

The Federal Government offers direct loans and loan guarantees to support a wide range of activities including home ownership, student loans, small business, farming, energy, infrastructure investment, and exports. In addition, Government-sponsored enterprises (GSEs) operate under Federal charters for the purpose of enhancing credit availability for targeted sectors. Through its insurance programs, the Federal Government insures deposits at depository institutions, guarantees private-

sector defined-benefit pensions, and insures against some other risks such as flood and terrorism.

This chapter discusses the roles of these diverse programs. The first section discusses individual credit programs and GSEs. The second section reviews Federal deposit insurance, pension guarantees, disaster insurance, and insurance against terrorism and other security-related risks.

## CREDIT IN VARIOUS SECTORS

### *Housing Credit Programs*

Through its main housing credit programs, the Federal Government promotes homeownership among various groups that may face barriers to owning a home, including low- and moderate-income people, veterans, and rural residents. In times of economic crisis, the Federal Government's role and target market can expand dramatically.

#### **Federal Housing Administration**

The Federal Housing Administration (FHA) guarantees single-family mortgages that expand access to homeownership for households who may have difficulty obtaining a conventional mortgage. In addition to traditional single-family “forward” mortgages, FHA insures “reverse” mortgages for seniors (Home Equity Conversion Mortgages, described below) and loans for the construction, rehabilitation, and refinancing of multifamily housing, hospitals, and other healthcare facilities.

*FHA Single-Family Forward Mortgages.* FHA has been a primary facilitator of mortgage credit for first-time and low-wealth homebuyers, a pioneer of products such as the 30-year self-amortizing mortgage, and a vehicle to enhance credit for many low- to moderate-income households. One of the major benefits of an FHA-insured mortgage is that it provides a homeownership option for borrowers who, though they can only make a modest down payment, can show that they are credit-worthy and have sufficient income to afford the house they want to buy. First-time homebuyers accounted for 83 percent of new FHA purchase loans in 2025 and, for calendar year (CY) 2024, the low-income homebuyer share was 30 percent.

*FHA Home Equity Conversion Mortgages.* Home Equity Conversion Mortgages (HECMs), or “reverse” mortgages, are designed to support aging in place by enabling elderly homeowners to borrow against the equity in their homes without having to make repayments during their lifetime (unless they sell, refinance, or fail to meet certain requirements). A HECM is known as a “reverse” mortgage because the change in home equity over time is generally the opposite of a forward mortgage. While a traditional forward mortgage starts with a small amount of equity and builds equity with amortization of the loan, a HECM starts with a large equity cushion that declines over time as the loan accrues interest and premiums. The risk of HECMs is therefore weighted toward the end of the mortgage, while forward mortgage risk is concentrated in the first 10 years.

*FHA Mutual Mortgage Insurance (MMI) Fund.* FHA guarantees for forward and reverse mortgages are administered under the Mutual Mortgage Insurance (MMI) Fund. At the end of 2025, the MMI Fund had \$1.6 trillion in total mortgages outstanding and a capital ratio of 11.47 percent, unchanged from 2024.

For more information on the financial status of the MMI Fund, please see the *Annual Report to Congress Regarding the Financial Status of the FHA Mutual Mortgage Insurance Fund, Fiscal Year 2025*.<sup>1</sup>

FHA's new origination volume in 2025 was \$275 billion for forward mortgages and \$15 billion for HECMs, and the Budget projects \$284 billion and \$15 billion, respectively, for 2027.

*FHA Multifamily and Healthcare Guarantees.* In addition to the single-family mortgage insurance provided through the MMI Fund, FHA's General Insurance and Special Risk Insurance (GISRI) loan programs continue to

<sup>1</sup> <https://www.hud.gov/sites/dfiles/Housing/documents/2025FHAAnnualReportMMIFund.pdf>

facilitate the construction, rehabilitation, and refinancing of multifamily housing, hospitals, and other healthcare facilities. The credit enhancement provided by FHA enables borrowers to obtain long-term, fixed-rate financing, which mitigates interest rate risk and facilitates lower monthly mortgage payments. This can improve the financial sustainability of multifamily housing and healthcare facilities, and may also translate into more affordable rents and lower healthcare costs for consumers.

GISRI's new origination loan volume for all programs in 2025 was \$16 billion and the Budget projects \$21 billion for 2027. The total amount of guarantees outstanding on mortgages in the FHA GISRI Fund were \$153 billion at the end of 2025.

### **VA Housing Loan Program**

The Department of Veterans Affairs (VA) assists veterans, members of the Selected Reserve, and active-duty personnel in purchasing homes in recognition of their service to the Nation. The VA housing loan program effectively substitutes a Federal guarantee for the borrower's down payment, meaning more favorable lending terms for veterans. Under this program, VA does not guarantee the entire mortgage loan, but typically fully guarantees the first 25 percent of losses upon default. In fiscal year 2025, VA guaranteed a total of 323,832 new purchase home loans, providing approximately \$129 billion in guarantees. VA also guaranteed 119,458 Interest Rate Reduction Refinance loans and veteran borrowers lowered interest rates on their home mortgages through streamlined refinancing. VA provided approximately \$206 billion in guarantees for 528,340 VA loans in fiscal year 2025. That followed \$155 billion in guarantees for 416,376 VA loans closed in fiscal year 2024.

VA, in cooperation with VA-guaranteed loan servicers, also assists borrowers through home retention options and alternatives to foreclosure. VA intervenes when needed to help veterans and service members avoid foreclosure through loan modifications, special forbearances, repayment plans, and acquired loans, as well as assistance to complete compromised sales or deeds-in-lieu of foreclosure. These standard efforts helped resolve over 99 percent of defaulted VA-guaranteed loans and assisted 173,478 veterans retain homeownership or avoid foreclosure in 2025. These efforts resulted in over \$9.9 billion in avoided guaranteed claim payments.

### **Rural Housing Service**

The Rural Housing Service (RHS) at the U.S. Department of Agriculture (USDA) offers direct and guaranteed loans to help very-low- to moderate-income rural residents buy and maintain adequate, affordable housing. RHS housing loans and loan guarantees differ from other Federal housing loan programs in that they are means-tested, making them more accessible to low-income, rural residents. The single family housing guaranteed loan program is designed to provide home loan guarantees for moderate-income rural residents whose incomes are

between 80 percent and 115 percent (maximum for the program) of area median income.

RHS has traditionally offered both direct and guaranteed homeownership loans. The direct single family housing loans have been historically funded at \$1 billion a year, while the single family housing guaranteed loan program, authorized in 1990 at \$100 million, has grown into a \$20 billion loan program annually. USDA also offers direct and guaranteed multifamily housing loans, as well as housing repair loans.

### **Education Credit Programs**

The Department of Education (ED) direct student loan program is one of the largest Federal credit programs, with \$1.44 trillion in Direct Loan principal outstanding in 2025. The Federal student loan programs provide students and their families with the funds to help meet postsecondary education costs. Because funding for the loan programs is provided through mandatory budget authority, student loans are considered separately for budget purposes from other Federal student financial assistance programs (which are largely discretionary), but should be viewed as part of the overall Federal effort to expand access to higher education.

Loans for higher education were first authorized under the William D. Ford program, which was included in the Higher Education Act of 1965 (Public Law 89-329). The direct loan program was authorized by the Student Loan Reform Act of 1993 (subtitle A of title IV of Public Law 103-66). The enactment of the SAFRA Act (subtitle A of title II of Public Law 111-152) ended the guaranteed Federal Financial Education Loan program. On July 1, 2010, ED became the sole originator of Federal student loans through the Direct Loan program.

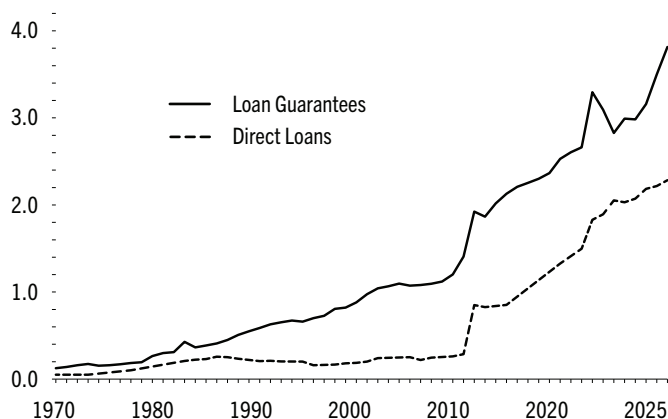
Under the current direct loan program, the Federal Government partners with over 5,500 institutions of higher education, which then disburse loan funds to students. Loans are available to students and parents of students regardless of income. There are three types of Direct Loans: Federal Direct Subsidized Stafford Loans, Federal Direct Unsubsidized Stafford Loans, and Federal Direct PLUS Loans, each with different terms.

On July 4, 2025, the President signed the Working Families Tax Cut Act (WFTC) into law, which implemented sweeping changes to simplify the student loan repayment system. For students starting an award year 2026-2027, Parent PLUS loans are capped at \$20,000 per year, with a \$65,000 lifetime cap per student. Graduate PLUS loans are eliminated, leaving Direct Unsubsidized Stafford loans as the only option for graduate students. Graduate borrowing is capped at \$20,500 per year (\$50,000 for professional degrees), with aggregate limits of \$100,000 (\$200,000 for professional degrees).

In addition to new borrowing limits, the WFTC made significant changes to student loan repayment plans. Borrowers after July 1, 2026 have two repayment options. The first is a Revised Standard Repayment plan that ties

**Chart 04—1. Face Value of Federal Credit Outstanding**

Dollars in Trillions



the repayment to loan size. The second is a new Income-Driven Repayment (IDR) plan, the Repayment Assistance Plan. The Repayment Assistance Plan calculates monthly payments based on a progressive formula tied to Adjusted Gross Income, fully subsidizes unpaid interest, provides principal payment subsidies to some borrowers, and offers forgiveness after 30 years of repayment. Current repayment plans are still available to existing borrowers, but all legacy IDR plans aside from the Income-Based Repayment Plan will be phased out by 2028.

The Department of Education also operates the Historically Black College and Universities (HBCU) Capital Financing Program. Since fiscal year 1996, the Program has provided HBCUs with access to low-cost capital financing for the repair, renovation, and, in exceptional circumstances, construction or acquisition of educational facilities, instructional equipment, research instrumentation, and physical infrastructure.

### ***Small Business and Farm Credit Programs***

The Government offers direct loans and loan guarantees to small businesses and farmers, who may have difficulty obtaining credit elsewhere. It also provides guarantees of debt issued by certain investment funds that invest in small businesses. Two GSEs, the Farm Credit System and the Federal Agricultural Mortgage Corporation, increase liquidity in the agricultural lending market.

#### **Small Business Administration**

The Small Business Administration (SBA) ensures that small businesses across the Nation have the tools and resources needed to start, grow, and recover their business. SBA's lending programs complement credit markets by offering creditworthy small businesses access to affordable

credit through private lenders when they cannot otherwise obtain financing on reasonable terms or conditions.

In 2025, SBA provided \$33 billion in loan guarantees to assist small business owners with access to affordable capital through its largest program, the 7(a) General Business Loan Guarantee program. This program provides access to financing for general business operations, such as operating and capital expenses. In addition, through the 504 Certified Development Company (CDC) and Refinance Programs, SBA supported nearly \$8 billion in guaranteed loans for fixed-asset financing and provided the opportunity for small businesses to refinance existing 504 CDC loans. These programs enable small businesses to secure financing for assets such as machinery and equipment, construction, and commercial real estate, and to free up resources for expansion. The Small Business Investment Company (SBIC) Program also supports privately-owned and -operated venture capital investment firms that invest in small businesses. In 2025, SBA supported \$4 billion in SBIC venture capital investments. In addition to these guaranteed lending programs, the 7(m) Direct Microloan program supports the smallest of businesses, startups, and entrepreneurs through loans of up to \$50,000 made by non-profit intermediaries. In 2025, SBA facilitated a record \$55 million in microlending.

#### **Farm Service Agency**

Farm operating loans were first offered in 1937 by the newly created Farm Security Administration (FSA) to assist family farmers who were unable to obtain credit from a commercial source to buy equipment, livestock, or seed. Farm ownership loans were authorized in 1961 to provide family farmers with financial assistance to purchase farmland. Presently, FSA assists low-income family farmers in starting and maintaining viable farming operations. Legislation mandates that a portion of appropriated funds are set aside for beginning and socially disadvantaged farmers.

FSA offers operating loans and ownership loans, both of which may be either direct or guaranteed loans. Operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment, while farm ownership loans assist producers in acquiring and developing their farming or ranching operations. As a condition of eligibility for direct loans, borrowers must be unable to obtain private credit at reasonable rates and terms. As FSA is the "lender of first opportunity," default rates on FSA direct loans are generally higher than those on private-sector loans. FSA-guaranteed farm loans are made to more creditworthy borrowers who have access to private credit markets. Because the private loan originators must, in most situations, retain 10 percent of the risk, they exercise care in examining the repayment ability of borrowers. The subsidy rates for the direct programs fluctuate largely because of changes in the interest component of the subsidy rate.

In 2025, there were more than 27,000 direct or guaranteed loan obligations totaling over \$6.6 billion. The entire portfolio of outstanding debt as of September 30, 2025, totaled \$36 billion, serving more than 123,000 farmers

and ranchers. The amount of lending increased in both dollar and volume terms, up 23 and 12 percent, respectively. Lending in dollar terms for real estate purchases increased for both direct loans (increasing 11 percent) and guaranteed loans (increasing 38 percent). Operating loan obligations also increased in dollar terms for both direct loans (increasing 15 percent) and guaranteed loans (increasing 35 percent). The increase in 2025 obligations was not unexpected, as rising land values, rising interest rates and operating input costs put pressure on farm profits, resulting in increased demand for these low-cost FSA loans and loan guarantees that provide favorable rates and terms and provide lenders with lending risk protections. This cyclicity is typical for farm loan programs and underscores the importance of FSA's Farm Loan Programs as a safety net.

A beginning farmer is an individual or entity who: has operated a farm for not more than 10 years; substantially participates in farm operation; and, for farm ownership loans, the applicant cannot own a farm larger than 30 percent of the average size farm in the county at time of application. If the applicant is an entity, all entity members must be eligible beginning farmers. Beginning farmers received 40 percent of direct and guaranteed loans in 2025. Direct and guaranteed loan programs provided assistance totaling over \$2.6 billion to more than 14,400 beginning farmers.

The FSA Microloan program increases overall direct and guaranteed lending to small niche producers and minorities. This program dramatically simplifies application procedures for small loans and implements more flexible eligibility and experience requirements. Demand for the micro-loan program continues to grow while delinquencies and defaults remain at or below those of the regular FSA operating loan program.

### ***Energy and Infrastructure Credit Programs***

The Department of Energy (DOE) Energy Dominance Financing (EDF) administers three active credit programs: Title XVII Innovative Technology Loan Guarantee Program (Title XVII), the Advanced Technology Vehicle Manufacturing (ATVM) Loan Program, and the Tribal Energy Loan Guarantee Program (TELGP). EDF also oversees two inactive credit programs: the Transmission Facility Financing (TFF) Program and the Carbon Dioxide Transportation Infrastructure Finance and Innovation (CIFIA) Program.

Section 1703 of title XVII of the Energy Policy Act of 2005, as amended (Public Law 109-58) authorizes DOE to issue loan guarantees for infrastructure projects that employ innovative technologies or are supported by State Energy Financing Institutions to reduce, avoid, or sequester air pollutants or man-made greenhouse gases. The American Recovery and Reinvestment Act of 2009 (Public Law 111-5) added section 1705 to Title XVII and appropriated credit subsidy to support loan guarantees on

a temporary basis for commercial or advanced renewable energy systems, electric power transmission systems, and leading-edge biofuel projects. Authority for the temporary program to extend new loans expired September 30, 2011. The Inflation Reduction Act of 2022 (Public Law 117-169), as amended by the Working Families Tax Cut Act (Pub. L. 119-21), added section 1706 to the Title XVII and appropriated credit subsidy and loan limitation to support loan guarantees for projects that retool, repower, repurpose, or replace energy infrastructure. Appropriated authority for the section 1706 program expires September 30, 2028. Across all Title XVII authorities, DOE is authorized to guarantee up to 80 percent of eligible project costs and may guarantee 100 percent of loans issued by the Federal Financing Bank.

Section 136 of the Energy Independence and Security Act of 2007 (Public Law 110-140) authorizes DOE to issue loans to support the development of advanced technology vehicles and qualifying components. In 2009, the Congress appropriated credit subsidy and set a loan limitation for the program. The Inflation Reduction Act of 2022 appropriated additional credit subsidy and repealed the statutory loan limitation. The Working Families Tax Cut Act of 2025 rescinded all ATVM credit subsidy appropriated in the Inflation Reduction Act of 2022 and the FY 2027 President's Budget proposes to cancel all remaining credit subsidy appropriated in FY 2009.

Title XXVI of the Energy Policy Act of 1992 (Public Law 102-486), as amended, authorizes DOE to guarantee loans to Indian Tribes for energy development. The Congress has appropriated credit subsidy in annual appropriations acts as well as the Inflation Reduction Act of 2022 to cover the cost of guaranteed loans to support tribal energy development. For the Tribal Energy Loan Guarantee Program, DOE is authorized to guarantee up to 90 percent of eligible project costs and may guarantee 100 percent of loans issued by the Federal Financing Bank.

Section 40304 of the Infrastructure Investment and Jobs Act (IIJA; Public Law 117-58) amended Title IX of the Energy Policy Act of 2005 to establish CIFIA by authorizing DOE to issue loans, loan guarantees, and grants to support the development of carbon dioxide transportation infrastructure (e.g., pipelines). The 'Commerce, Justice, Science; Energy and Water Development; and Interior and Environment Appropriations Act of 2026 repurposed \$1.5 billion of the unobligated balances for the program and the FY 2027 President's Budget proposes to cancel the remaining balances.

Section 50151 of the Inflation Reduction Act of 2022 established the TFF authorizing DOE to issue direct loans to support the construction or modification of electric transmission facilities designated necessary in the national interest under section 216(a) of the Federal Power Act (Public Law 115-325). The Working Families Tax Cut Act of 2025 rescinded all unobligated balances before any projects were financed.

### **Electric and Telecommunications Loans**

Rural Utilities Service (RUS) programs of the Department of Agriculture (USDA) provide grants and loans to support the distribution of rural electrification, telecommunications, distance learning, and broadband infrastructure systems. In 2025, RUS delivered \$9 billion in direct electrification loans (including \$2.71 billion in Federal Financing Bank (FFB) Electric Loans, \$900 million in electric underwriting, and \$10 million rural energy savings loans). For telecommunications, RUS provided \$122 million in direct and FFB telecommunications loans, and \$146 million in Reconnect broadband loans. RUS also helped a multi-state electric cooperative head-quartered in North Dakota, providing a loan which will be used to finance transmission system improvements, replacement of a UPS battery system, and low impact internal network security monitoring across nine states serving a total of 140 members.

### **USDA Rural Infrastructure and Business Development Programs**

USDA, through a variety of Rural Development (RD) programs, provides grants, direct loans, and loan guarantees to communities for constructing facilities such as healthcare clinics, police stations, and water systems, as well as to assist rural businesses and cooperatives in creating new community infrastructure (e.g., educational and healthcare networks) and to diversify the rural economy and employment opportunities. In 2025, RD provided \$851 million in Community Facility (CF) direct loans, which are for communities of 20,000 or less. The CF programs have the flexibility to finance more than 100 separate types of essential community infrastructure that ultimately improve access to healthcare, education, public safety and other critical facilities and services. In 2025, RD also provided \$897 million in water and wastewater (W&W) direct loans, and guaranteed \$2.11 billion in rural business loans, which will help create and save jobs in rural America. Since 2020, CF and W&W loan guarantees have been for communities of 50,000 or less.

### **Water Infrastructure**

The Environmental Protection Agency's (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) program accelerates investment in the Nation's water infrastructure by providing long-term, low-cost supplemental loans for projects of regional or national significance. To date, EPA's WIFIA program has closed approximately 150 loans totaling \$23 billion in credit assistance to help finance over \$50 billion for water infrastructure projects and create 167,000 jobs. The selected projects demonstrate the broad range of project types that the WIFIA program can finance, including wastewater, drinking water, stormwater, and water reuse projects.

In addition, the WIFIA Statute, authorized by the Water Resources Reform and Development Act of 2014, as amended (Public Law 113-121), allows the U.S. Army

Corps of Engineers to issue loans and loan guarantees for eligible non-Federal water resources projects. The Consolidated Appropriations Act, 2021 (Public Law 116-260) provided \$12 million for the cost of loans and loan guarantees for dam safety projects at non-Federal dams identified in the National Inventory of Dams. The IIJA provided an additional \$64 million for this purpose. The Corps of Engineers is actively working to establish this new Federal credit program.

### **Transportation Infrastructure**

The Department of Transportation (DOT) administers innovative financing programs that fund critical transportation infrastructure projects. The two predominant programs are the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Railroad Rehabilitation and Improvement Financing (RRIF) loan programs. DOT's Build America Bureau administers both of these programs, as well as Private Activity Bonds. The Bureau serves as the single point of contact for State and local governments, transit agencies, railroads and other types of project sponsors seeking to utilize Federal transportation innovative financing expertise, apply for Federal transportation credit programs, and explore ways to access private capital in public-private partnerships.

*Transportation Infrastructure Finance and Innovation Act (TIFIA)*. Established in 1998 by the Transportation Equity Act for the 21st Century (TEA-21; Public Law 105-178), the TIFIA program is designed to fill market gaps and leverage substantial private co-investment by providing supplemental financing to transportation infrastructure projects. Through TIFIA, DOT provides three types of Federal credit assistance to highway, transit, rail, intermodal, airport, and transit-oriented development projects: direct loans, loan guarantees, and lines of credit. TIFIA can help advance qualified, large-scale projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues.

*Railroad Rehabilitation and Improvement Financing (RRIF)*. Also established by TEA-21 in 1998, the RRIF program provides loans and loan guarantees for rail infrastructure projects that improve rail safety and efficiency, support economic development and opportunity, or increase the capacity of the national rail network. The RRIF program allows borrowers to pay the subsidy cost of a loan via a higher interest rate, thereby allowing the program to operate without Federal subsidy appropriations.

### **International Credit Programs**

Multiple Federal agencies provide or have existing portfolios of direct loans, loan guarantees, and insurance to a variety of private and sovereign borrowers: USDA, the Department of War, the Department of State, the Treasury, the Export-Import Bank (ExIm), and the U.S. International Development Finance Corporation (DFC). These programs are intended to level the playing field for

U.S. exporters, deliver robust support for U.S. goods and services, stabilize international financial markets, enhance security, and promote economic development. Further, Federal export credit programs provide financing support for American businesses involved in international trade and to counteract unfair foreign trade financing. Various foreign governments provide their exporters official financing assistance, usually through export credit agencies.

### **Export Support Programs**

When the private sector is unable or unwilling to provide financing, ExIm fills the gap for American businesses by equipping them with the financing support necessary to level the playing field against foreign competitors. ExIm support includes direct loans and loan guarantees for creditworthy foreign buyers to help secure export sales from U.S. exporters. It also includes working capital guarantees and export credit insurance to help U.S. exporters secure financing for overseas sales. USDA's Export Credit Guarantee Programs (GSM programs) similarly help to level the playing field. Like programs of other agricultural exporting nations, GSM programs guarantee payment from countries and entities that want to import U.S. agricultural products but cannot easily obtain credit. The GSM 102 program provides guarantees for credit extended with short-term repayment terms not to exceed 18 months.

### **Exchange Stabilization Fund**

Consistent with U.S. obligations in the International Monetary Fund (IMF) regarding global financial stability, the Exchange Stabilization Fund (ESF) managed by the Treasury may provide loans or credits to a foreign entity or government of a foreign country. A loan or credit may not be made for more than six months in any 12-month period unless the President gives the Congress a written statement that unique or emergency circumstances require that the loan or credit be for more than six months. The Coronavirus Aid, Relief, and Economy Security Act (CARES); Public Law 116-136) established within the ESF an Economic Stabilization Program with temporary authority for lending and other eligible investments, which included programs or facilities established by the Board of Governors of the Federal Reserve System pursuant to section 13(3) of the Federal Reserve Act (Public Law 63-43). The Consolidated Appropriations Act, 2021 (Public Law 116-260) rescinded this authority, though loans and investments already made remain active until obligations are liquidated.

### **Sovereign Lending and Guarantees**

The U.S. Government can extend short-to-medium-term loan guarantees that cover potential losses that might be incurred by lenders if a country defaults on its borrowings; for example, the U.S. may guarantee another country's sovereign bond issuance. The purpose of this tool is to provide the Nation's sovereign international partners access to necessary, urgent, and relatively affordable financing during temporary periods of strain when they cannot access such financing in international financial markets, and to support critical reforms that will enhance

long-term fiscal sustainability, often in concert with support from international financial institutions such as the IMF. The goal of sovereign loan guarantees is to help lay the economic groundwork for the Nation's international partners to graduate to an unenhanced bond issuance in the international capital markets.

### **Development Programs**

Credit is an important tool in U.S. bilateral assistance to promote economic growth and security. The DFC provides loans, guarantees, and other investment tools such as equity and political risk insurance to facilitate and incentivize private-sector investment in emerging markets that will have positive economic impact, advance U.S. foreign policy, and meet national security objectives.

## ***The Government-Sponsored Enterprises (GSEs)***

### **Fannie Mae and Freddie Mac**

The Federal National Mortgage Association (Fannie Mae) created in 1938, and the Federal Home Loan Mortgage Corporation (Freddie Mac) created in 1970, were established to support the stability and liquidity of a secondary market for residential mortgage loans. Fannie Mae's and Freddie Mac's public missions were later broadened to promote affordable housing. The Federal Home Loan Bank (FHLB) System, created in 1932, is comprised of eleven individual banks with shared liabilities. Together they lend money to financial institutions, mainly banks and thrifts, that are involved in mortgage financing to varying degrees, and they also finance some mortgages using their own funds. The mission of the FHLB System is broadly defined as promoting housing finance, and the System also has specific requirements to support affordable housing.

Together these three GSEs currently are involved, in one form or another, with approximately half of residential mortgages outstanding in the U.S. today.

### **The Farm Credit System (Banks and Associations)**

The Farm Credit System (FCS or System) is a GSE comprised of banks and associations, which are discussed in this section; service corporations; and the Federal Agricultural Mortgage Corporation (Farmer Mac), which is discussed below. System banks and associations constitute a nationwide network of borrower-owned cooperative lending institutions originally authorized by the Congress in 1916. Their mission is to provide sound and dependable credit to American farmers, ranchers, producers and harvesters of aquatic products, farm cooperatives, and farm-related businesses. The institutions also serve rural America by providing financing for rural residential real estate; rural communication, energy, and water/wastewater infrastructure; and agricultural exports. In addition, maintaining special policies and programs for the extension of credit to young, beginning, and small (YBS) farmers and ranchers is a legislative mandate for the System.

As of September, 30, 2025, the financial condition of the System's banks and associations remains fundamentally sound. For the 12-month period ended September

## **HISTORY OF THE CONSERVATORSHIP OF FANNIE MAE AND FREDDIE MAC AND BUDGETARY EFFECTS**

Growing stress and losses in the mortgage markets in 2007 and 2008 seriously eroded the capital of Fannie Mae and Freddie Mac. Legislation enacted in July 2008 strengthened regulation of the housing GSEs through the creation of the Federal Housing Finance Agency (FHFA), a new independent regulator of housing GSEs, and provided the Treasury with authorities to purchase securities from Fannie Mae and Freddie Mac.

On September 6, 2008, FHFA placed Fannie Mae and Freddie Mac under Federal conservatorship. The next day, the Treasury launched various programs to provide temporary financial support to Fannie Mae and Freddie Mac under the temporary authority to purchase securities. The Treasury entered into agreements with Fannie Mae and Freddie Mac to make investments in senior preferred stock in each GSE in order to ensure that each company maintains a positive net worth. The cumulative funding commitment through these Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac was set at \$445.5 billion. In total, as of December 31, 2025, \$191.5 billion has been invested in Fannie Mae and Freddie Mac. The remaining commitment amount is \$254.1 billion.

The PSPAs also generally require that Fannie Mae and Freddie Mac pay quarterly dividends to the Treas-

ury, though the terms governing the amount of those dividends have changed several times pursuant to agreements between the Treasury and Fannie Mae and Freddie Mac. Notably, changes announced on January 14, 2021, permit the GSEs to suspend dividend payments until they achieve minimum capital levels established by FHFA through regulation. Through December 31, 2025, the GSEs have paid a total of \$301.0 billion in dividend payments to the Treasury on the senior preferred stock.

The Temporary Payroll Tax Cut Continuation Act of 2011 (Public Law 112-78) amended the Housing and Community Development Act of 1992 (Public Law 102-550) by requiring that Fannie Mae and Freddie Mac increase their annual credit guarantee fees on single-family mortgage acquisitions between 2012 and 2021 by an average of at least 0.10 percentage points. This sunset was extended through 2032 by the IIJA.

In addition, effective January 1, 2015 FHFA directed Fannie Mae and Freddie Mac to set aside 0.042 percentage points for each dollar of the unpaid principal balance of new business purchases (including but not limited to mortgages purchased for securitization) in each year to fund several Federal affordable housing programs created by the Housing and Economic Recovery Act of 2008 (Public Law 110-289), including the Housing Trust Fund and the Capital Magnet Fund.

30, 2025, the System reported favorable capital levels, rising earnings, and steady asset growth. Although the System's loan portfolio continued to perform well, credit risk has increased.

Capital as a percentage of total assets was 15.0 percent on September 30, 2025 unchanged from a year ago. Capital that is available to absorb losses equaled \$84.3 billion, which is mainly composed of retained earnings (high-quality capital). System earnings continued to support capital growth, with net income for the first twelve months ending on September 30, 2025, equaling \$7.9 billion compared with \$7.8 billion in the prior year.

Over the 12-month period ended September 30, 2025, System assets grew 6.3 percent, mainly due to increased volume in real estate mortgage, production and intermediate-term, and rural infrastructure loans. While loan quality in the System's portfolio is good, credit risk has

been trending higher. For crop producers and related agricultural businesses, operating conditions continue to be very challenging. Nonperforming assets as a percentage of the dollar volume of loans and other property owned was 1.0 percent on September 30, 2025, compared with 0.79 percent on September 30, 2024.

As of September 30, 2025, the System consisted of four banks and 55 associations. Of the 59 FCS banks and associations rated, 57 had a rating<sup>2</sup> of 1 or 2 on a safety and soundness scale of 1 to 5 (with 1 being most safe and sound); these institutions accounted for over 98 percent of System assets. Two FCS institutions had a rating of 3 or worse.

Starting in 2019, FCA committed to a multiyear effort to improve both the quality and depth of the young, beginning, and small farmer and rancher (YBS) information we collect. This is the second year of reporting YBS

<sup>2</sup> FCA examiners evaluate and categorize the safety and soundness of System banks and associations on an ongoing, uniform, and comprehensive basis. The examiners use FCA's Financial Institution Rating System (FIRS) to assign numerical ratings based on that evaluation. Rating numbers presented are based on June 30, 2025, financial reporting.

data in this manner. On December 29, 2023, FCA issued a revised booklet 40, which increased the threshold for small farmers to those with less than \$350,000 in annual gross cash farm income. This change is reflected in the new lending that occurred during the 2024 calendar year.

In calendar year 2024, the System made a total of 259,564 loans, totaling \$131.2 billion. The total number of outstanding loans at year-end 2024 was 1,059,214, amounting to \$401.2 billion. In calendar year 2024, System lending to the seven mutually exclusive YBS categories totaled 150,156 loans for \$33.1 billion. The number of loans and loan volume outstanding to the seven mutually exclusive YBS categories was 647,284 loans for \$122.8 billion at year-end 2024. This is the most current YBS data that the System has reported to FCA. The System recorded favorable earnings and capital growth for the 12-month period ended September 30, 2025, but it faces risks associated with its portfolio concentration in agriculture and rural America. Many crop producers are facing their third year of weak or negative returns due to large global supplies and sticky input costs.

*Farm Credit System Insurance Corporation (FCSIC).* FCSIC, a U. S. Government-controlled corporation, that provides insurance for the timely payment of principal and interest on FCS obligations for which the System banks are jointly and severally liable. If the Farm Credit Insurance Fund (Insurance Fund) does not have sufficient funds to ensure payment on insured obligations, System banks will be required to make payments under joint and several liability as required by section 4.4(a)(2) of the Farm Credit Act of 1971, as amended (12 U.S.C. 2155(a)(2)). The insurance provided by the Insurance Fund is limited to the resources in the Insurance Fund. System obligations are not guaranteed by the U.S. Government.

On September 30, 2025, the assets in the Insurance Fund totaled \$8.4 billion. As of September 30, 2025, the Insurance Fund as a percentage of adjusted insured debt

was 11 percent. This was above the statutory secure base amount of 2 percent. From September 30, 2024, to September 30, 2025, the principal amount of outstanding insured System obligations increased by 6.7 percent, from \$431.8 billion to \$460.6 billion.

*Federal Agricultural Mortgage Corporation (Farmer Mac).* Farmer Mac is a GSE. It was established in 1988 by the Agricultural Credit Act of 1987 (Public Law 100-233). It is a federally chartered instrumentality of the United States and an institution of the System whose purpose is to facilitate a secondary market for farm real estate and rural housing loans. Farmer Mac is not liable for any debt or obligation of the other System institutions, and no other System institutions are liable for any debt or obligation of Farmer Mac. The Farm Credit System Reform Act of 1996 (Public Law 104-105) expanded Farmer Mac's role from a guarantor of securities backed by loan pools to a direct purchaser of mortgages, enabling it to form pools to securitize. The Food, Conservation, and Energy Act of 2008 (Public Law 110-246) expanded Farmer Mac's program authorities by allowing it to purchase and guarantee securities backed by rural utility loans made by cooperatives.

Farmer Mac continues to meet core capital and regulatory risk-based capital requirements. As of September 30, 2025, Farmer Mac's total outstanding program volume (loans purchased and guaranteed, standby loan purchase commitments, and AgVantage bonds purchased and guaranteed) amounted to \$31.1 billion, which represents an increase of 9.3 percent from the level a year ago. Of total program activity, on-balance-sheet loans and guaranteed securities amounted to \$25.9 billion, and off-balance-sheet obligations amounted to \$5.3 billion. Total assets were \$33.4 billion, with nonprogram investments (including cash and cash equivalents) accounting for \$7.6 billion of those assets. Farmer Mac's net income attributable to common stockholders for the first three quarters of calendar year 2025 was \$141.9 million, compared with \$129.6 million for the same period in 2024.

## INSURANCE PROGRAMS

### *Deposit Insurance*

Federal deposit insurance promotes stability in the U.S. financial system. Prior to the establishment of Federal deposit insurance, depository institution failures often caused depositors to lose confidence in the banking system and rush to withdraw deposits. Such sudden withdrawals caused serious disruption to the economy. In 1933, in the midst of the Great Depression, a system of Federal deposit insurance was established to protect depositors and to prevent bank failures from causing widespread disruption in financial markets.

Today, the Federal Deposit Insurance Corporation (FDIC) insures deposits in banks and savings associations (thrifts) using the resources available in its Deposit Insurance Fund (DIF). The National Credit Union Admin-

istration (NCUA) insures deposits (shares) in most credit unions through the National Credit Union Share Insurance Fund (SIF). (Some credit unions are privately insured.) As of September 30, 2025, the FDIC estimated \$10.6 trillion in insured deposits at 4,379 commercial banks and thrifts, and as of September 30, 2025, the NCUA insured nearly \$1.8 trillion of shares at 4,331 Federal and federally insured State-chartered credit unions.

Since its creation, the Federal deposit insurance system has undergone many reforms. As a result of the 2008 financial crisis, several reforms were enacted to protect both the immediate and longer-term integrity of the Federal deposit insurance system. The Helping Families Save Their Homes Act of 2009 (division A of Public Law 111-22) provided NCUA with tools to protect the SIF and the financial stability of the credit union system. Notably, the

Act established the Temporary Corporate Credit Union Stabilization Fund, which has now been closed with its assets and liabilities distributed into the SIF. In addition, the Act:

- Provided flexibility to the NCUA Board by permitting use of a restoration plan to spread insurance premium assessments over a period of up to eight years, or longer in extraordinary circumstances, if the SIF equity ratio falls below 1.2 percent; and
- Permanently increased the Share Insurance Fund's borrowing authority to \$6 billion.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act; Public Law 111-203) established new DIF reserve ratio requirements. The Act required the FDIC to achieve a minimum DIF reserve ratio (ratio of the deposit insurance fund balance to total estimated insured deposits) of 1.35 percent by 2020, up from 1.15 percent in 2016. On September 30, 2018, the DIF reserve ratio reached 1.36 percent. However, as of June 30, 2020 the DIF reserve ratio fell to 1.30 percent, below the statutory minimum of 1.35 percent. The decline was a result of strong one-time growth in insured deposits. On September 15, 2020, FDIC adopted a Restoration Plan to restore the DIF reserve ratio to at least 1.35 percent by 2027.

In addition to raising the minimum reserve ratio, the Dodd-Frank Act also:

- eliminated the FDIC's requirement to rebate premiums when the DIF reserve ratio is between 1.35 and 1.5 percent;
- gave the FDIC discretion to suspend or limit rebates when the DIF reserve ratio is 1.5 percent or higher, effectively removing the 1.5 percent cap on the DIF; and
- required the FDIC to offset the effect on small insured depository institutions (defined as banks with assets less than \$10 billion) when setting assessments to raise the reserve ratio from 1.15 to 1.35 percent. In implementing the Dodd-Frank Act, the FDIC issued a final rule setting a long-term (i.e., beyond 2028) reserve ratio target of 2 percent, a goal that FDIC considers necessary to maintain a positive fund balance during economic crises while permitting steady long-term assessment rates that provide transparency and predictability to the banking sector.

The Dodd-Frank Act also permanently increased the insured deposit level to \$250,000 per account at banks or credit unions insured by the FDIC or NCUA.

### Recent Fund Performance

As of September 30, 2025, the FDIC DIF balance stood at \$150.1 billion on an accrual basis, a \$17 billion increase since the prior year.

As of September 30, 2024, the number of insured institutions on the FDIC's "problem list" (institutions with the highest risk ratings) totaled 57 insured institutions. This represents a significant decrease from December 2010, the peak year for bank failures during the 2008 financial

crisis, but an increase from years prior two banks from the year prior. Moreover, the assets held by problem institutions were 87 percent below the level in December 2009, the peak year for assets held by problem institutions.

The NCUA-administered SIF ended September 2025 with assets of \$23.6 billion and an equity ratio of 1.31 percent. If the equity ratio exceeds the normal operating level, a distribution is normally paid to insured credit unions to reduce the equity ratio.

The health of the credit union industry has markedly improved since the 2008 financial crisis.

### Budget Outlook

The Budget estimates DIF net outlays of -\$223.8 billion over the current 10-year budget window (2027–2036). This includes the repayment of \$93.3 billion in principal on FFB financing transactions executed in 2023 and 2024 (see below), as well as the impact of a special assessment to recover the DIF's estimated losses associated with uninsured depositors following the closures of Silicon Valley Bank and Signature Bank, after the Secretary of the Treasury announced on March 12, 2023, that uninsured depositors would be covered to avoid systemic risk to the financial system. The Budget projects that FDIC's Restoration Plan will remain in effect until 2027, when the DIF is estimated to reach the statutory reserve ratio target of 1.35 percent. As in past years, the Budget also assumes that the DIF will reach the historic long-run reserve ratio target of 1.5 percent over the 10-year budget window.

### Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of workers and retirees in covered defined-benefit pension plans. PBGC operates two legally and financially separate insurance programs: the Single-Employer Program and Multiemployer Program.

#### Single-Employer Insurance Program

Single-employer plans generally provide benefits to the employees of one employer. When an underfunded single-employer plan terminates, PBGC becomes trustee of the plan, applies legal limits on payouts, and pays benefits. To determine the amount to pay each participant, PBGC considers: a) the benefit that a participant had accrued in the terminated plan; b) the availability of assets from the terminated plan to cover benefits; c) how much PBGC recovers from employers for plan underfunding; and d) the legal maximum benefit level set in statute. The guaranteed benefit limits are indexed (i.e., they increase in proportion to the National Average Wage Index) and vary based on the participant's age and elected form of payment. For plans terminating in 2026, the maximum guaranteed annual benefit payable as a single life annuity under the single-employer program is \$93,477 for a retiree at age 65.

Termination of underfunded plans typically occurs when the employer sponsoring an underfunded plan insured by PBGC goes bankrupt, ceases operation, or can no

longer afford to keep the plan going. PBGC's claims exposure is the amount by which the present value of guaranteed benefits exceeds assets in insured plans. In the near term, the risk of loss stems from financially distressed firms with underfunded plans. In the longer term, loss exposure also results from the possibility that well-funded plans become underfunded due to inadequate contributions, poor investment results, or increased liabilities, and that the firms sponsoring those plans become distressed.

PBGC monitors companies with large, underfunded plans and acts to protect the interests of the pension insurance program's stakeholders where possible. Under its Early Warning Program, PBGC works with plan sponsors to mitigate risks to pension plans posed by corporate transactions or otherwise protect the insurance program from avoidable losses. However, PBGC's authority to manage risks to the insurance program is limited. Most private insurers can diversify or reinsure their catastrophic risks as well as flexibly price these risks. Unlike private insurers, Federal law does not allow PBGC to set premium rates or deny insurance coverage to a defined-benefit plan or adjust premiums according to risk. Both types of PBGC premiums, the flat rate (a per person charge paid by all plans) and the variable rate (paid by underfunded plans), are set by statute.

Claims against PBGC's insurance programs are highly variable. One large pension plan termination may result in a larger claim against PBGC than the termination of many smaller plans. PBGC's Single-Employer Program currently has a large surplus that is modeled to grow under most economic scenarios. Finally, PBGC's financial condition is sensitive to market risk. Interest rates and equity returns affect not only PBGC's own assets and liabilities, but also those of PBGC-insured plans.

### Multiemployer Insurance Program

Multiemployer plans are collectively bargained pension plans maintained by one or more labor unions and more than one unrelated employer, usually within the same or related industries. PBGC does not trustee multiemployer plans. In the Multiemployer Program, the event triggering PBGC's guarantee is plan insolvency (the inability to pay guaranteed benefits when due), whether or not the plan has terminated. PBGC provides insolvent multiemployer plans with financial assistance in the statutorily required form of loans sufficient to pay PBGC guaranteed benefits and reasonable administrative expenses. Since multiemployer plans generally do not receive PBGC assistance until their assets are fully depleted, financial assistance is almost never repaid unless the plan receives Special Fi-

ancial Assistance under the American Rescue Plan Act of 2021 (ARPA; Public Law 117-2).

Benefits guaranteed under the multiemployer program are calculated based on: a) the benefit a participant would have received under the insolvent plan, subject to; b) the multiemployer guarantee limit set in statute. The guarantee limit depends on the participant's years of service and the level of the benefit accruals. For example, for a participant with 30 years of service, PBGC guarantees 100 percent of the pension benefit up to a yearly amount of \$3,960. If the pension exceeds that amount, PBGC guarantees 75 percent of the rest of the pension benefit up to a total maximum guarantee of \$12,870 per year for a participant with 30 years of service. This limit has been in place since 2001 and is not adjusted for cost-of-living adjustments.

PBGC's FY 2024 Projections Report shows the Multiemployer Program is likely to remain solvent over the 40-year projection period. ARPA amended the Employee Retirement and Income Security Act of 1974 (Public Law 93-406) and established the SFA program that provides funding from the Treasury's General Fund certain underfunded multiemployer plans. This program allows eligible plans to apply to PBGC for the amount of funding assistance necessary to pay projected benefits at the plan level through 2051.

## Disaster Insurance

### Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Department of Homeland Security's Federal Emergency Management Agency (FEMA). Flood insurance is available to homeowners, renters, businesses, and State and local governments in communities that have adopted and enforce minimum floodplain management standards. Coverage is limited to buildings and their contents. As of September 30, 2025, the program had 4.6 million policies worth \$1.3 trillion in force in over 22,700 communities.<sup>3</sup>

The Congress established the NFIP in 1968 via the National Flood Insurance Act of 1968 (Title XIII of Public Law 90-448) to make flood insurance coverage widely available, to combine a program of insurance with flood mitigation measures to reduce the Nation's risk of loss from floods, protect the natural and beneficial functions of the floodway,<sup>4</sup> and to reduce Federal disaster-assistance expenditures on flood losses. The NFIP requires participating communities to adopt certain land use or-

<sup>3</sup> Community – any *State* or area or political subdivision thereof, or any Indian Tribe or authorized tribal organization, or Alaska Native village or authorized native organization, which has authority to adopt and enforce *flood plain management regulations* for the areas within its jurisdiction.

<sup>4</sup> A regulatory floodway is the channel of a river or other watercourse and the adjacent land areas that must be reserved in order to discharge the base flood without cumulatively increasing the water surface elevation more than a designated height.

dinances consistent with FEMA's floodplain management regulations and to take other mitigation efforts to reduce flood-related losses in high flood hazard areas ("Special Flood Hazard Areas") identified through partnership with FEMA, States, and local communities. These efforts have resulted in substantial reductions in the risk of flood-related losses nationwide. Legislation enacted in 2012 and 2014 established a Reserve Fund that is available to meet the expected future obligations of the flood insurance program and invest available resources. The Reserve Fund is funded by an assessment and fixed annual surcharge. Legislation also introduced a phase-in to higher full-risk premiums for structures newly mapped into the Special Flood Hazard Area until full-risk rates are achieved, capped annual premium increases at 18 percent for most structures, and created the Office of the Flood Insurance Advocate.

As of April 1, 2023, FEMA has fully implemented NFIP's new pricing approach. The approach leverages industry best practices and cutting-edge technology to enable FEMA to deliver rates that are actuarially sound and better reflect a property's flood risk. Since the 1970s, rates had been predominantly based on relatively static measurements, emphasizing a property's elevation within a zone on the Flood Insurance Rate Map (FIRM). The 1970s legacy methodology did not incorporate as many flooding variables as today's pricing approach. FEMA's pricing approach is building on years of investment in flood hazard information by incorporating private sector data sets, catastrophe models, and evolving actuarial science. In addition, the 1970s legacy rating methodology did not account for the cost of rebuilding a home. Policyholders with lower-valued homes may have been paying more than their share of the risk while higher-valued homes may have been paying less than their share of the risk. Today's NFIP pricing approach enables FEMA to set rates that are fairer and ensures up-to-date actuarial principles based upon new technology, including modeling. With the implementation of the NFIP's pricing approach, FEMA is now able to distribute premiums across all policyholders based on home value and a property's flood risk.

FEMA's Community Rating System offers discounts on policy premiums in communities that adopt and enforce more stringent floodplain land use ordinances than those identified in FEMA's regulations and/or engage in mitigation activities beyond those required by the NFIP. The discounts provide an incentive for communities to implement new flood protection activities that can help save lives and property when a flood occurs.

Further, NFIP offers flood mitigation assistance grants for planning and carrying out activities to reduce the risk of flood damage to structures covered by NFIP, which may include demolition or relocation of a structure, elevation or flood-proofing a structure, and community-wide mitigation efforts that will reduce future flood claims for the NFIP. In particular, flood mitigation assistance grants targeted toward repetitive and severe repetitive loss properties not only help owners of high-risk property, but also reduce the disproportionate drain these properties cause

on the National Flood Insurance Fund (NFIF). The 2022 Infrastructure and Investment Jobs Act provided significant additional resources of \$3.5 billion over five years for the flood mitigation assistance grants designed to reduce financial losses to the NFIF.

From 1985 until 2005, with minimal borrowing, FEMA was able to pay NFIP claims, administrative expenses, debt servicing costs, and small principal repayments out of collected premium and fees. However, the NFIP's cumulative debt increased substantially from 2005 to 2017 due to catastrophic loss years resulting from Hurricane Katrina (2005), Hurricane Sandy (2012), Louisiana Floods (2016), and Hurricane Harvey (2017).

In the aftermath of Hurricane Harvey, on October 26, 2017, the Congress passed, and President Trump signed into law, the "Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017," cancelling \$16 billion of NFIP's debt.<sup>12</sup> With the debt cancellation, on November 9, 2017, FEMA was able to borrow \$6.1 billion to address outstanding claims from Hurricane Harvey and to carry out the NFIP.

In the fall of 2024, Hurricanes Helene and Milton struck the southwest United States including the southern coast of Florida. The two hurricanes resulted in FEMA paying almost \$8 billion in claims as of March 24, 2026 to over 80,000 policyholders. In February 2025, FEMA exhausted its balances in the National Flood Insurance Fund and National Reserve Fund to pay claims associated with these events. In February 2025 the President authorized FEMA to exercise additional borrowing authority, resulting in FEMA borrowing an additional \$2 billion from the U.S. Treasury. Of the \$30.425 billion in borrowing authority, FEMA has \$7.9 billion remaining in borrowing authority. The current outstanding debt is \$22.5 billion. FEMA's current annual debt interest payment is approximately \$670 million. FEMA pays its interest on the debt from premiums collected from policyholders.

### **Crop Insurance**

Subsidized Federal crop insurance, administered by USDA's Risk Management Agency (RMA) on behalf of the Federal Crop Insurance Corporation (FCIC), assists farmers in managing yield and revenue shortfalls due to natural disasters and price fluctuations. The program is a cooperative partnership between the Federal Government and the private insurance industry. Private insurance companies sell and service crop insurance policies. The Federal Government, in turn, pays private companies an administrative cost subsidy to cover a portion of the expenses associated with selling and servicing these policies. The Federal Government also provides reinsurance through the Standard Reinsurance Agreement and pays companies an "underwriting gain" if they have a profitable year. For the 2027 Budget, the combined payments to the companies are projected to be \$5.2 billion. The Federal Government also subsidizes premiums for farmers to incentivize them to participate in the program.

The most basic type of crop insurance is catastrophic coverage (CAT), which compensates the farmer for losses

in excess of 50 percent of the individual's average yield at 55 percent of the expected market price. The CAT premium is entirely subsidized, and farmers pay only an administrative fee. Higher levels of coverage, called "buy-up," are also available. A portion of the premium for buy-up coverage is paid by FCIC on behalf of producers and varies by coverage level – generally, the higher the coverage level, the lower the percent of premium subsidized. The remaining (unsubsidized) premium amount is owed by the producer and represents an out-of-pocket expense.

Traditional forms of coverage include yield-based and revenue-based insurance products. These products are underwritten based on a producer's actual production history (APH) and provide protection against natural disasters that may impact an individual's farm. Yield-based products protect against a loss of yield while revenue-based programs protect against loss of revenue resulting from low prices, low yields, or a combination of both. For 2025, these forms of coverage accounted for over two-thirds of program liability (approximately \$136 billion), led by corn and soybeans where producers purchased coverage on over 90 percent of U.S. planted acres.

In addition to the traditional yield and revenue insurance, FCIC has made other plans of insurance available to provide more tailored protections for specific producer needs or for additional risk mitigation. This includes area-based plans of insurance that offer protection based on the loss experience of a geographic area (most commonly a county), and do not directly insure an individual farm. Often, the loss trigger is based on an index, such as rainfall, which is established by a government entity (for example, the National Oceanic and Atmospheric Administration). One such plan is Rainfall Index, which insures against a decline in precipitation from normal levels. This program is available to livestock and hay producers who purchased coverage on over 318 million acres in 2025 to protect against forage losses. Similarly, apiculture producers purchased coverage on over 3.7 million bee hives to protect against declines in honey production. More recent forms of area-based coverage can be purchased in combination with individual coverage and cover a portion of the "base" policy's deductible, which essentially covers a portion of the premium the producer is responsible for paying. These are often referred to as supplemental "endorsement" policies and include peril specific coverages (such as damage from hurricane/tropical storm or wildfire smoke), and county yield or revenue coverage. In total, area-based coverage accounted for approximately 5 percent (\$9.4 billion) of program liability in 2025. In addition to crops, other forms of coverage are available for livestock producers with different policies available to provide price protection, margin protection, and revenue protection. For 2025, livestock coverage exceeded \$40 billion in liability, accounting for over 20 percent in program liability.

A crop insurance policy also contains coverage compensating farmers when they are prevented from plant-

ing their crops due to weather and other perils. When an insured farmer is unable to plant the planned crop within the planting time period because of excessive drought or moisture, the farmer may file a prevented planting claim, which pays the farmer a portion of the full coverage level. It is optional for the farmer to plant a second crop on the acreage. If the farmer does, the prevented planting claim on the first crop is reduced and the farmer's APH is recorded for that year. If the farmer does not plant a second crop, the farmer gets the full prevented planting claim, and the farmer's APH is held harmless for premium calculation purposes the following year. Extra prevented planting coverage, known as "buy-up," was available at a five percent level through the 2025 reinsurance year, but was eliminated as an option beginning with the 2026 reinsurance year.

RMA is continuously working to develop new products and to expand or improve existing products in order to cover more agricultural commodities. In 2025, RMA delivered on President Trump's promise to put American farmers first by quickly implementing enhanced insurance benefits following the passage of the Working Families Tax Cut Act. Enhanced benefits include improved insurance affordability for farmers and ranchers, additional premium support for beginning farmers and ranchers, and expanded coverage for Supplemental Coverage Option (SCO) and Whole Farm Revenue Protection (WFRP) to 90 percent. The agency also distributed one-time Congressionally mandated payments to Approved Insurance Providers (AIPs) administering eligible specialty crop insurance contracts for 2022 and 2023 reinsurance years through the Additional Payment Program II (ADD PAY II), which provided additional compensation to those on the front lines delivering crop insurance to America's specialty crop farmers. RMA expanded the Controlled Environment pilot program to an additional 48 counties in 17 states for the 2026 crop year, increased upper limit of coverage percentage from 75% to 85%, and provided coverage for quarantines when certain conditions are met. Additionally, the agency streamlined production reporting, deregulated coverage dates, and improved insurance coverage for producers of direct-marketed fresh market tomatoes, fresh market peppers, and safflowers. For more information and additional crop insurance program details please reference RMA's website.<sup>5</sup>

### **Farm Credit System Insurance Corporation (FCSIC)**

The FCSIC, an independent Government-controlled insurance corporation, insuring payments of principal and interest on FCS obligations for which the System banks are jointly and severally liable. If the Farm Credit System Insurance Fund (Insurance Fund) does not have sufficient funds to ensure payment on insured obligations, System banks will be required to make payments under joint and several liability, as required by section 4.4(a)(2) of the Farm Credit Act of 1971, as amended (12 U.S.C. 2155(a)(2)). The insurance provided by the Insurance Fund is limited to

<sup>5</sup> [www.rma.usda.gov](http://www.rma.usda.gov)

the resources in the Insurance Fund. System obligations are not guaranteed by the U.S. Government.

On September 30, 2024, the assets in the Insurance Fund totaled \$7.2 billion. As of September 30, 2024, the Insurance Fund as a percentage of adjusted insured debt was 2.05 percent. This was slightly above the statutory secure base amount of 2.00 percent. From September 30, 2022, to September 30, 2024, the principal amount of outstanding insured System obligations increased by 6.5 percent, from \$377.8 billion to \$402.3 billion.

## ***Insurance Against Security-Related Risks***

### **Terrorism Risk Insurance**

The Terrorism Risk Insurance Program (TRIP) was authorized by the Terrorism Risk Insurance Act of 2002 (Public Law 107-297) to ensure the continued availability of property and casualty insurance following the terrorist attacks of September 11, 2001. TRIP was previously intended to expire in 2020, but has been extended. It is currently set to expire on December 31, 2027, and authorizes collections through 2029, after it was reauthorized by the Terrorism Risk Insurance Program Reauthorization Act of 2019 (title V of division I of Public Law 116-94). TRIP's initial three-year authorization established a system of shared public and private compensation for insured property and casualty losses arising from certified acts of foreign terrorism.

The prior reauthorization, the Terrorism Risk Insurance Program Reauthorization Act of 2015 (Public Law 114-1), made several program changes to reduce potential Federal liability. Over the five years after the 2015 extension, the loss threshold that triggers Federal assistance was increased by \$20 million each year to \$22 million in 2020, and the Government's share of losses above the deductible decreased from 85 to 80 percent over the same period. The 2015 extension also required the Treasury to recoup 140 percent of all Federal payments made under the program up to a mandatory recoupment amount, which increased by \$2 billion each year until 2019 when the threshold was set at \$37.5 billion. Since January 1, 2020, the mandatory recoupment amount has been indexed to a running three-year average of the aggregate insurer deductible of 20 percent of direct-earned premiums.

The Budget baseline includes the estimated Federal cost of providing terrorism risk insurance, reflecting current law. Using market data synthesized through a proprietary model, the Budget projects annual outlays and recoupment for TRIP. While the Budget does not forecast any specific triggering events, the Budget includes estimates representing the weighted average of TRIP payments over a full range of possible scenarios, most of which include no notional terrorist attacks (and therefore no TRIP payments), and some of which include notional terrorist attacks of varying magnitudes. On this basis, the Budget projects net spending of \$232 million over the 2027-2036 period.

### **Available Online**

<https://www.whitehouse.gov/omb/information-resources/budget/analytical-perspectives/>

**Table 04-1.** Estimated Future Cost of Outstanding Federal Credit Programs

**Table 04-2.** Direct Loan Subsidy Rates, Budget Authority, and Loan Levels, 2025-2027

**Table 04-3.** Loan Guarantee Subsidy Rates, Budget Authority, and Loan Levels, 2025-2027

**Table 04-4.** Summary of Federal Direct Loans and Loan Guarantees

**Table 04-5.** Reestimates of Credit Subsidies on Loans Disbursed Between 1995-2025

**Table 04-6.** Face Value of Government-Sponsored Lending

**Table 04-7.** Lending and Borrowing by Government-Sponsored Enterprises (GSEs)

**Table 04-8.** Direct Loan Transactions of the Federal Government

**Table 04-9.** Guaranteed Loan Transactions of the Federal Government

### **Aviation War Risk Insurance**

In December 2014, the Congress sunset the premium aviation war risk insurance program, thereby sending U.S. air carriers back to the commercial aviation insurance market for all of their war risk insurance coverage. The Consolidated Appropriations Act of 2024 (P.L. 117-328) provided permanent authority to the FAA to temporarily provide war risk insurance for a premium for no more than one period, up to 90 days, in the event of a unilateral cancellation of a commercial policy by an air carriers' commercial insurer. The non-premium aviation insurance program was authorized through September 30, 2028, in the FAA Reauthorization Act of 2025, Part II (P.L. 118-63). It provides aviation insurance coverage for aircraft used in connection with certain Government contract operations by a department or agency that agrees to indemnify the Secretary of Transportation for any losses covered by the insurance. 