD, SBA, Education and VA. 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 as well as providing mortgage insurance on multifamily rental housing, healthcare facilities and single-family Title I manufactured housing and property improvement loans. FHA 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. These programs are a critical component of FHA's efforts to meet the nation's need for decent, safe, and affordable housing. FHA's total loan guarantee subsidy expense increased by $35.7 billion in FY 2023, primarily due to a smaller downward reestimate in FY 2023 as compared to FY 2022.

The SBA provides guarantees that help small businesses obtain bank loans and licensed companies to make investments in qualifying small businesses. Their business loan programs include the Loan Guaranty program in which the SBA guaranties up to 90 percent of the amount of loans made by participating banks and other lending institutions to eligible small businesses not able to obtain credit elsewhere. The CARES Act added the PPP which was designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA's Loan Guarantee Liabilities decreased $17.8 billion primarily because of claim payments to lenders and miscellaneous recoveries in FY 2023, which are mostly attributable to PPP purchase guarantee and forgiveness payments. As of September 2023, over 10.6 million applications have been submitted requesting PPP loan forgiveness, with nearly $760.0 billion total forgiveness paid. Approximately 96 percent of total PPP loan value has been forgiven, in full or in part.

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.

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.