CHAPTER 5

FEDERAL CREDIT PROGRAMS

One of the most difficult questions the Commission has faced is how Federal loan outlays should be reflected appropriately in the budget. The Commission has been impressed with the importance of presenting the budget on a truly comprehensive basis. It also has evaluated the need for separate substantive information on direct loan programs because of their differing economic characteristics and their unique relationship to loan insurance and guarantee programs. It believes that the objectives of separable treatment of loan programs can be met best within the framework of a comprehensive budget. The Commission recommends, therefore:

° *A breakdown between loans and other expenditures within the budget is so important, particularly for analyzing the impact of the budget on incomes and employment, that the summary budget presentation should show most direct loans (on the basis of their unsubsidized value) separately from other expenditures.*

° *A surplus or deficit should therefore be presented in the budget, to be calculated by comparing expenditures other than loans with total budget receipts, for purposes of providing a measure of the economic impact of Federal programs.*

° *However, the subsidy elements in all such loans should be included and specifically disclosed in the expenditure rather than the loan account of the budget to the extent practicable since such subsidies are much more like grants than loans. This will make a meaningful separation of loans from other budget expenditures possible. Measurement of the subsidy in loans would reflect both the interest rate subsidy, capitalized at the time the loan is made, and the provision of adequate allowances for losses.*

° *Certain other types of loans should be reflected in the expenditure rather than the loan account of the budget, either because they are loans in name only (such as Commodity Credit Corporation nonrecourse loans) or because they are foreign loans made on noncommercial terms.*

° *The budget summary should show separately gross loan disbursements and loan repayments, in addition to net lending.*

The Commission considers the sale of certificates of participation in pools of Federal agency loans as more like the sale of securities by the Treasury