



June 8, 2021

The Honorable Ralph Norman
United States House of Representatives
Washington, D.C. 20515

Dear Representative Norman,

On behalf of the National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write to express our strong support for your legislation, the Fair-Value Accounting and Budget Act. This important legislation will bring enhanced transparency and sound financial accounting to loan programs administered or guaranteed by the federal government and its taxpayers. NTU is proud to endorse this reasonable proposal to bring more accurate booking to the federal budget and urges all representatives to work towards its enactment.

The United States government has a long history of playing an outsized role in domestic credit and insurance markets. As a result, taxpayers underwrite more than \$10 trillion in risk through the disbursement of direct loan and loan guarantee programs to individuals and businesses, such as mortgages, exports, student loans, small business loans, farming support, and flood insurance, among others. While much disagreement remains about the appropriate amount of government support in these markets, there is no debate that these programs ultimately impact the federal government's budget, and by extension, create costs that are borne by taxpayers.

Unfortunately, projecting the long-term budgetary impact of credit programs is difficult since the current accounting system doesn't take into account the true evaluation of costs. For example, a direct loan typically results in upfront outlays with payments returned over a longer period, but there is also some probability of default risk since some borrowers will fail to repay all or a portion of the initial loan. As NTU's research arm [once noted](#) "Federal agencies are required to follow the Fair Credit Reform Act (FCRA) of 1990 when estimating the costs of credit programs. This stipulates that the discount rate is based on projected yields of Treasury securities with the same term to maturity. This method tends to underestimate the true value of the loans or guarantees because it does not account for the cost of risk of the loans."

Thankfully, your reasonable proposal would reform federal loan accounting practices to better reflect the accurate cost to taxpayers. Specifically, your legislation would require the executive branch and Congress to use fair value accounting in calculating the cost of the federal credit programs, an important system utilized by the private sector. Washington needs to be up front with taxpayers about the true cost of its decisions because the taxpayers themselves are the ones who are on the hook for these credit risks.

From NTU's perspective, clearly recognizing the full potential costs associated with at-risk taxpayers funds - without having the costs swept under the rug - is an important step toward paving the way for reform of the government's loan activities. To that end, we look forward to working with you and other lawmakers to bring accountability and transparency to the federal budget. Thank you for introducing the Fair-Value Accounting and Budget Act, and we look forward to working with you to ensure this legislation reaches the President's desk.

Sincerely,

Thomas Aiello
Director of Federal Affairs