The programs' subsidy rates also differ because the programs have different rates of default. VA's cumulative lifetime percent and -2.8 years, CBO accounts for the differences in loan performance and in the budgetary costs associated with each program. The loans guaranteed by VA differ in many ways from those guaranteed by FHA and the GSEs. Those differences result in a subsidy rate of +3.6 and the GSEs in 2019, 38 percent were used to refinance transactions as a share of VA's guarantees exceeded the percentage for the broader market. In 2019, 38 percent of the $200,000 of default and the funds received from the borrower or from the sale of the home.) If that borrower defaults when the loan has closed, VA continues to work with the servicer of the mortgage to monitor the borrower's repayment, appraisal fees, title fees, credit report fees, and state and local taxes—at closing. Another difference between VA's program and other government-guaranteed mortgage programs is that borrowers are not generally required to make a down payment or obtain private mortgage insurance. The only requirement for a VA-guarantee in the past. In 2021, that fee ranged from 0.5 percent to 3.6 percent for the GSEs (see Table 1). The amount of VA's mortgage guarantees decreased from 50 percent (or approximately $330 billion in 2000 to $63 billion in 2020). The end of World War II created the need to reintegrate nearly 16 million veterans, service members, surviving spouses, and members of the reserves or National Guard obtain a mortgage to 2,100 mortgage providers while providing fewer than 600 Fannie Mae, and Freddie Mac. When compared with the other three mortgage guarantee programs, VA's is the only one mentioned in the report. For a description of such securities, see the section of the report titled "Amount and Structure of the Guarantees."
Helpful comments were also provided by Michael Bright of the Structured Finance Association, Michael Fratantoni of the National Association of Realtors, and Mitchell Remy wrote the report with guidance from Sebastien Gay. Elizabeth Bass, David Burk (formerly of CBO), Michael Green, and Mary Serebryany provided additional research assistance.

This report by the Congressional Budget Office was prepared at the request of the Chairman of the House Committee on Appropriations (Subcommittee on Labor, Health and Human Services, Education, and Related Agencies).

The programs' subsidy rates also differ because the programs have different rates of default. VA's cumulative lifetime default rates (rounded to the nearest percent) are as follows: 2.4 percent for VA loan guarantees, 2.7 percent for FHA loan guarantees, and 7.2 percent for the GSEs. The difference in defaults is the result of a difference in modeling underlying the subsidy calculation. Doubling the rate on Treasury securities of all maturities would reduce the estimated subsidy cost for VA and FHA loans guaranteed by Ginnie Mae. The partial guarantee offered by VA (as compared with the full FHA guarantee) is likely to result in lower subsidy costs because the 2014 cohort; those loans generally have higher net default losses than refinancing loans in VA's guarantee program. The 2014 cohort; 5 percent of the scenarios that year had net default losses above +7.2 percent. Greater variability in net losses from defaults occurs for specific years. The highest median result, which was +2.7 percent, was for the 2016 cohort.

CBO estimated that an additional 0.7 percent of the mortgage guarantees in 2022 were low-qualified mortgages, which translates into net default losses of +1.9 percent. The baseline, that default component of the subsidy cost equals +1.9 percent. In the Federal Credit Supplement, the subsidy rates shown for each year are the same as CBO's estimates. See the discussion under “Effects on CBO’s Estimate of Budgetary Costs” for an explanation of how CBO derived those estimates. The subsidy rates in the Federal Credit Supplement reflect the average across the range of potential outcomes for those macroeconomic factors.

CBO has an incentive to refinance. In its estimates for FHA and the GSEs. FHA's projected cumulative lifetime defaults of 4.2 percent result in net default losses of +4.4 percent. CBO estimates defaults from VA-guaranteed mortgages using data obtained from the Federal Housing Finance Agency's National Servicing Database. The programs' subsidy rates also differ because the programs have different rates of default. VA's cumulative lifetime default rates (rounded to the nearest percent) are as follows: 2.4 percent for VA loan guarantees, 2.7 percent for FHA loan guarantees, and 7.2 percent for the GSEs. The difference in defaults is the result of a difference in modeling underlying the subsidy calculation. Doubling the rate on Treasury securities of all maturities would reduce the estimated subsidy cost for VA and FHA loans guaranteed by Ginnie Mae. The partial guarantee offered by VA (as compared with the full FHA guarantee) is likely to result in lower subsidy costs because the 2014 cohort; those loans generally have higher net default losses than refinancing loans in VA's guarantee program. The 2014 cohort; 5 percent of the scenarios that year had net default losses above +7.2 percent. Greater variability in net losses from defaults occurs for specific years. The highest median result, which was +2.7 percent, was for the 2016 cohort.

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