

GAO Highlights

Highlights of [GAO-14-645T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

DOE's Loan Programs Office administers the LGP for certain renewable or innovative energy projects and the ATVM loan program for projects to produce more fuel-efficient vehicles and components. Both programs can expose the government and taxpayers to substantial financial risks if borrowers default. These risks are considered in calculating credit subsidy costs. Such costs represent the estimated net long-term cost of extending or guaranteeing credit, in present value terms, over the entire period the loans are outstanding (not including administrative costs). The law requires that the credit subsidy costs of DOE loans and loan guarantees be paid for by appropriations, borrowers, or some combination of both.

This testimony focuses on (1) the status of DOE's loan programs and (2) the findings in GAO's May 2014 report on the extent to which DOE has developed and adhered to loan monitoring policies for its loan programs. This statement is based on a series of GAO reports from 2007 through 2014 that noted concerns about DOE's implementation of the loan programs.

What GAO Recommends

In May 2014, GAO recommended that DOE fully develop its loan monitoring function by: evaluating loan monitoring effectiveness, staffing key positions, updating management and reporting software, and completing policies and procedures for loan monitoring. DOE generally agreed with the recommendations. GAO is making no new recommendations in this testimony.

View [GAO-14-645T](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

May 30, 2014

DOE LOAN PROGRAMS

DOE Has Made More Than \$30 Billion in Loans and Guarantees and Needs to Fully Develop Its Loan Monitoring Function

What GAO Found

The Department of Energy's (DOE) three loan programs have made more than \$30 billion in loans and loan guarantees for supporting certain renewable or innovative energy technologies. For the Section 1703 Loan Guarantee Program (LGP), begun in 2006, borrowers generally must pay credit subsidy costs for the loans. In 2014, DOE guaranteed its first two loans under Section 1703 for a total of \$6.2 billion. For those two loan guarantees, DOE calculated credit subsidy costs to be \$0. The 1703 program has \$28.7 billion in remaining loan guarantee authority. In contrast, under Section 1705 of the LGP, which expired September 30, 2011, Congress appropriated funds to pay credit subsidy costs. DOE guaranteed 31 section 1705 loans for \$15.7 billion; and three of these loans have defaulted. The Advanced Technology Vehicles Manufacturing (ATVM) loan program, which was also given appropriations to pay credit subsidy costs, has made 5 loans for \$8.4 billion. The ATVM program has \$16.6 billion of remaining loan authority. Two of the five ATVM loans have defaulted. DOE has not made an ATVM loan since March 2011 and, as of February 2014, it had one active application. In April 2014, GAO reported that unless DOE can demonstrate a demand for new ATVM loans and viable applications, Congress may wish to consider rescinding all or part of the remaining \$4.2 billion in credit subsidy appropriations.

Status of DOE Loan Programs

Dollars in billions				
Program	Number of loan guarantees/loans made	Number of loans defaulted	Loan guarantee/loan amounts at closing	Remaining authority
LGP – Section 1703	2	0	\$6.2	\$28.7
LGP – Section 1705	31	3	\$15.7	\$0
ATVM loan program	5	2	\$8.4	\$16.6
Total	38	5	\$30.3	\$45.3

Source: GAO analysis of DOE data.

In May 2014, GAO reported that DOE had not fully developed or consistently adhered to loan monitoring policies for its loan programs. In particular, DOE has established policies for most loan monitoring activities, but policies for some of these activities—for example, for evaluating and mitigating program-wide risk—remain incomplete or outdated. Further, in some cases GAO examined, DOE generally adhered to its loan monitoring policies but, in others, DOE adhered to those policies inconsistently or not at all. For example, DOE did not adhere to its policy requiring it to evaluate the effectiveness of its loan monitoring. DOE did not consistently adhere to policies because the Loan Programs Office was still developing its organizational structure, including its staffing, management and reporting software, and procedures for implementing policies. As a consequence, during a period of significant program events (2009 to 2013), such as 5 borrower defaults, DOE was making loans and disbursing funds without a fully developed loan monitoring function.