5/12/99

Mtg w/ Conley

comparative costs between direct loans, guarantees, and grants

Pre 1990 budget Reform - direct loans looked very expensive because all things ~~was~~ did not reflect repayments

after 10/1/99 ∆'d to NPV

Old loans still treated on cash basis

now they budget for subsidy cost

NPV of CF to and from government

discount from date of disbursement of loan because that's when Treasury pulls down

usually expressed as % of principal

i.e. 15% for New markets for $100 million = $15 million

DL you factor in P&I
fees, defaults, prepayments

* Thus Don't Include Administrative Costs

Agencies responsible for CF

Year by Year Estimates - Annual for each year's volume of loan
for new programs - use assumptions based on existing programs
- look proxies

Agencies like SBA constantly track

Discount Rate used is comparable to Treasuries for comparable maturity for underlying loans   <1, 5-10, 10-20