

## Focus on Function 370 – Commerce and Housing Credit

Function 370 (Commerce and Housing Credit) consists of programs that support commercial activities, including housing credit, the Postal Service, deposit insurance, and a number of miscellaneous programs. Many of its programs are fee-funded and others actually raise money in some years.

**Table 1: Function 370 Spending, 2019**  
(In billions of dollars)

Discretionary BA .....	-2.3
Discretionary Outlays .....	-2.2
Mandatory Outlays .....	<u>10.3</u>
Total Outlays .....	8.1

Note: Estimates assume 2018 emergency funding is one-time only.

The largest discretionary programs in Function 370 are the Federal Housing Administration’s mortgage insurance program, securitization of Government National Mortgage Association loans, the Census Bureau, and the National Institute of Standards and Technology.

The major mandatory programs in this function are deposit insurance, the Postal Service, the Universal Service Fund, and the Consumer Financial Protection Bureau.

According to the Congressional Budget Office (CBO) spring 2018 baseline, budget authority (BA) for discretionary programs in Function 370 for 2019 will reduce total discretionary spending by less than 1 percent. Outlays for mandatory programs in Function 370 for 2019 will account for less than 1 percent of total non-interest mandatory spending excluding undistributed offsetting receipts.

### DISCRETIONARY

**Federal Housing Administration (FHA) Mortgage Insurance:** This program provides mortgage insurance to encourage lenders to make credit available to borrowers underserved by the private market, including first-time homebuyers, minorities, low-income families, and underserved communities. The program has taken on a much broader role since the collapse of the mortgage market in the 2008 financial crisis.

**Government National Mortgage Association Securitization:** This program guarantees the payment of principal and interest on loans backed by FHA and other federal mortgage insurance or guarantee programs. Securitization provides liquidity to the mortgage lending market, allowing more homebuyers to obtain loans.

**Table 2: Discretionary BA in Function 370, by Major Program, 2019**  
(In billions of dollars)

Federal Housing Administration Mortgage Insurance.....	-7.4
Government National Mortgage Association Securitization.....	-2.0
Census Bureau.....	2.9
National Institute of Standards and Technology.....	1.2
Entrepreneurial Development Program.....	0.3
Commodities Futures Trading Commission.....	0.3
Other.....	<u>2.4</u>
Total.....	-2.3

*Note: a number of programs in this function are self-funded, with levels of permitted spending based on offsetting collections set by appropriations legislation, leading to no net discretionary budget authority. The largest of these are the **Patent and Trademark Office** at \$3.5 billion and the **Securities and Exchange Commission**, at \$1.6 billion.*

**Census Bureau:** This agency conducts the decennial census as well as more frequent surveys that provide the public with important demographic and other data about the U.S. population and economy.

**National Institute of Standards and Technology (NIST):** NIST maintains the national standards of measurement, a role assigned the federal government by the Constitution to maintain marketplace fairness. It also conducts research into measurement issues and works to support American innovation and competitiveness.

**Entrepreneurial Development Program:** The Small Business Administration administers a number of programs to assist, support, and advocate for small businesses. This includes services that provide training, counseling services, and other technical assistance programs to small businesses across America. For example, this program funds Small Business Development Centers, Women’s Business Centers, and Veterans’ Business Outreach Centers.

**Commodity Futures Trading Commission (CFTC):** The mission of the CFTC is to ensure that financial markets, primarily derivative markets, are open, transparent, competitive and financially sound. The CFTC works to protect market users, consumers, and the public from potential fraud and manipulation within these markets.

**Patent and Trademark Office:** This office issues patents and registers trademarks, as well as advising other agencies on intellectual property issues. Its activities are funded through fees for new and renewed patents and trademarks.

**Securities and Exchange Commission:** The Commission regulates the marketplace for most financial securities, with the aims of protecting investors, maintaining fair and efficient markets, and encouraging capital formation. Its activities are fully financed by offsetting fees and assessments paid by securities issuers, exchanges, and associations.

## MANDATORY

**Table 3: Mandatory Outlays in Function 370, by Major Program**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Universal Service Fund .....	10.6	110.5
Refundable Corporate Tax Credits .....	2.5	8.0
Fannie Mae and Freddie Mac .....	2.5	19.0
Consumer Financial Protection Bureau .....	0.6	6.9
Postal Service .....	-0.4	5.4
National Credit Union Administration .....	-0.6	-9.7
Deposit Insurance .....	-9.1	-89.8
Other .....	<u>4.2</u>	<u>33.2</u>
Total .....	10.3	83.5

**Universal Service Fund:** This program provides funding to support telecommunications services in rural and high-cost areas, low-income consumers, schools and libraries, and rural health care providers. It is fully funded by payments, which show up as revenues in the budget, from telecommunications service providers and their customers.

**Refundable Corporate Tax Credits:** Legislation passed in response to the financial crisis gave some companies the option of making accelerated usage of certain unused tax credits that carry over into future years rather than using other tax benefits provided under the bill. Those accelerated credits are refundable, and Treasury makes cash payments if the company has no tax liability. This was a temporary provision that remains in place through 2019.

**Fannie Mae and Freddie Mac:** Fannie Mae and Freddie Mac provide liquidity, stability, and affordability to the mortgage market. Using a variety of tools, Fannie and Freddie ensure that individuals and families can access funding and resources necessary to purchase a home. While Fannie Mae and Freddie Mac are shareholder-owned companies, because the federal government owns the majority of the shares and therefore effectively controls company decisions, CBO includes these entities in budget estimates.

**Consumer Financial Protection Bureau (CFPB):** The CFPB enforces federal consumer financial laws. It is an independent bureau in the Federal Reserve System (Fed) funded by a portion of the Fed's earnings, which would otherwise be transferred to the Treasury.

**Postal Service:** The Postal Service is an independent entity within the Executive Branch charged with providing nationwide mail service. Its activities are largely self-financed and its operations are supposed to break even over time, running surpluses in some years and deficits in others.

**National Credit Union Administration (NCUA):** The NCUA oversees and regulates credit unions, not-for-profit organizations owned by their members. Credit unions offer services including

accepting deposits, operating savings accounts, and making loans and other financial products available. As of 2017, credit union membership reached 109.3 million individuals with total assets of \$1.35 trillion.

**Deposit Insurance:** This program, begun as a response to the Great Depression, protects the funds of depositors in banking institutions. Deposits generally are insured up to \$250,000 per account. Funded through risk-based premiums on insured institutions, the program is currently increasing its reserves in the aftermath of the financial crisis and is projected to take in more in premiums each year than it spends on claims.

## TAX EXPENDITURES

There are about 50 tax expenditures related to this function. The single largest item – totaling more than \$100 billion per year – is reduced tax rates on income derived from certain capital gains and dividends. The next two significant items – each totaling more than \$50 billion per year – are the 20-percent deduction for qualified pass-through business income and depreciation of equipment in excess of the alternative depreciation system, enacted in the 2017 Tax Act (P.L. 115-97). The deduction is available to owners of pass-through entities, such as partnerships, limited liability companies, S corporations, and sole proprietorships, who can deduct up to 20 percent of their qualified net business income from their income taxes. Other significant tax expenditures include the deduction for mortgage interest to finance up to \$750,000 for owner-occupied housing, the exclusion of capital gains on sales of principal residences, and the exclusion of capital gains at death.

## RELEVANT AGENCIES AND CONGRESSIONAL COMMITTEES

**Table 4: Discretionary BA in Function 370, by Agency, 2019**  
(In billions of dollars, excluding emergencies)

Department of Agriculture .....	0.4
Department of Commerce .....	5.1
Department of Housing and Urban Development .....	-9.4
Small Business Administration .....	0.7
Other .....	<u>0.9</u>
Total .....	-2.3

**Table 5: Mandatory Outlays in Function 370, by Agency**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Department of Commerce.....	1.7	6.5
Department of the Treasury.....	2.8	9.1
Consumer Financial Protection Bureau.....	0.6	6.9
Fannie Mae and Freddie Mac.....	2.5	19.7
Federal Communications Commission.....	11.7	112.4
Federal Deposit Insurance Corporation.....	-8.2	-68.5
National Credit Union Administration.....	-0.6	-9.7
Other.....	<u>-0.3</u>	<u>7.1</u>
Total.....	10.3	83.5

**Table 6: Discretionary BA in Function 370, by Appropriations Subcommittee, 2019**  
(In billions of dollars , excluding emergencies)

Agriculture, Rural Development, FDA, and Related Agencies.....	0.6
Commerce, Justice, Science, and Related Agencies.....	5.1
Financial Services and General Government.....	1.3
Legislative Branch.....	*
Transportation, Housing and Urban Development, and Related Agencies.....	<u>-9.4</u>
Total.....	-2.3

**Table 7: Mandatory Outlays in Function 370, by Committee**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Energy and Commerce.....	13.6	119.1
Financial Services.....	-4.7	-44.9
Oversight and Government Reform.....	-0.5	4.3
Ways and Means.....	2.6	9.2
Other.....	<u>-0.7</u>	<u>-4.2</u>
Total.....	10.3	83.5

\* Less than \$50 million.