Congressional Budget Office
Cost Estimate

September 27, 2022

H.R. 5918, a bill to amend title 38, United States Code, to ensure that the Secretary of Veterans Affairs repays members of the Armed Forces for certain contributions made by such members towards Post-9/11 Educational Assistance

As ordered reported by the House Committee on Veterans' Affairs on September 21, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	16	-8
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	16	-8
Spending Subject to Appropriation (Outlays)	0	0	0

		Mandate Effects	
Statutory pay-as-you-go procedures apply?	Yes	Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	< $5 billion	Contains private-sector mandate?	No

H.R. 5918 would make changes to education and home loan programs administered by the Department of Veterans Affairs (VA). The costs of both programs are paid from mandatory appropriations. Enacting the bill would decrease net direct spending by $8 million over the 2022-2032 period, CBO estimates.

Under the Montgomery GI Bill (MGIB), service members must contribute at least $1,200 from their basic pay to become eligible for benefits. Contributions are not required for eligibility under the Post-9/11 GI Bill. People who are eligible for both the MGIB and Post-9/11 GI Bill and who choose to receive benefits under the latter program may receive a refund of their MGIB contributions. That refund is made if they use all of their Post-9/11 GI Bill benefits, and it must be paid along with their last monthly housing payment.

H.R. 5918 would eliminate the requirement that such refunds must be paid along with final housing payments so that people who do not receive housing payments could receive the refund. Using data from VA, CBO estimates that roughly 25,000 more people would receive refunds over the 2022-2032 period, increasing direct spending by $29 million.

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.

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.[1] Under current law, most of the fees borrowers pay to VA for loans guaranteed after January 14, 2031, will decline from a weighted average of about 2.5 percent of the loan amount to about 1.2 percent. H.R. 5918 would extend the higher rates through January 28, 2031. On the basis of loan data provided by VA, CBO estimates that extending the higher fee rates would decrease direct spending by $37 million over the 2022-2032 period.

The costs of the legislation, detailed in Table 1, fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 5918

	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												
Contribution Refunds	0	1	4	4	3	4	3	3	3	2	2	16	29
Home Loan Fees	0	0	0	0	0	0	0	0	0	-37	0	0	-37
Total Changes in Direct Spending	0	1	4	4	3	4	3	3	3	-35	2	16	-8

Budget authority is equal to the outlays shown here for all provisions.

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.

The CBO staff contact for this estimate is Paul B.A. Holland. The estimate was reviewed by Leo Lex, Deputy Director of Budget Analysis.

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.