

May 12, 2026

**Subject: H.R. 8661 — The Foreign Military Financing Loan Authorization Act of 2026**

Dear House Foreign Affairs Committee Staff:

We are writing ahead of Wednesday's [markup](#) to raise serious concerns about [H.R. 8661](#), the Foreign Military Financing Loan Authorization Act of 2026. We support helping U.S. security partners find more flexible financing options. However, this bill would strip Congress of critical abilities to decide upfront how much and who receives U.S. foreign aid to purchase U.S. arms. It also adds new opportunities for undue influence in an area with extensive foreign government-funded influence efforts.

The proposed legislation gives the State Department broad authority to set loan terms, interest rates, and repayment schedules for foreign government arms purchases with almost no guardrails. This flexibility seems to ignore some hard-won lessons from Congress's own history with these programs. In particular, the bill does not properly address the risk of the State Department setting questionable loan repayment terms, foreign governments' defaulting on loans, and the U.S. government eventually providing grants of weapons without Congress's prior approval.

This is not a hypothetical concern. In the 1980s, the Government Accountability Office (GAO) [documented](#) in two [reports](#) what happens when the U.S. government makes such loans without proper estimations and controls. Foreign governments, including Egypt and Turkey, defaulted on hundreds of millions of dollars' worth of loans. Reserve funds were drained. GAO [highlighted](#) that the State Department's loans to higher risk countries at high interest rates with extended repayment schedules contributed to the problems. The State Department also resisted recommendations to set aside reserves for potential defaults. In the following years, Congress sought to stabilize the wide range of interest rates by [requiring](#) that such loans use interest rates "not less than the current average market yield."

H.R. 8661 aims to reinstate some understandable flexibility in setting loan interest rates. This could help make U.S. loans to buy U.S. weapons systems more attractive than other countries, including China. However, it would recreate some similar conditions to the 1980s. The State Department would again have much more flexibility in making determinations on loan default risks, interest rates, and loan repayment plans. As a result, what may look like a loan on paper could become a grant in practice. But unlike a real

grant, it wouldn't go through the same congressional process for approving grants, which weighs the risks to U.S. foreign policy and other U.S. national interests.

Our chief concern is that this flexibility in the legislation also creates a system more open to undue influence. The more discretion the State Department has over loan terms, the more opportunities there are for foreign government pressure and geopolitical considerations to override sound lending judgments. History shows this risk is real. When U.S. government officials moved to forgive approximately \$7 billion in Egyptian debt from U.S. arms sales loans following sustained Egyptian diplomatic pressure, Congress [introduced a resolution](#) against it. Foreign government-funded lobbying, including with [former U.S. military officials](#), on U.S. arms sales [now spreads](#) across many more countries— and yet there is nothing in this bill to help prevent the risks of undue influence or explain why one country received better terms than another.

We recommend three amendments to restore critical congressional oversight to this bill.

1. We encourage the Committee to require the State Department to develop — and obtain approval from the House Foreign Affairs and Senate Foreign Relations Committees — clear policies or regulations covering how default risks will be calculated, how interest rates and repayment terms will be set, what economic criteria a country must meet to qualify for below-market terms, and how perceived conflicts of interests with former or current U.S. officials will be evaluated.
2. The bill's existing reporting requirement lacks the specifics Congress needs to provide real oversight. The report should include, for each loan: the interest rate offered; the repayment plans; an honest assessment of the country's ability to repay; any prior loans that were rescheduled or forgiven; an explanation of why that country received those particular terms, and a summary of any conflicts of interest reviews and determinations. An unclassified summary report mentioning each loan and number of conflicts of interest reviews and determinations should be posted publicly on the State Department's website.
3. Every two to three years, the GAO should independently review whether the loan program is fiscally sound — including whether the State Department's loan rates and terms are realistic and whether they are being applied consistently across countries — before problems surface, not after.

These three amendments would restore a basic principle: that Congress decides when U.S. weapons are effectively given away and who bears the cost. Without them, this bill risks repeating a costly chapter in the history of U.S. arms financing. Congress should not have to wait for another crisis to find out this program went wrong.

We welcome the opportunity to discuss these recommendations before Wednesday's markup.

Sincerely,

A handwritten signature in blue ink, appearing to read "Colby Goodman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Colby Goodman  
Senior Researcher  
Transparency International U.S.