Congressional Budget Office
Cost Estimate

August 30, 2022

At a Glance

H.R. 7939, Student Veteran Emergency Relief Act of 2022

As ordered reported by the House Committee on Veterans' Affairs on July 19, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	5	-2
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	5	-2
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	**Yes**
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	**< $5 billion**

Mandate Effects	
Contains intergovernmental mandate?	**No**
Contains private-sector mandate?	**No**

The bill would

- Increase fees the Department of Veterans Affairs (VA) charges borrowers for home loan guarantees
- Authorize VA to pay additional educational and vocational benefits because of emergency situations
- Expand eligibility for the Post-9/11 GI Bill to veterans who received sole survivorship discharges

Estimated budgetary effects would mainly stem from

- Increasing fees charged by VA for home loan guarantees
- Payment of additional educational and vocational benefits

Areas of significant uncertainty include

- Predicting the number of educational and vocational beneficiaries who are negatively affected by emergency situations

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 7939 would increase the fees that the Department of Veterans Affairs (VA) charges borrowers for home loan guarantees. The bill also would authorize VA to pay additional educational and vocational benefits to people negatively affected by emergency situations and expand eligibility for the Post-9/11 GI Bill to veterans who received sole survivorship discharges.

Estimated Federal Cost

The estimated budgetary effects of H.R. 7939 are shown in Table 1. The bill would decrease direct spending by a net $2 million over the 2022-2032 period. The costs of the legislation fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 7939

	By Fiscal Year, Millions of Dollars											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
	Increases or Decreases (-) in Direct Spending												
Home Loan Fees	0	0	0	0	0	0	0	0	0	-13	0	0	-13
Emergency Situations	0	1	1	1	1	1	1	1	1	1	1	5	10
Sole Survivorship	*	*	*	*	*	*	*	*	*	*	*	*	1
Total Changes in Direct Spending	0	1	1	1	1	1	1	1	1	-12	1	5	-2

* = between zero and $500,000. Budget authority is equal to the outlays shown here for all provisions.

Basis of Estimate

For this estimate, CBO assumes that H.R. 7939 will be enacted early in fiscal year 2023 and that provisions will take effect upon enactment or on the dates specified by the bill. CBO also estimates that outlays will follow historical spending patterns for affected programs.

Direct Spending

H.R. 7939 would make changes to VA's educational and vocational benefits and home loan guarantee programs. On net, enacting the bill would decrease direct spending by $2 million over the 2022-2032 period, CBO estimates.

Home Loan Fees. VA provides guarantees to lenders for eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—when purchasing, constructing, or refinancing 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 and are paid from mandatory appropriations. Any changes to those costs affect direct spending.[1]

Under current law, most of the fees that borrowers pay to VA for loans guaranteed after January 14, 2031, will decline from a weighted average of 2.5 percent of the loan amount to 1.2 percent. Section 16 would extend the higher rates through January 19, 2031. On the basis of loan data provided by VA and CBO's projection of home prices, CBO estimates that extending the higher fee rates would decrease direct spending by about $13 million over the 2022-2032 period.

Emergency Situations. Sections 2 through 8 would authorize VA to pay additional benefits under several educational and vocational programs to people who would otherwise receive reduced benefits because a course of education or training was modified or terminated because of a Presidentially declared emergency. The bill also would allow beneficiaries to use benefits for an extended period of time, equal to the duration that they were unable to make progress toward the completion of their education or training.

The largest of those programs, by both participation and benefit cost, is the Post-9/11 GI Bill, under which VA pays benefits to or on behalf of students who pursue approved education or training programs. Members of the armed forces who serve at least 30 days on active duty are eligible for benefits. The amount of the benefits depends on how long the service member was on active duty. Full benefits are paid to or on behalf of those who served for at least 36 months or for 30 continuous days if discharged with a service-connected disability. VA pays an amount equivalent to in-state tuition and fees at a public postsecondary institution or up to $26,043 (for the 2021-2022 academic year) annually for a private or foreign institution. Other benefits include a monthly housing allowance (national average of $1,896) for students enrolled more than half-time and a stipend for books and supplies (up to $1,000 each year). Members who serve at least six years and agree to serve another four years may be approved to transfer benefits to their spouse or children.

Other educational and vocational programs similarly affected include the Survivors' and Dependents' Educational Assistance, Veteran Readiness and Employment, and Montgomery

1. 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.

GI Bills for Active Duty and Selected Reserve programs. CBO expects that a small number of people using benefits under the Post-9/11 GI Bill and other programs would be negatively affected by emergency situations and receive additional benefits under the bill. On the basis of data provided by VA, CBO estimates that the additional benefits paid under each program would be low and that, altogether, such payments would increase direct spending by about $1 million each year, totaling $10 million over the 2022-2032 period.

Sole Survivorship. Section 11 would expand eligibility for the full benefits under the Post-9/11 GI Bill, described above, to all veterans who received a sole survivorship discharge after serving at least 30 continuous days in the armed forces. Such discharges are typically granted by the Department of Defense (DoD) upon request of a member who becomes the only surviving child in a family in which a parent or sibling dies, goes missing, or becomes totally and permanently disabled as a result of their military service.

On the basis of data provided by DoD on military separations and by VA on benefit use, CBO expects that a small number of people newly eligible for full benefits would use about $18,600 in Post-9/11 GI Bill benefits, on average each year. CBO estimates that the total costs for those additional beneficiaries would increase direct spending by an insignificant amount each year and by $1 million over the 2022-2032 period.

Uncertainty

A significant source of uncertainty for CBO's estimate involves the number of beneficiaries who would be negatively affected by emergency situations and, consequently, their use of additional educational and vocational benefits. If that number is higher or lower than projected, the cost of the bill could differ significantly from the estimated amounts.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 1.

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 7939 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2033.

Mandates: None.

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