SECTION 85 -- FEDERAL CREDIT

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Summary of Changes

Highlights definitions of direct loan and loan guarantee (section 85.1).

Requires agencies to report budget authority for reestimates on a separate line in schedule U (section 85.9).

Requires agencies to report data on agency debt held by the Federal Financing Bank in schedule Y (baseline) instead of in schedules G and H (policy) (section 85.10).

85.1 Does this section apply to me?

These instructions apply to all programs that provide direct loans or loan guarantees (see sections 85.3(d) and (k) for definitions of these terms) to non-Federal entities and are subject to the Federal Credit Reform Act of 1990, as amended (FCRA). Even though Section 506 of the FCRA exempts certain programs from credit reform budgeting, these programs are still required to report data in MAX schedules G and H (see section 85.10).

Section 504(b) of the FCRA provides that new direct loan obligations and new loan guarantee commitments may be made only to the extent that:

- New budget authority to cover their costs is provided in advance in an appropriations act;
- A limitation on the use of funds otherwise available for the cost of a direct loan or loan guarantee program is provided in advance in an appropriations act; or
- Authority is otherwise provided in an appropriations act.

These requirements also apply to modifications of direct loans (or direct loan obligations) or loan guarantees (or loan guarantee commitments) that increase their cost, including modifications of pre-1992 direct loans and loan guarantees. OMB will specify exemptions from these requirements for mandatory programs pursuant to section 504(c) of the FCRA.

Unless otherwise specified by law, budget authority is available for liquidating obligations (i.e., outlays) for only five fiscal years after the authority expires. For credit subsidies financed by annual or multi-year budget authority, you must ensure that the budget authority for the subsidy cost will remain available for disbursement over the full period in which loans will be disbursed. If you expect the disbursement period will be longer than five fiscal years after the budget authority expires, you must include a special provision in the appropriations language (see section 96.5).

85.2 What background information must I know?

The FCRA changed the budgetary measurement of cost for direct loans and loan guarantees from the amount of cash flowing into or out of the Treasury to the estimated long-term cost to the Government. Only the unreimbursed costs of making or guaranteeing new loans (the subsidy cost, on a present value basis, and administrative expenses, on a cash basis) are included in the budget. Agencies must receive appropriations for the subsidy cost before they can enter into direct loan obligations or loan guarantee commitments. The actual cash flows are recorded as a means of financing (see section 20.7) and are not included in the budget totals.

The subsidy cost is the estimated present value of the cash flows from the Government (excluding administrative expenses) less the estimated present value of the cash flows to the Government resulting from a direct loan or loan guarantee, discounted to the time when the loan is disbursed. The cash flows are the contractual cash flows adjusted for expected deviations from the contract terms (delinquencies, defaults, prepayments, and other factors). Present values must be calculated using the OMB Credit Subsidy Calculator. The OMB Credit Subsidy Calculator discounts the cash flow that is estimated for each year (or other time period) using the interest rate on a marketable zero-coupon Treasury security with the same maturity from the date of disbursement as that cash flow, regardless of the maturity of the loan. A positive net present value means that the Government is extending a subsidy to borrowers; a negative present value means that the credit program generates a “profit” (excluding administrative costs) to the Government.

Appropriations for the subsidy cost are made to the program account established for the credit program and are recorded as budget authority. Obligations for the subsidy cost are recorded when the Government enters into a loan obligation or guarantee commitment. Outlays are recorded when the direct loan or guaranteed loan is disbursed to the public and simultaneously the subsidy is paid from the program account to the financing account. The program account also receives appropriations for the direct costs of administering the credit program.

The actual cash flows (e.g., loan disbursements, collections of principal and interest payments, and payment of guarantee claims) are recorded in separate financing accounts. There is at least one financing account associated with each program account. Separate financing accounts are required for direct loan cash flows and for loan guarantee cash flows if the program account provides subsidy costs for both forms of credit. The transactions of the financing accounts are displayed in the budget *Appendix* for informational and analytical purposes, together with the related program accounts, but are excluded from the budget totals because the net cash flows do not represent a cost to the government. The direct loan financing account combines the subsidy payment from the program account with borrowing from Treasury to finance the direct loans. It repays Treasury over time using principal and interest collected from the borrower. The loan guarantee financing account holds the subsidy payment from the program account as a reserve against default claims. The reserve, together with interest earnings on this reserve from Treasury, is used to pay all default claims over the life of the loans.

All cash flows resulting from direct loan obligations and loan guarantee commitments made prior to the effective date of the FCRA (in FY 1991 or previous years) are recorded in liquidating accounts. These accounts are recorded on a cash basis and are included in the budget totals. Liquidating account collections are available to pay obligations of the account, but they are not available to finance new direct loans or loan guarantees. If the collections are insufficient, the FCRA provides liquidating accounts with permanent indefinite authority to pay for losses and to repay any debt owed to Treasury or to other sources.

By focusing on the long-term costs of the program, credit budgeting meets the most fundamental goal of budgetary cost measurement: it provides decision makers with the information and the incentive to allocate resources efficiently. Unlike most budgetary transactions, the cash disbursements for a credit program are a poor measure of cost. Counting outlays for loan disbursements without taking into account probable repayments overstates the cost of a direct loan. Loan guarantees appear costless initially because payments of guarantee claims generally occur several years after the decision to extend credit has been made. Credit budgeting places the cost of credit programs on a budgetary basis equivalent to other federal spending, allowing for better comparison of cost between direct loan and loan guarantee programs and between credit and other programs. This improves the incentive to make good budgetary decisions.

Agencies are required to reestimate the subsidy cost throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and actual cash flow or revised assumptions about future cash flow. These reestimates represent additional costs or savings to the Government and are recorded in the budget. Reestimates that indicate an increase in the subsidy cost are financed by permanent indefinite authority. There are two types of reestimates. Interest rate reestimates adjust for the effect on the subsidy of differences between actual interest rates and the interest rates assumed when estimates were made for budget formulation and obligation (the same interest rate assumptions must be used at formulation and obligation). These reestimates must be made when the cohort is at least 90 percent disbursed. Technical reestimates adjust for revised assumptions about loan performance, such as differences between assumed and actual default rates or new projections of prepayments. These reestimates must be made after the close of each fiscal year.

Modifications of a direct loan or loan guarantee can also change the subsidy cost. A modification is any Government action different from the baseline assumptions that affects the subsidy cost, such as a change in the terms of the loan contract or legislation that provides new collection tools. The cost of a modification is the difference between the present value of the cash flows before and after the modification. Agencies must have been provided budget authority to cover the cost of a modification that increases the subsidy before the loans can be modified.

85.3 What special terms must I know?

The following are key terms used in credit budgeting. In these definitions, the term "post-1991" means direct loan obligations or loan guarantee commitments made on or after October 1, 1991, and the resulting direct loans or loan guarantees. The term "pre-1992" means direct loan obligations or loan guarantee commitments made prior to October 1, 1991, and the resulting direct loans or loan guarantees.

(a) ***Administrative expenses*** mean all costs that are directly related to credit program operations. The FCRA generally requires that administrative expenses for both pre-1992 and post-1991 direct loans and loan guarantees be included in program accounts. Administrative expenses are included in the liquidating accounts only if the amounts would have been available for administrative expenses under a provision of law in effect prior to October 1, 1991, and if no direct loan obligation or loan guarantee commitment has been made, or any modification of a direct loan or loan guarantee has been made, since September 30, 1991.

Administrative expenses that are tangentially related to the credit program should not be included in the program account. As an illustration, the cost of auditing credit programs that is financed in the accounts for Inspectors General should not be included. Administrative expenses include:

- The appropriate proportion of administrative expenses that are shared with non-credit programs;
- The cost of operating separate offices or units that make policy decisions for credit programs;
- The cost of loan systems development and maintenance, including computer costs (under no circumstances should computer costs be paid out of financing accounts);
- The cost of monitoring credit programs and private lenders for compliance with laws and regulations;
- The cost of all activities related to credit extension, loan servicing, write-off, and close out; and
- The cost of collecting delinquent loans, except for the costs of foreclosing, managing, and selling collateral that are capitalized or routinely deducted from the proceeds of sales.

Administrative expenses may be expended directly from the program account or, if authorized by appropriation language (see section 96.5), used to reimburse a salaries and expenses account or the Federal Financing Bank (FFB). If they are transferred to a salaries and expenses account or the FFB, record the transfer as an expenditure transfer. Record an obligation and outlay in the program account and an offsetting collection in the salaries and expenses account. In the salaries and expenses account, obligations for administrative expenses may be recorded without necessarily identifying them as credit program expenses.

Administrative expenses are almost always provided by annual appropriations acts and, therefore, are discretionary spending. If such expenses are included in a program account that subsidizes a mandatory program, the account will be split between mandatory and discretionary spending.

(b) ***Claim payment*** means a payment made to private lenders when a guaranteed loan defaults. Report default claim obligations and disbursements in the program and financing schedule (schedule P) in liquidating and guaranteed loan financing accounts. As described below, report the claim payments in the status of guaranteed loans schedule (schedule H) and, for liquidating accounts only, the object class schedule (schedule O). If a loan asset is acquired in exchange for the claim payment, report the claim payment as a termination for default that results in a loan receivable on line 2261 of schedule H, and, for liquidating accounts, as investment and loan obligations on object class line 33 in schedule O. If a physical asset is acquired in exchange for the claim payment, report the claim payment as a termination for default that results in acquisition of property on line 2262 of schedule H, and, for liquidating accounts, the object class that best represents the asset in schedule O. For example, if the asset is a building, then classify the obligations on line 32, land and structures. (See section 83.7 for object classification). If nothing of value is received in exchange for the claim payment, report the claim payment as termination for defaults that result in claim payments on line 2263 in schedule H, and, for liquidating accounts, as insurance claims and indemnities on object class line 42 in schedule O.

(c) ***Cohort*** means all direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year (except as provided below for pre-1992 direct loans and loan guarantees that are modified). For direct loans and loan guarantees for which a subsidy appropriation is provided for one fiscal year, the cohort will be defined by that fiscal year. For direct loans and loan guarantees for which multi-year or no-year appropriations are provided, the cohort is defined by the year of obligation. Direct loans and loan guarantees that are made from supplemental appropriations will be recorded in the same cohort as those that are funded in annual appropriations acts. These rules apply even if the direct loans or guaranteed loans are disbursed in subsequent years.

Cohort accounting applies to post-1991 direct loans and loan guarantees. It applies to pre-1992 direct loans and loan guarantees that have been modified but not to unmodified pre-1992 direct loans and loan guarantees. Post-1991 direct loans or loan guarantees remain with their original cohort throughout the life of the loans, even if they are modified. All of the modified pre-1992 direct loans of a program will be assigned to a single cohort and all of the modified pre-1992 loan guarantees for a program will be assigned to a single cohort, even if the subsidy appropriation is provided in different fiscal years. For purposes of budget presentation, cohorts will be aggregated. However, accounting and other records will be maintained separately for each cohort.

(d) ***Direct loan*** means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes:

- the purchase of, or participation in, a loan made by a non-Federal lender;
- financing arrangements that defer payment for more than 90 days, including the sale of a government asset on credit terms; and
- loans financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority (see also section 33.14).

The term does not include the acquisition of federally guaranteed loans in satisfaction of default or other guarantee claims or the price support loans of the Commodity Credit Corporation.

Pre-1992 loans made by the FFB on behalf of any agency continue to be recorded as direct loans of the agency. Agency guarantees of post-1991 loans that are financed by the FFB are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees. The direct loan financing account for these loans will collect and hold the subsidy payment from the program account. This balance, together with interest earnings, will be available to pay the FFB in the event of default by the non-Federal borrower. Agencies with programs financed by the FFB should consult with the OMB representative with primary responsibility for the program to ensure correct treatment of these loans.

(e) ***Direct loan obligation*** means a binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower.

(f) ***Direct loan subsidy cost*** means the estimated long-term cost to the Government of a direct loan, calculated on a net present value basis, excluding administrative costs. Specifically, the cost of a direct loan is the net present value, at the time when the direct loan is disbursed from the financing account, of the following estimated cash flows:

- Loan disbursements;
- Repayments of principal;
- Payments of interest;
- Recoveries or proceeds of asset sales; and
- Other payments by or to the Government over the life of the loan.

These estimated cash flows include the effects of estimated defaults, prepayments, fees, penalties, and expected actions by the Government and the borrower within the terms of the loan contract, such as the exercise by the borrower of an option included in the loan contract.

Obligations for the subsidy cost will be recorded against budget authority in the program account when the direct loan obligation is incurred. Accounts payable (to the direct loan financing account) will be recorded in the amount of the estimated obligation. The subsidy will be paid to the financing account when the loan is disbursed. (See section 85.4 and the OMB Credit Subsidy Calculator and accompanying documentation for information about estimating the subsidy.)

(g) ***Discount rates*** mean the collection of interest rates that are used to calculate the present value of the cash flows that are estimated over a period of years. For loans made, guaranteed, or modified in FY 2001 and thereafter, the cash flow estimated for each year (or other time period) is discounted using the interest rate on a marketable zero-coupon Treasury security with the same maturity from the date of disbursement as that cash flow. The discount rate assumptions for the budget will be provided by OMB in a file for use with the OMB Credit Subsidy Calculator. The rate at which interest will be paid on the amounts borrowed or held as an uninvested balance by a financing account for a particular cohort is a weighted average discount rate derived from this collection of interest rates. An electronic spreadsheet is available from OMB to calculate budget estimates of the interest income or expense for financing accounts.

(h) ***Financing account*** means a non-budgetary account (its transactions are excluded from the budget totals) that records all of the cash flows resulting from post-1991 direct loans or loan guarantees. It disburses loans, collects repayments and fees, makes claim payments, holds balances, borrows from Treasury, earns or pays interest, and receives the subsidy cost payment from the credit program account. There is at least one financing account associated with each program account. Separate financing accounts are required for direct loan cash flows and for loan guarantee cash flows if the program account provides subsidy costs for both forms of credit. Financing account schedules are printed in the budget *Appendix* together with the program account.

(i) ***Liquidating account*** means a budget account that records all cash flows to and from the Government resulting from pre-1992 direct loan obligations or loan guarantee commitments (unless they have been modified and transferred to a financing account). Liquidating account collections in any year are available only for obligations incurred during that year or to repay debt. All liquidating accounts are classified as mandatory. Collections credited to a liquidating account include:

- Interest;
- Loan repayments and prepayments;
- Payments from financing accounts when required for modifications;
- Proceeds from the sales of loans; and
- Fees.

These collections are available only for:

- Interest payments and repayment of debt;
- Disbursements of loans;
- Default and other guarantee claim payments;
- Interest supplement payments;
- Cost of foreclosing, managing, and selling collateral that is capitalized or routinely deducted from the proceeds of sales;
- Payments to financing accounts when required for modifications;
- Administrative expenses but only if (1) amounts credited to the liquidating accounts would have been available for administrative expenses under a provision of law in effect prior to October 1, 1991, and (2) no direct loan obligations or loan guarantee commitments have been made, or any modification of a direct loan or loan guarantee has been made, since September 30, 1991; and
- Other payments that are necessary for the liquidation of pre-1992 direct loan obligations and loan guarantee commitments.

Amounts credited to liquidating accounts in any year are only available for obligations that are incurred in that year (the outlay may occur in a subsequent year) and for repayment of debt. Any remaining unobligated balances at the end of the fiscal year are unavailable for obligation in subsequent fiscal years and must be transferred to the general fund at the end of the fiscal year unless an extension has been approved by OMB (see section 58.3).

The FCRA provides permanent indefinite authority to cover obligations and commitments in the event that funds in liquidating accounts are otherwise insufficient. If the liquidating account's obligations will exceed its collections during the year, the agency must request an apportionment and warrant of permanent indefinite authority estimated to be needed for the fiscal year, before the beginning of the fiscal year.

The liquidating account status of direct and/or guaranteed loans schedule reflects disbursements and repayments of pre-1992 loans. Therefore, in the liquidating account status of direct and/or guaranteed loans:

- There will be no post-1991 direct loan obligations or loan guarantee commitments;
- Direct and guaranteed loan disbursements will be shown only for pre-1992 direct loans or loan guarantees; and
- Repayments and prepayments will reflect only pre-1992 direct loan obligations and loan guarantee commitments.

(j) ***Loan asset sale*** means a sale of one or more loans to a non-Federal buyer, either individually, pooled, packaged, securitized, or as a joint venture, at a single point in time, subject to parties fulfilling the terms and conditions of the Government's offer. Loan assets consist of direct loans and loan receivables resulting from defaulted guaranteed loans.

(k) ***Loan guarantee*** means any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, except for the insurance of deposits, shares, or other withdrawable accounts in financial institutions. Loans that are financed by the FFB pursuant to agency loan guarantee authority are treated as direct loans rather than loan guarantees.

(l) ***Loan guarantee commitment*** means a binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

(m) ***Loan guarantee subsidy cost*** means the estimated long-term cost to the Government of a loan guarantee, calculated on a net present value basis, excluding administrative costs. Specifically, the cost of a loan guarantee is the net present value, at the time when the guaranteed loan is disbursed by the lender, of the following estimated cash flows:

- Payments by the Government to cover defaults and delinquencies, interest subsidies, and other requirements; and
- Payments to the Government, including origination and other fees, penalties, and recoveries.

These estimated cash flows include the effects of expected Government actions and the exercise by the guaranteed lender or the borrower of an option included in the loan guarantee contract.

Obligations for the subsidy cost will be recorded against budget authority in the program account when the loan guarantee commitment is made. The subsidy will be paid to the guaranteed loan financing account when the loan is disbursed by the private lender. (See section 85.4 and the OMB Credit Subsidy Calculator and accompanying documentation for information about estimating the subsidy.)

(n) ***Modification*** means a Government action that (1) differs from actions assumed in the baseline estimate of cash flows and (2) changes the estimated cost of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment). The modification may be for a single loan or loan guarantee as well as a group; it may be any size; it may affect pre-1992 direct loans and loan guarantees or post-1991 direct loans or loan guarantees. New legislation that alters the baseline cash flow estimate for a loan or group of loans always results in a modification.

A Government action may change the cost directly by altering the terms of existing contracts, selling loan assets (with or without recourse) or converting guaranteed loans to direct loans by purchasing them from a private lender. It also may change the cost indirectly by legislatively changing the way in which a portfolio of direct loans or guaranteed loans is administered. Examples of changes in the terms of existing loan contracts are forgiveness, forbearance, interest rate reductions, extensions of maturity, and prepayments without penalty. Examples of changes in loan administration are new methods of debt collection, such as using tax refunds to repay loans and restrictions on debt collections. If the baseline cost estimate does not assume an action, and the cost would be increased or decreased as a result of that action, the action is a modification.

Modifications do not include a Government action that is assumed in the baseline cost estimate, as long as the assumption is documented and has been approved by OMB. For example, modifications would not include routine administrative workouts (see section 85.3(v)) of troubled loans or loans in imminent default. They also would not include a borrower's or the Government's exercise of an option that is permitted within the terms of an existing contract, such as a borrower prepaying the loan. The baseline subsidy estimate must include all anticipated actions by the Government, lenders, and borrowers that are permissible under current law and that affect the cash flow. If later the cost estimate of an action by the borrower, lender, or the Government differs from what is anticipated in the documented baseline subsidy estimate, then the difference in cost is included in a reestimate.

Modifications do not include additional disbursements to borrowers that increase the amount of an outstanding direct loan or an outstanding loan guarantee. These are treated as new direct loans or loan guarantees in the amount of the additional disbursement.

There are situations where it is not clear whether a Government action constitutes a modification or a reestimate. These situations should be judged on a case-by-case basis by OMB in consultation with the agency. They could include actions by the Government that are not addressed in existing contracts, management changes that are within an agency's existing specific authority for the loan program, and broad changes in agency policy (e.g., loan sale policy). In general, if the possibility of the action was explicitly included in the cash flows for the baseline subsidy estimate, and this can be documented, it would most likely be a reestimate. If not, it would most likely be a modification.

Modifications produce a one-time change in the subsidy cost of *outstanding* direct loans and loan guarantees. The effect of the Government action on the subsidy cost of direct loan obligations and loan guarantee commitments made after the date of the modification, if there is any effect, is not a modification. Instead, the effects are incorporated in the initial cost estimates for subsequent direct loan obligations and loan guarantee commitments.

(o) ***Modification cost*** means the difference between the estimate of the net present value of the remaining cash flows assumed for the direct loan or loan guarantee contract before and after the modification. The estimate of the remaining cash flows before the modification must be the same as assumed in the baseline for the most recent President's budget. The estimate of the remaining cash flows after the modification must be the pre-modification cash flows adjusted solely to reflect the effects of the modification.

An outstanding direct loan (or direct loan obligation) or loan guarantee (or loan guarantee commitment) can not be modified in a manner that increases its cost, unless budget authority for the additional cost has been provided in advance in an appropriations act. If the modification is mandated in legislation, the legislation itself provides the budget authority to incur a subsidy cost obligation (whether explicitly stated or not).

Budget authority, an obligation, and an outlay will be recorded in the year in which the legislation is enacted or the administrative discretion is exercised, or in the case of appropriations acts enacted before the fiscal year to which they apply, the year for which appropriations are provided.

When post-1991 direct loans or loan guarantees are modified, a modification adjustment transfer between the financing account and the general fund must also be calculated. When pre-1992 direct loans or loan guarantees are modified, a transfer must be made between the liquidating account and financing account. These calculations and the budgetary treatment are explained in section 85.6.

(p) ***Negative subsidies*** mean subsidy costs that are less than zero. They occur if the present value of cash inflows to the Government exceeds the present value of cash outflows. In such cases, appropriations bills must still provide specific authority before direct loans or loan guarantees can be made.

When a direct loan obligation or a loan guarantee commitment is made that has a negative subsidy, an amount equal to the negative subsidy will be obligated in the financing account. The financing account will pay the negative subsidy to the negative subsidy receipt account (or to the program account in the case of a mandatory program) when the loan is disbursed. The collections are recorded as offsetting receipts or offsetting collections, and they offset the agency's budget authority and outlays. The accounting for negative subsidies is discussed in (q) below.

(q) ***Negative subsidy receipt accounts*** mean budget accounts for the receipt of amounts paid from the financing account when there is a negative subsidy for the original estimate or a downward reestimate (see section 85.3(p) and (t)). In most cases, the receipt account is a general fund receipt account and amounts are not earmarked for the credit program. They are available for appropriation only in the sense that all general fund receipts are available for appropriation.

At the discretion of the OMB representative with primary responsibility for the program, a special fund receipt account may instead be established for the purpose of earmarking the receipts for appropriation to the program (in which case a special fund expenditure account also will be established and merged with the program account). If the program is a discretionary program, these receipts are available for obligation only to the extent provided in annual appropriations acts. For mandatory programs, the receipts are permanently appropriated for subsidy costs but usually are available for administrative expenses only to the extent provided in annual appropriations acts. For mandatory programs, negative subsidies and downward reestimates may be credited directly to the program account as offsetting collections from non-Federal sources.

Obligations may not be incurred against appropriations of the receipts until they have been credited to the receipt account. Because negative subsidy receipts are not credited to the receipt account until the underlying direct loan or guaranteed loan is disbursed, they might not become available in time to fund expenditures in a timely manner. Such situations might require an appropriation from the general fund to permit obligations to be made until receipts are available for obligation.

(r) ***Net proceeds***, when used in the context of loan asset sales, mean the amounts paid by the purchasers less all seller transaction costs (such as underwriting, rating agency, legal, financial advisory, and due diligence fees) that are paid out of the gross sales proceeds rather than paid as direct obligations by the agency. The net proceeds from the sale of an equity partnership are the same as defined above plus an estimate of the net present value of future cash inflows to the Government from the sale.

(s) ***Program account*** means a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy cost to the financing account. Program accounts usually receive a separate appropriation for administrative expenses.

(t) ***Reestimates*** mean revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance and/or estimated changes in future cash flows of the cohort. Reestimates must be made immediately after the end of each fiscal year, as long as any loans in the cohort are outstanding, unless a different plan is approved by OMB (see section 85.5). An upward reestimate indicates that insufficient funds had been paid to the financing account, so the increase (plus interest on reestimates, as described in section 85.5(b)) is paid from the program account to the financing account to make it whole. Permanent indefinite budget authority is available for this purpose pursuant to section 504(f) of the FCRA. A downward reestimate indicates that too much subsidy had been paid to the financing account. For discretionary programs, the excess (plus interest, as above) is disbursed to a negative subsidy receipt account (see section 85.3(q)). For mandatory programs, the excess (plus interest, as above) may be credited directly to the program account as offsetting collections or to a negative subsidy receipt account.

(u) ***Risk categories*** mean subdivisions of a cohort of direct loans or loan guarantees into groups that are relatively homogeneous in cost, given the facts known at the time of obligation or commitment. They are developed by agencies in consultation with the OMB representative with primary budget responsibility for the credit account. The number will depend on the size of the difference in subsidy cost between categories and the ability to predict it statistically based on facts known at origination.

Risk categories will group all direct loans or loan guarantees within a cohort that share characteristics predictive of defaults and other costs. They may be defined by characteristics or combinations of characteristics of the loan, the project financed, and/or the borrower. Examples of characteristics or indicators that may predict cost include:

- The loan-to-value ratio;
- The relationship between the loan interest rate and relevant market rates;
- Type of school attended for education loans;
- Country risk categories for international loans; and
- Various asset or income ratios.

Statistical evidence must be presented, based on historical analysis of program data or comparable credit data, concerning the likely costs of defaults, other deviations from contract, or other costs that are expected to be associated with the loans in that category.

(v) ***Work-outs*** mean plans that offer options short of default or foreclosure for resolving troubled loans or loans in imminent default, such as deferring or forgiving principal or interest, reducing the borrower's interest rate, extending the loan maturity, or postponing collection action. Work-outs are expected to minimize the cost to the Government of resolving troubled loans or loans in imminent default. They should only be utilized if it is likely that the borrower will be able to repay under the terms of the work-out and if the cost of the work-out is less than the cost of default or foreclosure. For post-1991 direct loans and loan guarantees, the expected effects of work-outs on cash flow are included in the original estimate of the subsidy cost. Therefore, to the extent that the effects of work-outs on cash flow are the same as originally estimated, they do not alter the subsidy cost. If the effects on cash flow are more or less than the original estimate, the differences are included in reestimates of the subsidy and are not a modification.

85.4 How do I calculate the subsidy estimate?

(a) *General.*

You must provide subsidy estimates for both Presidential policy and the baseline for all budget accounts that have post-1991 direct loan obligations or loan guarantee commitments or that have modifications of pre-1992 direct loan or loan guarantee contracts. You must make subsidy estimates for each risk category. Under section 503(a) of the FCRA, OMB has the final responsibility for determining subsidy estimates, in consultation with the agencies.

Use the OMB Credit Subsidy Calculator to discount all agency-generated estimates of cash flows to and from the Government. The OMB Credit Subsidy Calculator and documentation provide an explanation and example of the discounting method and how the subsidy rate is calculated. All agencies must use the OMB Credit Subsidy Calculator and discount rates to ensure government-wide comparability and uniformity of discounting. These can be obtained from the OMB representative with primary budget responsibility for the credit account.

Direct loan and loan guarantee subsidy costs are defined in sections 85.3(f) and (m). The subsidy cost is the estimated long-term cost to the Government of direct loans or loan guarantees calculated on a net present value basis, excluding administrative costs. For budget formulation (and execution), subsidy estimates are to be based on the economic and technical assumptions underlying the President's budget that is submitted for the fiscal year in which the funds will be obligated. For CY, this means using the economic and technical assumptions underlying the BY subsidy estimates contained in the President's budget for the previous year (adjusted for changes in terms of the contract or legislation enacted since the budget was transmitted; see Circular No. A-34). For BY through BY+4, this means using the economic and technical assumptions in the President's budget that will be submitted for BY.

For loans made, guaranteed, or modified in FY 2001 and thereafter, the cash flow that is estimated for each year (or other time period) is discounted using the interest rate on a marketable zero-coupon Treasury security with the same maturity from the date of disbursement as that cash flow, regardless of the maturity of the loan; for example, a cash flow expected to occur one year from the date of disbursement will be discounted at the one-year zero-coupon Treasury rate. The discount rate assumptions for the budget will be provided by OMB in a file for use with the OMB Credit Subsidy Calculator.

(b) *Presidential policy subsidy estimates.*

Make separate subsidy estimates for all programs (discretionary and mandatory) for CY and BY. The steps for calculating the presidential policy estimates of subsidy budget authority and outlays (including negative subsidies) for a cohort (or risk category) of direct loans and loan guarantees are as follows:

- *Step 1.* Estimate the cash flows to and from the Government for the cohort of direct loans or loan guarantees obligated or committed in that year, for that year and each subsequent year for the life of the direct or guaranteed loan. If you have not finalized the requested amount of obligations or commitments, you may use any amount to calculate the subsidy estimate as long as the cash flows you have developed are based on that same amount. Discount these cash flows to the point of loan disbursement using the OMB Credit Subsidy Calculator. The difference between the present value of the cash outflows and inflows is the total subsidy (i.e., the subsidy cost) for the obligations or commitments made in that year.

- *Step 2.* Calculate the subsidy rate for the cohort by dividing the subsidy cost by the direct loan obligations or loan guarantee commitments made in that year. For this purpose, the loan guarantee commitment is the full principal amount, not just the portion guaranteed by the Government.

- *Step 3.* When the requested amount of direct loan obligations or loan guarantee commitments has been finalized, multiply the subsidy rate by the direct loan obligations or loan guarantee commitments to calculate budget authority (or offsetting receipts, in the case of negative subsidies) for the subsidy cost. For this purpose, the loan guarantee commitment is the full principal amount, not just the portion guaranteed by the Government.

- *Step 4.* Subsidy outlays for each fiscal year are equal to the subsidy cost for all loans disbursed in that year, whether the loans or guarantees were obligated or committed in that year or in prior years. For this purpose, the loan guarantee commitment is the full principal amount, not just the portion guaranteed by the Government.

(c) *Baseline subsidy estimates.*

The steps for calculating the baseline estimates of subsidy budget authority and outlays (including negative subsidies) for a cohort (or risk category) of direct loans and loan guarantees are as follows:

- *Step 1.* For discretionary programs, inflate the subsidy budget authority enacted for CY (the base year) to calculate the subsidy budget authority for BY through BY+4. The inflator is the annual adjustment factor for non-pay costs (the gross domestic product chain-type price index) provided in the economic assumptions for the President's budget that will be submitted for BY.

- *Step 2.* For mandatory programs, first calculate the subsidy rate as described above under “presidential policy estimates,” excluding the effects of any legislative proposals. Then multiply the subsidy rate by the baseline estimate of demand for loans to calculate the subsidy BA.

- *Step 3.* For any programs with negative subsidies, first calculate the subsidy rate as described above under “presidential policy estimates,” excluding the effects of any legislative proposals. Then multiply the subsidy rate by the baseline estimate of demand for loans, constrained by the estimated limitation, to calculate the amount of offsetting receipts. The limitation should be estimated by inflating the CY enacted limitation using the annual adjustment factor for non-pay costs (the gross domestic product chain-type price index) provided in the economic assumptions for the President's budget that will be submitted for BY.

- *Step 4.* Subsidy outlays for each fiscal year are equal to the subsidy cost for all loans disbursed in that year, whether the loans or guarantees were obligated or committed in that year or in prior years. For CY only, the total also includes outlays for reestimates and interest on reestimates. First calculate outlays expected from disbursements of loans obligated or committed in prior fiscal years; for example, the subsidy cost of a direct loan obligated in CY that disburses equally over 2 years will outlay 50 percent in the first year (CY) and 50 percent in the second year (BY). Then add outlays from disbursements of loans obligated or committed in that year. For CY only, you should also add outlays for reestimates and (although it is not part of the subsidy as such) add outlays for interest on reestimates.

85.5 How do I calculate reestimates?

(a) *General.*

Subsidy reestimates are made on direct loans and loan guarantees that have been disbursed. They are recorded in the current year column of the budget. (For example, the subsidy for direct or guaranteed loans disbursed during 1999 would be reestimated during 2000 and would be recorded in the 2000 column of the FY 2001 Budget.) A closing reestimate should be made once all the loans in the cohort have been repaid or written off.

Two different types of reestimates are made:

- For differences between interest rate assumptions at the time of formulation (the same assumption is used at the time of obligation or commitment) and the actual interest rate(s) for the year(s) of disbursement; and

- For changes in technical assumptions.

Interest rate reestimates of the subsidy cost of a cohort of direct loans or loan guarantees must be made when a cohort has substantially disbursed (i.e., when at least 90 percent of the direct loans or guaranteed loans have been disbursed). The computation should be made after the close of the fiscal year in which this criterion is met, unless a later time within the same fiscal year is approved by the OMB representative with primary budget responsibility for the credit account. You may calculate interest rate reestimates more frequently than under this requirement, including a final interest rate reestimate when the cohort has fully disbursed. If you decide to do so, consult with the OMB representative with primary responsibility for the account.

An interest rate reestimate will be made to adjust the subsidy estimate for the difference between the interest rates estimated at the time of formulation (the same assumptions are used at the time of obligation or commitment) and the actual interest rate(s) prevailing during the year(s) of disbursement. To calculate the size of this effect, all other assumptions (disbursement rates, default rates, etc.) must be identical to those used to calculate the original subsidy estimate. For those programs with variable interest rate supplements to the lender or with variable interest rates charged to the borrower, the original cash flow projections are adjusted to incorporate the actual interest rate(s) prevailing during the year(s) of disbursement and are subsequently adjusted after the end of each year so long as the loans are outstanding.

Technical reestimates of the subsidy cost of a cohort of direct loans or loan guarantees must be made after the close of each fiscal year as long as the loans are outstanding, unless a different plan is approved by the OMB representative with primary budget responsibility for the credit account. The different plan might be with regard to the time when reestimates are made within the year or the frequency of reestimates. If the plan allows reestimates to be made less frequently than every year, it should require reestimates to be made for any year when any one of the following four conditions is met:

(1) When required based on periodic schedules established in coordination with OMB, consistent with the unique attributes of each program (e.g., initially every two years after the cohort has been substantially disbursed, then every five years);

(2) When a major change in actual versus projected activity is detected (e.g., a large loan goes into default or prepays substantially earlier than expected);

(3) When a material difference is detected through monitoring triggers developed in coordination with OMB. The triggers would focus on major data elements (e.g., total projected versus total actual cohort collections) rather than in-depth individual cohort analysis. Agencies should focus on a few major loan elements recognizing there are different key elements applicable to each program and different reporting problems; and

(4) When a cohort is being closed out.

Technical reestimates are made for all changes in assumptions other than interest rates. This type of reestimate compares the subsidy estimate that already includes any reestimate for actual interest rates with a reestimated subsidy using updated technical information (for defaults, fees, recoveries, etc.) as well as actual interest rates.

The purpose of technical reestimates is to adjust the subsidy estimate for differences between the original projection of cash flows (as estimated at obligation) and the amount and timing of cash flows that are expected based on actual experience, new forecasts about future economic conditions, and other events and improvements in the methods used to estimate future cash flows. Because actual cash flows are experienced every year and the ability to forecast future years also changes, this reestimate must be done after the end of every fiscal year as long as any loans are outstanding (except as provided above).

Reestimates must be made separately for each cohort. If a cohort is divided into risk categories, each risk category within a cohort must be reestimated separately. The reestimate will then be compared with the previous estimate. For this purpose, all details of the previous subsidy estimates by risk category should be retained in program records.

For both interest rate and technical reestimates, you should record reestimates in the budget whenever they have been made for the financial statements even if they are not otherwise required for the budget under the criteria of this chapter (e.g., if interest rate reestimates are made before the cohort is substantially disbursed, or if technical reestimates are made more often than under a plan OMB has approved). Whenever reestimates are made less frequently than every year, the reestimate should cover cumulatively the entire period since the last reestimate.

(b) *Calculating interest rate reestimates.*

Use the following procedures to calculate interest rate reestimates, unless an alternative method has been approved by OMB.

- *Step 1*. Start with the original cash flows used to estimate the subsidy at obligation (on a risk category basis).

- *Step 2*. Reestimate the subsidy rate. For programs that disburse fully in one year, use the actual average annual interest rate for the year in which the loans were disbursed. For programs that disburse over more than one year, calculate a weighted average discount rate based on actual annual interest rates for each year in which loans have disbursed and the original disbursement assumptions. Use this discount rate to calculate a revised subsidy rate for the entire cohort.

- *Step 3*. Calculate the percentage point difference between this revised subsidy rate and the subsidy rate estimated at the time of obligation.

- *Step 4*. Multiply the dollar value of actual loan disbursements to date by the percentage point difference in the subsidy rates. The product is the cumulative interest rate reestimate. Deduct previous interest rate reestimates (if any) to derive the additional interest subsidy reestimate for the current year (see (d) below).

The instructions accompanying the OMB subsidy reestimate worksheet provide additional instructions for calculating interest rate reestimates.

(c) *Calculating technical reestimates.*

Use the following procedures to calculate technical reestimates, unless an alternative method has been approved by OMB.

- *Step 1*. Reestimate the subsidy percentage for each risk category based on actual cash flows to the date of reestimate and updated expectations of delinquencies, defaults, fees, recoveries, and other technical conditions (using the same interest rates used for the latest interest rate reestimate, if applicable).

- *Step 2*. Calculate the percentage point difference between this revised subsidy rate and the subsidy rate used at the time of obligation, or, if applicable, the revised subsidy rate calculated in the most recent interest rate reestimate.

- *Step 3*. Multiply the dollar value of actual loan disbursements to date by the percentage point difference in subsidy rates that was calculated in step 2. The product is the technical reestimate.

The amount calculated in step 3 is the cumulative technical reestimate. Deduct previous reestimates to derive the additional subsidy reestimate for the current year (see (d) below).

The instructions accompanying the OMB subsidy reestimate worksheet provide additional instructions for estimating technical reestimates.

(d) *Calculating the total reestimate.*

The total reestimate is the sum of the interest rate reestimate, if any, and the additional technical reestimate for the current year. To calculate the total reestimate:

- *Step 1*. Add the cumulative interest rate reestimate and the cumulative technical reestimate calculated in (b) and (c) above.

- *Step 2*. Subtract all reestimates (not including interest on reestimates) that have been recorded in previous budgets and outlays which have been apportioned for credit modifications, as defined by Section 85.3(n). This remainder is the total reestimate for the current year.

(e) *Calculating interest on reestimates.*

Interest on reestimates is the amount of interest that would have been earned or paid by each cohort on the total reestimate, if that reestimate had been included as part of the original subsidy estimate. It is paid on the amount of the reestimate by the program account (for upward reestimates) or the financing account (for downward reestimates). The purpose is to put the financing account in the same position as if the subsidy cost had been estimated in the first place using the information that is incorporated in the reestimate. The interest rate to calculate the interest on reestimates is the same rate that is used to discount cash flows for the cohort.

Interest on reestimates is calculated automatically by the OMB subsidy reestimate worksheet. To calculate the interest on the reestimate:

- *Step 1*. Calculate the percentage point difference between the reestimated subsidy rate and the original subsidy rate used at the time of obligation.

- *Step 2*. For each year in which loans were disbursed, multiply the dollar value of actual loan disbursements by the percentage point difference calculated in step 1. These amounts are the total subsidy reestimates for each year.

- *Step 3*. Calculate the weighted average disbursement interest rate for the cohort. For each year in which loans were disbursed, multiply the dollar value of actual loan disbursements by the annual interest rate for that year. Add the results. Divide this amount by total loan disbursements to date. The resulting rate is used to calculate the interest on reestimates for the cohort.

- *Step 4*. Calculate interest on reestimates for each of the annual amounts calculated in step 2, using the weighted average disbursement interest rate calculated in step 3. The interest is compounded from the year of disbursement to the year for which the reestimate is made. In general, assume that the subsidy reestimates would have been disbursed in equal amounts throughout the year, so calculate interest on only half the reestimate in the year it would have been disbursed. This calculation produces the interest on reestimates for each year of disbursements.

- *Step 5*. Add the interest on reestimates for each year of disbursement. This is the interest on reestimates. These amounts will be recorded in the same way as the total subsidy reestimates except that they will be recorded as “interest on reestimates of direct loan subsidy” or as “interest on reestimates of loan guarantee subsidy.”

(f) *Reestimate increases/decreases.*

All increases or decreases in subsidy cost for different risk categories within the same cohort will be netted against each other; that is, risk categories which require increased subsidies may first draw on the excess from any risk categories within the cohort where the reestimate shows a subsidy decrease. No such netting may occur between cohorts.

If the reestimate indicates a net increase in the subsidy cost of the cohort as a whole since the last estimate or reestimate, an obligation in the amount of the net increase (plus interest) must be recorded against permanent indefinite budget authority available to the program account for this purpose. The obligation must be recorded separately in the program and financing schedule as "reestimates of direct loan subsidy" or as "reestimates of loan guarantee subsidy" (and as "interest on reestimates of direct loan subsidy" or as "interest on reestimates of loan guarantee subsidy"), so that it can be distinguished from obligations for the subsidy cost of new loans and loan guarantees. An equal amount of outlays from the program account to the financing account will be recorded when the reestimate is made. The interest rate to calculate the interest on upward reestimates is the same rate that is used to discount cash flows for the cohort.

When outlays for reestimates are recorded in the credit program account, an equal amount of offsetting collections will be recorded in the appropriate risk categories in the financing account. In the case of direct loans, the offsetting collections from the program account, together with repayments from borrowers, will be used to pay interest and repay principal on borrowing from Treasury and for other expenses. In the case of loan guarantees, the offsetting collections will be retained as unobligated balances, together with the unobligated balances of the original subsidy payment, fees, and interest, until needed to pay default claims and other expenses. Any unused balances of collections due to the reestimate will earn interest at the same rate as is paid on other funds held by the financing account for the same cohort.

If the reestimate indicates a net decrease in the subsidy cost of the cohort as a whole since the last estimate or reestimate, there is a downward reestimate. To keep the correct amount of balances in the financing account, an obligation and a financing disbursement in the amount of the net decrease (plus interest on the reestimate) must be recorded in the financing account. In the case of direct loans, the obligation will be financed with authority to borrow from the Treasury. In the case of loan guarantees, the obligation will be financed with unobligated balances. The obligation will be recorded in the program and financing schedule as "payment of downward reestimates" (and as "interest on downward reestimates"). The interest rate to calculate the interest on downward reestimates is the same rate that is used to discount cash flows for the cohort.

As a general rule, the financing disbursement for a downward reestimate (plus interest on the reestimate) will be made from the financing account to a general fund receipt account (a negative subsidy account) established for each credit program. The receipts will be recorded as offsetting receipts, which will offset the total budget authority and outlays of the agency and the budget subfunction of the program.

At the discretion of the OMB representative with primary responsibility for the program, a special fund receipt account may instead be established. For mandatory programs, downward reestimates (and interest on reestimates) may be credited directly to the program account as offsetting collections.

If a special fund receipt account is used for the credit program and already exists, the downward reestimates and interest on reestimates will be recorded in a subaccount rather than a new special fund receipt account. Schedule N is required for these special funds (see section 86). When a special fund receipt account is used, the receipts from downward reestimates and interest on reestimates, like those from negative subsidies, are only available for obligation to the extent provided in advance in appropriations acts (except for mandatory programs, where they are immediately available for obligation). The normal provisions still apply: discretionary appropriations are required for discretionary subsidy costs, modifications, and administrative costs; mandatory appropriations are available for upward reestimates and mandatory programs.

If the disbursement of reestimates and interest on reestimates is made directly from the financing account to the program account in a mandatory program, it is immediately available for obligation.

(g) *Closing reestimates.*

Agencies will make a closing technical reestimate once all of the loans in a cohort have been either repaid or written off. This reestimate will be based on actual accounting systems data and will be used in closing the accounting books for the cohort. All the procedures are applied that are described above for the technical reestimate and interest on reestimates. Closing entries will be made in the accounting records.

The increases or decreases in subsidy cost for different risk categories within the same cohort will be netted against each other; that is, risk categories which require increased subsidies may first draw on the excess from any risk categories within the cohort where the reestimate shows a subsidy decrease. No such netting may occur between cohorts.

85.6 How do I calculate and record modifications?

When a direct loan or loan guarantee is modified, directly or indirectly, the subsidy cost of the modification must be calculated. The subsidy cost calculation will indicate whether the Government action changes the subsidy cost. If there is no change in cost, there will be no budgetary effect, and nothing needs to be recorded in the budget. If the modification will increase or decrease the cost, the budgetary effect must be recorded as described under modification cost increases/decreases below. Additional transfers to or from the financing account will be required, with the type of transfer depending on whether the modification affects pre-1992 or post-1991 direct loans and loan guarantees. These additional transfers are described in separate subsections below. These requirements apply to all modifications, both to pre-1992 and to post-1991 direct loans (or direct loan obligations) and loan guarantees (or loan guarantee commitments). The calculations are explained below.

The subsidy cost of the modification is the difference between the estimate of the net present value of the remaining cash flows assumed for the direct loan or loan guarantee contract before and after the modification. The estimate of remaining cash flows before modification must be the same as assumed in the baseline for the most recent President's budget. The estimate of remaining cash flows after modification must be the pre-modification cash flows adjusted solely to reflect the effects of the modification.

(a) *Estimating the modification subsidy cost.*

The subsidy cost is calculated as follows (where cash flows to the Government have negative signs and cash flows from the Government have positive signs):

- *Step 1*. Estimate the remaining cash flows expected just before the modification under the loan contract terms assumed in the baseline of the most recent budget submitted to Congress. These estimates must assume the same deviations (defaults, delinquencies, etc.) from contract terms as assumed for the risk category in which the loan is classified.

- *Step 2*. Discount the cash flows estimated in step 1 to the time of the modification using the discount rates assumed in the economic assumptions for the most recent President's budget when the loan is modified. The remaining cash flow for each year (or other time period) of the loan that is being modified should be discounted using the interest rate on a marketable zero-coupon Treasury security with the same maturity from the date of modification (not from the date of the original maturity) as that cash flow.

- *Step 3*. Estimate the cash flows expected under the modified contract terms. For cash flows unaffected by the modified contract terms, these estimates must assume the same deviations (defaults, delinquencies, etc.) from contract terms as assumed for the risk category in which the loan is classified.

- *Step 4*. Discount the cash flows estimated in step 3 to the time of the modification using the same discount rates that are used in step 2. If a loan asset is sold, the amount in this step (minus appropriate administrative costs) equals the net proceeds from the sale.

- *Step 5*. Subtract the amount calculated in step 2 from the amount calculated in step 4 to produce the estimated subsidy cost resulting from the modification.

The results of this calculation will be positive, negative, or zero. A positive estimate indicates that the Government will incur an additional subsidy cost because of the modification. A negative estimate indicates that the Government is achieving some savings. A zero estimate indicates that the modification will not change the subsidy cost.

(1) *Cost increases*. Modifications may be made only to the extent that budget authority for the additional cost has been provided in advance in an appropriations act and is available in the program account. At the time that a modification is made, an obligation in the amount of the estimated increase in subsidy cost will be recorded against budget authority in the program account. At the same time, an outlay in the amount of the increase in the subsidy cost will be made from the program account to the appropriate direct loan or guaranteed loan financing account. Simultaneously, an equal amount of offsetting collections will be recorded in the financing account (line 8800).

In the case of *direct loans*, the offsetting collections in the financing account will be credited to the cohort and risk category of the modified loan and will be used to pay interest and to repay debt owed to Treasury and for other expenses. In the case of *loan guarantees*, the offsetting collections will be credited to the cohort and risk category of the modified loan guarantee and will be retained as unobligated balances until needed to pay default claims and other expenses. The additional balances due to the modification will earn interest at the same rate as is paid on other funds held by the financing account for the same cohort.

(2) *Cost decreases*. At the time that a modification is made, an obligation in the amount of the estimated decrease in subsidy cost will be recorded in the financing account. In the case of a direct loan modification, the obligation will be recorded against authority to borrow from the Treasury. In the case

of a loan guarantee, the obligation will be recorded against unobligated balances for the cohort, or if unobligated balances are insufficient, against authority to borrow. At the same time, the financing account will record an equal disbursement to the negative subsidy receipt account established for each credit program.

(b) *Additional financing account transfers for modifications of post-1991 direct loans and loan guarantees.*

When a post-1991 direct loan or loan guarantee is modified, a modification adjustment transfer must be made between the financing account and the general fund. The modification adjustment transfer adjusts for the disconnect between the interest rate used to calculate the cost of the modification and the interest rate at which the cohort pays or earns interest. The discount rates used to calculate the cost of the modification are the interest rates in the economic assumptions for the most recent President's budget when the direct loan or loan guarantee is modified. In contrast, the cohort borrows or earns interest at the rate applicable when the direct loan or guaranteed loan was disbursed. Therefore, if the only transfer made between the financing account and the general fund was for the change in the subsidy cost, the resources of the financing account would be out of balance. Either it would have too much or too little resources to pay its claims to the public or repay its debt to the Treasury.

This imbalance is eliminated by a modification adjustment transfer between the financing account and the general fund. The transfer is not an outlay or an offsetting collection, because it does not represent a cost to the Government of the loan or the guarantee. Instead, it is a facilitating adjustment that makes the present value of the assets and liabilities held by the financing account come out even.

The modification adjustment transfer is the difference between the present value of the estimated change in cash flows due to the modification, calculated using the discount rates applicable when the direct loan or loan guarantee is modified, and the present value of the estimated change in cash flows due to the modification, calculated using the discount rates applicable when the direct loan or guaranteed loan was disbursed. This transfer is in addition to the transactions described above. Specifically, it is calculated in the following further steps:

- *Step 6*. Take the difference in cash flows due to the modification. This is the amount calculated in step 1 above minus the amount calculated in step 3 above.

- *Step 7*. Calculate the present value of this difference using the interest rate at which the cohort pays or earns interest.

- *Step 8*. Subtract the step 5 amount from the step 7 amount. This difference is the modification adjustment transfer.

The effects of the modification adjustment transfer on the program and financing schedule of a financing account are summarized below. They distinguish between a loan guarantee and a direct loan and between which present value of the modified cash flow is higher: the estimate using the current discount rates (i.e., the discount rates in the economic assumptions for the most recent President's budget when the direct loan or loan guarantee is modified) or using the original discount rates (i.e., the discount rate when the direct or guaranteed loan was disbursed). Depending on which present value is higher, the transfer is made from the general fund to the financing account or from the financing account to the general fund.

If the cost of the modification is more when calculated at the current discount rates than at the original discount rates, the financing account would be over compensated by the subsidy payment for the modification. Therefore, the financing account makes a modification adjustment transfer to the general fund. This transfer is recorded on line 6927, “Capital transfer to general fund.” The transfer produces the accompanying transactions with Treasury:

- If a loan guarantee is modified, the financing account's offsetting collection for the modification cost increases the unobligated balance (line 2440). The capital transfer to the general fund reduces the amount by which the unobligated balance is increased. (The amount of the increase shown on line 2440 is net of the capital transfer). Subsequent interest earnings on the addition to the balance are lower than they would have been without the capital transfer.

- If a direct loan is modified, the financing account's offsetting collection for the modification cost is used to reduce debt owed to Treasury (line 6947, “Portion applied to debt reduction”). The capital transfer reduces the amount by which the debt is reduced. (The amount of the increase shown on line 6847 is net of the capital transfer.) Subsequent interest paid to Treasury is higher than it would have been without the capital transfer.

- The general fund will collect the modification adjustment transfer in a non-budgetary capital transfer receipt account. There will be one receipt account to collect the modification adjustment transfers from all financing accounts.

If the cost of the modification is less when calculated at the current discount rates than at the original discount rates, the financing account would be under compensated by the subsidy payment for the modification. Therefore, the financing account receives a modification adjustment transfer from the general fund, which is recorded in the financing account as a permanent indefinite appropriation (line 6005, “Appropriation (indefinite)”). This transfer produces the accompanying transactions with Treasury:

- If a loan guarantee is modified, the financing account's offsetting collection for the modification cost increases the unobligated balance (line 2440). The modification adjustment transfer also increases the unobligated balance (line 2440). Subsequent interest on uninvested funds is higher than it would have been without the modification adjustment transfer.

- If a direct loan is modified, the offsetting collection for the modification cost is used to reduce debt owed to Treasury (line 6947, “Portion applied to debt reduction”). The modification adjustment transfer is also used to reduce debt owed to Treasury (line 6047, “Portion applied to debt reduction”). Subsequent interest paid to Treasury is lower than it would have been without the modification adjustment transfer.

(c) *Additional financing account transfers for modifications of pre-1992 direct loans and loan guarantees.*

Pre-1992 direct loans and loan guarantees are held in liquidating accounts unless they are modified. When they are modified, the cost of the modification is estimated and accounted for in the same way as modifications of post-1991 loans. In addition, there are transactions between the liquidating account and the financing account that must be recorded. The transactions differ depending on whether the direct loan asset or the loan guarantee liability is transferred from the liquidating account to the financing account or continues to be held by the liquidating account.

(1) *Transfer of asset or liability to financing account.* This approach should be used, unless the OMB representative for the credit program approves using the alternative approach (described in (2) below).

At the time of the modification, the direct loan asset or loan guarantee liability will be transferred from the liquidating account to the financing account, and a one-time adjusting payment will be made between the two accounts. The adjusting payment will equal the estimated net present value of the Government's remaining cash flows expected just before the modification under the terms assumed in the baseline of the most recent budget submitted to Congress. The remaining cash flow for each year (or other time period) should be discounted using the interest rate on a marketable zero-coupon Treasury security with the same maturity from the date of modification as that cash flow, regardless of the maturity of the loan. This amount is the result of the first two steps in estimating the subsidy cost of the modification.

In the case of a direct loan modification, the adjusting payment will be made from the financing account to the liquidating account. The financing account, in effect, buys the loan from the liquidating account. An obligation and a disbursement will be recorded in the financing account in the amount of the payment when it is made. The obligation will be recorded on line 0802 in the financing account program and financing schedule. The financing account will use its collection of the subsidy payment from the program account plus borrowing from Treasury to make the adjusting payment. The interest rate on the amount borrowed from Treasury will be the same as the rate used to calculate the present value of cash flows under the modified contract. Collections from the direct loan assets over their remaining life will be credited to the financing account and used to pay interest and repay debt owed to Treasury. The liquidating account will record offsetting collections equal to the adjusting payment, which it will use to repay debt owed to Treasury or transfer to the general fund as a capital transfer.

In the case of a loan guarantee modification, the adjusting payment will be made from the liquidating account to the financing account. The liquidating account, in effect, pays the financing account to assume the loan guarantee liability. Unobligated balances and permanent indefinite appropriations to the liquidating account will be used to make the payment. Outlays will be recorded in the liquidating account in the amount of the payment when it is made. The financing account will record an equal amount of offsetting collections. These collections will be combined with the collection of the subsidy payment from the program account and retained in the financing account as a reserve to pay default claims and other expenses.

(2) *Asset retained by liquidating account.* Subject to the approval of the OMB representative for the credit program, this method can be used if a modification affects a large number of direct loans or loan guarantees and it would be less complicated for the liquidating account to retain the assets or liabilities.

In the case of a modification that increases subsidy cost, the liquidating account will collect less from the public over time if a direct loan has been modified and will pay more to the public if a loan guarantee has been modified. The financing account will collect a subsidy payment from the program account equal to the present value of the change in cash flows to the Government. The financing account will obligate and disburse the same amount to the liquidating account to compensate it for the reduced asset or increased liability. The liquidating account will record offsetting collections, which it will use to pay current obligations or to repay debt. Any excess at the end of the year will be transferred to the general fund. Since the program account's outlays for the subsidy payment will exactly equal the liquidating account's collections from the financing account, there will be no net change in the surplus or deficit for that year.

In the case of modifications that decrease subsidy cost, the liquidating account will collect more from the public over time if a direct loan has been modified or pay less to the public if a loan guarantee has been modified. The liquidating account will use permanent indefinite authority to make a payment to the financing account equal to the present value of the change in cash flows in the liquidating account. The financing account will record offsetting collections, which it will pay to the negative subsidy receipt account for the credit program. Since the payment by the liquidating account and the negative subsidy receipts will be equal, there will be no net change in the surplus or deficit for that year.

(d) *Single cohort for modifications of pre-1992 direct loans or loan guarantees.*

All modifications of pre-1992 direct loans and loan guarantees for a given program will be accounted for in a single direct loan cohort or a single loan guarantee cohort.

85.7 What must I know about the sale of delinquent loan assets?

(a) *General.*

Beginning in FY 1999, credit agencies with over $100 million in loan assets are expected to sell delinquent loan assets that meet the criteria described in (b). This applies to loan assets held by both liquidating and financing accounts. The cash flows used to calculate the baseline subsidy rates for existing cohorts should be adjusted to reflect this policy, as should the cash flows used to estimate the subsidy rates for future cohorts. Modifications of this policy that increase the cost will have to be covered by appropriations of subsidy budget authority. Differences between the estimated and actual sale proceeds due to market conditions will be treated as reestimates.

(b) *Loan asset sale criteria.*

Loan assets that are more than one year delinquent should be sold, except for the following categories of loans:

- Loans to foreign countries or entities;
- Loans in structured forbearance, when conversion to repayment status is expected within 12 months or after statutory requirements are met;
- Loans that are written off as unenforceable due to death, disability, or bankruptcy;
- Loans that have been submitted to Treasury for offset and are expected to be extinguished within three years; and
- Loans in adjudication or foreclosure.

Agencies should consult the OMB representative with primary responsibility for the account to determine which loan assets meet these criteria.

(c) *Justification for non-compliance.*

If an agency can demonstrate that the present value of cash flows associated with continued Government ownership of the loan assets would exceed the expected sale proceeds, the agency may not be required to sell the loan assets. Also, if there is a serious conflict between selling delinquent loan assets and Administration policy for the program, and the agency can justify to the satisfaction of their OMB representative that the sale policy cannot be reconciled with the program policy, the agency may not be required to sell the loan assets. Agencies should consult with the OMB representative with primary responsibility for the program if they believe either of these tests would be met.

(d) *Cost of loan asset sales.*

If the cash flows for existing loans do not incorporate an explicit assumption about the sale of delinquent loan assets, the sale is a modification, whether the loan assets are held by financing accounts or liquidating accounts. Otherwise, the sale is part of the subsidy estimates for Presidential policy and the baseline, and differences between the estimated and actual sale proceeds are a reestimate.

If the sale is a modification, the cost would equal the difference between the net sale proceeds and the estimated value to the Government, on a present value basis, of continuing to own the loan asset (the "hold value").

The modification cost of multiple sales with closing dates in the same fiscal year is the sum of the cost or saving calculated for each sale of loans within the same cohort or risk category. The closing date of a sale is the date on which the seller and the buyer(s) close the transaction and title of the assets legally transfer to the buyer(s). Therefore, for loans within the same cohort or risk category, a modification cost for one sale can be offset by a modification saving for a different sale within the same fiscal year. For sales that include loans from more than one cohort or risk category, a single modification cost or savings is first calculated for all of the loans sold, and the cost or savings is subdivided among each of the cohorts or risk categories.

Loan assets that are sold with recourse are treated as a combination of a sale without recourse and a new loan guarantee. The cost of the provision for recourse is estimated separately from the cost of the loan asset sale, and the subsidy for its cost, as well as the cost of the implicit loan sale without recourse, must be appropriated in advance of the sale. Sales with recourse are not permitted except where they are specifically authorized by statute.

If the Government takes an equity stake (or participation) in the cash flow of the sold assets, such as a joint venture or equity-held sale, the net sale proceeds equal the actual cash proceeds plus an estimate of the present value of the proceeds from the Government's equity position, net of any transaction costs.

You may pay certain direct costs of loan asset sales from the gross proceeds of those sales. In general, the guidelines for whether an expense should be paid from the administrative expense appropriation or from asset sale proceeds are similar to those for determining whether an expense should be paid from the administrative expense appropriation to the program account or from the financing account (see section 85.3(a)). Generally, costs that may be paid from proceeds include:

- Underwriting;
- Rating agency;
- Due diligence;

- Legal; and
- Transaction financial advisory fees.

These costs are part of the cash flows used to calculate net sale proceeds to determine the modification cost of the sale (if the sale constitutes a modification) or to reestimate the subsidy cost on a cohort in which loan assets have been sold (if the sale is not a modification).

The costs of Government personnel, travel, computer systems, etc. associated with the development and execution of a loan asset sales program, as well as the cost of any contracts for asset sale program financial advisory services, should be paid from the agency's administrative expense appropriation. Questions about whether a specific cost should be paid from the administrative expense appropriation or sale proceeds should be directed to OMB.

(e) *OMB review of sales.*

No sale may occur without the approval of the OMB examiner. After identifying loans that meet the criteria described in (b), agencies must develop a plan for selling these loans in consultation with their OMB examiner. In addition, at least 30 calendar days prior to the scheduled final bid day (the date on which a buyer may submit a bid to the seller), the agency must submit for approval to the OMB representative with primary responsibility for the program the following information:

- The expected date of sale;

- A description of the loans to be sold (including balances, business program under which the loans were originated, and current payment status);

- The estimated hold value, with relevant supporting documents and analysis;

- The estimated net sale proceeds, with relevant supporting documents and analysis;

- The estimated modification cost, whether positive, negative, or zero; and

- An evaluation of relevant previous asset sales, including the hold values, net sale proceeds, and positive/negative subsidy generated from each, if applicable.

Three weeks after the sale, an agency must advise the OMB examiner of the actual amount of the proceeds realized from the sale and the actual amount of the transaction costs that were paid from the proceeds.

85.8 What are the reporting requirements for credit accounts?

Each program making post-1991 direct loans or loan guarantees will have at least two and as many as five types of accounts, even if the Administration is proposing to terminate the program:

- A program account;
- A financing account for direct loan obligations, if any;
- A financing account for loan guarantee commitments, if any;
- A negative subsidy receipt account for negative subsidies and downward reestimates, if any; and
- A liquidating account for pre-1992 direct loans and loan guarantees, if any.

Generally, the print materials and MAX schedules required for credit program, financing, liquidating, and negative subsidy receipt accounts are listed below. References to applicable A-11 sections are also provided.

SUMMARY OF REQUIREMENTS

Requirement	Program	Financing	Liquidating	Receipt
Appropriations language	✔			
Narrative statement (section 97)	✔	✔	✔	
Schedule P (PY-BY) (section 82)	✔	✔	✔	
Schedule O (PY-BY) (section 83)	✔		✔	
Schedule N (PY-BY) (section 86)	✔			
Schedule U (PY-BY) (section 85)	✔			
Schedule A (PY-BY+9) (section 81)	✔		✔	
Schedule S (CY-BY+9) (section 81)	✔		✔	
Schedule C (PY-BY) (section 84)	✔		✔	
Schedule H (PY-BY+4) (section 85)		✔	✔	
Schedule G (PY-BY+4) (section 85)		✔	✔	
Schedule R (PY-BY+9) (section 81)				✔
Schedule K (PY-BY+9) (section 81)				✔
Schedule Y (CY-BY+4) (section 85)		✔	✔	
Schedule F (PY-BY) (section 86)		✔	✔	
Schedule E (PY-BY) (section 86)			✔	

Separate schedules are required for supplemental requests and proposed legislation items. These schedules show the effect of the supplemental request or proposed legislation on the information presented in the regular schedules for the program.

A written justification is required for all new credit programs or credit programs requiring reauthorization. The justification must address the Federal credit policies and guidelines contained in OMB Circular No. A-129.

85.9 What do I report for program accounts?

Program accounts are required for post-1991 direct loan obligations or loan guarantee commitments and for modifications of pre-1992 direct loans and loan guarantees. They record budget authority, obligations, and outlays for subsidy costs and the administrative expenses of a credit program (including administrative expenses for pre-1992 direct loans and loan guarantees). In most cases, current, definite budget authority is provided in appropriation acts for subsidy payments (except for entitlements, which have permanent indefinite budget authority) and administrative expenses. Permanent indefinite authority is available for reestimates and interest on reestimates.

(a) *Program and financing schedule (schedule P).*

Use the following line number scheme in the "obligations by program activity" section of the program and financing schedule (see exhibit 85A):

Line number	**Description**
	OBLIGATIONS BY PROGRAM ACTIVITY:
0001	Direct loan subsidy
0002	Loan guarantee subsidy
0003	Subsidy for modifications of direct loans
0004	Subsidy for modifications of loan guarantees
0005	Reestimates of direct loan subsidy
0006	Interest on reestimates of direct loan subsidy
0007	Reestimates of loan guarantee subsidy
0008	Interest on reestimates of loan guarantee subsidy
0009	Administrative expenses

(b) *Object classification (schedule O).*

Record all direct expenses in the appropriate object class. For administrative expenses transferred to a salaries and expenses account, use object class 25.3, "Purchases of goods and services from Government accounts." In the salaries and expenses account receiving the transfer, record reimbursable obligations for administrative expenses using a "2" as the first digit of the line number. (See section 83 for more information about the classification of reimbursable programs in the object class schedule.)

(c) *Loan levels and subsidy (schedule U).*

Prepare a schedule of loan levels (see exhibit 85B), subsidy budget authority, subsidy rate, and subsidy outlays for each program account. These data are displayed by program or by program and risk category. The titles of the stub entries can be tailored to identify the program to which each entry belongs. Note that some entries are reported by cohort while others are reported for combined cohorts. The data on outlays for each fiscal year will refer to the subsidy outlays for the entire program or risk category in that fiscal year, whether the loans were obligated or committed in that year or prior years, and reestimates. Consequently, data on subsidy outlays will not equal the amount of subsidy outlays that could be calculated using the data on loan levels and subsidy rates. Although no outyear data are collected in schedule U, you may be required to provide outyear data by your OMB representative.

Use the entries in the following table to prepare schedule U. MAX will automatically generate the line entries indicated in **boldface**.

DATA REQUIREMENTS FOR SCHEDULE U

Entry	Description
Direct loan levels supportable by subsidy budget authority**:**	Report lines 1150-1339 by cohort.
1150 Direct loan levels	Equals the amount of direct loans that can be obligated with the amount of new subsidy budget authority requested or provided in that year. Include loan volume reestimates, if any, in PY. Do not include proceeds from asset sales. Do not report the unused portion of multi-year loan limitations that are carried forward. In the CY and PY, loan levels do not have to equal enacted loan limitations, as Congress may enact limitations that are not achievable with the subsidy budget authority provided. However, in the BY, loan levels supportable by the subsidy requested must equal the direct loan limitation. For discretionary programs, direct loan limitations are also reported in schedule A in program accounts on line 7007 and in schedule G in direct loan financing accounts on line 1111. For mandatory programs, only line 1131 in schedule G in the financing account is required. These data are required even if the subsidy rate is zero or negative.
1159 Total direct loan levels	The sum of all lines 1150.
Direct loan subsidy (in percent):	
1320 Subsidy rate	The 1320 data line series presents data in percentages on the subsidy costs inherent in making a cohort of direct loans. In the PY column, the rate should be the reestimated subsidy. In the CY column use the budget execution rate. Note that the subsidy rate (in percent) must be rounded to the nearest hundredth of one percent and entered into MAX without decimal points. For example, enter 50.503 as 5050, 5.05 percent as 505 and 0.5 percent as 50. Amounts should be shown, even if zero or negative.
1329 Weighted average subsidy rate	The disbursement weighted average sum of all lines 1320 above. For non-zero transmittal codes, this is the change to the subsidy rates reported under transmittal code zero, not the new rates.
Direct loan subsidy budget authority:	
1330 Subsidy budget authority	The 1330 data line series presents data in dollars on the subsidy costs inherent in making direct loans. It will not include unobligated balances eligible to be carried forward. In the PY column, the amount will include last year's reestimates of the subsidy. In the CY column, the amount will equal the amount appropriated for subsidies plus reestimates. In both the PY and CY, amounts for reestimates should be shown on a separate line 1330 immediately preceding the total line 1339. The BY column will show the

Entry	Description
	requested subsidy amount and must agree with amounts in appropriations language. Report even if the subsidy is negative.
1339 Total subsidy budget authority	The sum of all lines 1330 above.
Direct loan subsidy outlays:	Report line 1340 for all cohorts.
1340 Subsidy outlays	The 1340 data line series presents data on the amount of subsidy disbursed in a given year. An outlay will be recorded in the program account at the time of disbursement of the loan to the borrower. Both outlays from new budget authority and outlays from balances are reported on this line. These amounts should equal line 8800 (offsetting collections (cash) from Federal sources) in schedule P of the financing account. Include reestimates in the PY and CY. Amounts for reestimates should be shown on a separate line 1340 immediately preceding the total line 1349. Report even if the subsidy is negative.
1349 Total subsidy outlays	The sum of all lines 1340 above.
Guaranteed loan levels supportable by subsidy budget authority:	Report lines 2150-2330 by cohort.
2150 Loan guarantee levels	Equals the full principal amount, not just the portion guaranteed by the Government, of guaranteed loans that can be committed with the amount of new subsidy budget authority requested or provided in that year. Include loan volume reestimates, if any, in PY. Do not include proceeds from asset sales. Do not report the unused portion of multi-year loan guarantee limitations that are carried forward. In the PY and CY, loan levels do not have to equal enacted loan guarantee limitations, as Congress may enact limitations that are not achievable with the subsidy budget authority provided. However, in the BY, loan levels supportable by the subsidy must equal the guaranteed loan limitation. For discretionary programs, guaranteed loan limitations are also reported in schedule A in program accounts on line 7008, and in schedule H in guaranteed loan financing accounts on line 2111. For mandatory programs, only line 2131 in schedule H in the financing account is required. These data are required even if the subsidy rate is zero or negative.
2159 Total loan guarantee levels	The sum of all lines 2150.
Guaranteed loan subsidy (in percent):	
2320 Subsidy rate	The 2320 data line series presents data on the subsidy costs inherent in making a cohort of guaranteed loans. In the PY, the rate should be the reestimated subsidy. In the CY column use the budget execution rate. Note that the subsidy rate (in percent) must be rounded to the nearest hundredth of one percent and entered into

Entry	Description
	MAX without decimal points. For example, 50.503 percent will be entered as 5050, 5.05 percent as 505, and 0.5 percent as 50. Amounts should be shown, even if zero or negative.
2329 Weighted average subsidy rate	The disbursement weighted average sum of all lines 2320 above. For non-zero transmittal codes, this is the change to the subsidy rates reported under transmittal code zero, not the new rates.
Guaranteed loan subsidy budget authority:	
2330 Subsidy budget authority	The 2330 data line series presents data in dollars on the subsidy costs inherent in making a cohort of guaranteed loans. It will not include unobligated balances eligible to be carried forward. In the PY column, the amount will include last year's reestimates of the subsidy. In the CY column, the amount will equal the amount appropriated for subsidies plus reestimates. In both the PY and CY, amounts for reestimates should be shown on a separate line 2330 immediately preceding the total line 2339. The BY column will show the requested subsidy amount and must agree with amounts in appropriations language. Report even if the subsidy is zero or negative.
2339 Total subsidy budget authority	The sum of all lines 2330 above.
Guaranteed loan subsidy outlays:	Report line 2340 for all cohorts.
2340 Subsidy outlays	The 2340 data line series presents data on the amount of subsidy disbursed in a given year. An outlay will be recorded in the program account at the time the lender disburses the loan to the borrower. Both outlays from new budget authority and outlays from balances are reported on this line. These amounts should equal line 8800 (offsetting collections (cash) from Federal sources) in schedule P of the financing account. Include reestimates in the PY and CY. Amounts for reestimates should be shown on a separate line 2340 immediately preceding the total line 2349. Report even if the subsidy is negative.
2349 Total subsidy outlays	The sum of all lines 2340 above.
Administrative expense data:	Report lines 3510-3590 for all program accounts.
3510 Budget authority	Budget authority provided or requested for administrative expenses for both direct and guaranteed loan programs.
3580 Outlays from balances	Outlays for administrative expenses from prior year obligated balances.
3590 Outlays from new authority	Outlays for administrative expenses from new budget authority.

85.10 What do I report for financing accounts?

Financing accounts record the cash flows associated with post-1991 direct loan obligations or loan guarantee commitments and for modifications of all direct loans and loan guarantees. These cash flows include loan disbursements, payments for guarantee claims, principal repayments, interest received from borrowers, interest paid on borrowing, interest earned on uninvested funds, interest supplements, and fees and premiums received. Separate financing accounts are used for direct loan obligations and loan guarantee commitments.

(a) *Program and financing schedules (schedule P)*

The following lines are typically used in schedule P for financing accounts (see exhibits 85C and 85F):

SELECTED P&F ENTRIES IN FINANCING ACCOUNTS

Entry	Description
Obligations by program activity: Stub entries should describe the transactions reported below. 0001-0009	Obligations for post-1991 direct loan disbursements (equal to face value), default claims on post-1991 loan guarantees, interest supplements to lenders, interest on debt owed to Treasury (calculated at the same rate as the discount rate for the cohort). A spreadsheet is available from OMB to calculate interest expense.
0801	Obligations for negative subsidies to be paid to the negative subsidy receipt account for the credit program.
0802	Obligations for downward reestimates of the subsidy to be paid to the negative subsidy receipt account for the credit program.
0803	Obligations for payments to purchase liquidating account loan assets or to reimburse the liquidating account for modification cost increases for pre-1992 direct loans and loan guarantees.
0804	Obligations for interest on the downward reestimate to be paid to the negative subsidy receipt account for the credit program.
New financing authority (gross), detail:	
6005 Appropriation (indefinite)	Amount of authority becoming available as a result of a modification adjustment transfer from the general fund in the event that the modification cost estimate under compensated the financing account.
6715 Authority to borrow (indefinite)	Financing authority (authority to borrow, indefinite) to borrow from Treasury for the part of direct loans not financed by subsidy and fees, and for any default claims that cannot be paid by unobligated balances.
6900 Offsetting collections (cash)	Amount of offsetting collections (cash) credited to the account and refunds that pertain to obligations recorded in prior years.
6910 Change in uncollected customer payments from program account	Change in receivables from program account for direct loan subsidy (difference between line 7295 and line 7495). Report increases as positive entries; report decreases as negative entries.

Entry	Description
6927 Capital transfer to general fund	Used for modification adjustment transfer to the general fund in the event that the modification cost estimate over compensated the financing account.
Change in unpaid obligations:	
7240 Unpaid obligations, start of year	Portion of start of year unpaid obligations that represent undisbursed direct loan obligations.
7295 Uncollected customer payments from program account, start of year	Subsidies receivable from program account, start of year.
7440 Unpaid obligations, end of year	Portion of end of year unpaid obligations that represent undisbursed direct loan obligations.
7495 Uncollected customer payments from program account, end of year	Subsidies receivable from program account, end of year.
Offsets:	
8800 Federal sources	Collections of subsidy payments and upward reestimates from program accounts, certain modification adjustment transfers from the general fund, and adjusting payments from liquidating accounts for pre-1992 direct loans and loan guarantees.
8825 Interest on uninvested funds	Collections of interest on uninvested funds. A spreadsheet is available from OMB to calculate interest earned.
8840 Non-Federal sources	Collections of principal repayments and interest payments on direct loans by borrowers, collections on defaulted direct loans or guaranteed loans, fees or premiums paid by non-federal lenders or borrowers, prepayments of direct loans, and proceeds from the sale of direct loans or collateral.

(b) *Direct loan data (schedule G).*

Prepare a Status of direct loans schedule (Schedule G) for all liquidating accounts and all direct loan financing accounts (see exhibits 85D and 85J). Each line entry is described in the table below. MAX will automatically generate the line entries indicated in **boldface**.

Lines 1111-1150 show data on an agency's direct loan obligations as they relate to enacted or proposed limitations. Lines 1210-1264 show balances and changes in balances of direct loans outstanding and are applicable to both liquidating and direct loan financing accounts. These lines record the cumulative balance of direct loans disbursed, less various kinds of repayments plus or minus other adjustments.

DATA REQUIREMENTS FOR SCHEDULE G

Entry	Description
Position with respect to appropriations act limitation on obligations:	Provide lines 1111-1150 for direct loan financing accounts only.

Entry	Description
1111 Limitation on direct loans	Amount of limitation enacted or proposed to be enacted in appropriations acts. For discretionary programs, this amount should be consistent with line 1159 in schedule U. So long as any entry appears on lines 1111 through 1131, this line should remain in MAX and will be listed in the stub column even if no amounts are shown.
1112 Unobligated direct loan limitation (-)	Amount of limitation enacted in appropriations acts that is not obligated in the year it is enacted. Include both amounts that lapse and multi-year limitation amounts that can be carried forward in a future fiscal year (see line 1113). Use in past and current years only, unless specifically approved by OMB.
1113 Unobligated limitation carried forward (P.L. xx)	Amount of multi-year limitation enacted in a prior year appropriations act that was not obligated and is carried forward and used in a subsequent year.
1131 Direct loan obligations exempt from limitation	Amount of obligations for direct loans to the public not subject to a specific limitation in appropriations acts.
1150 Total direct loan obligations	The sum of lines 1111 through 1131. This is the direct loan portion of the credit budget. This amount should be consistent with direct loan obligations recorded in the program and financing schedule of the financing account.
These data should be provided for liquidating and direct loan financing accounts.	
Cumulative balance of direct loans outstanding:	Provide lines 1210-1290 for liquidating and direct loan financing accounts.
1210 Outstanding, start of year	Amount of direct loan principal outstanding at the beginning of the year.
Disbursements:	
1231 Direct loan disbursements	Amounts of disbursements of principal for direct loans. This does not include amounts shown separately in line 1232. In the liquidating account, this entry will include loans disbursed by the FFB.
1232 Purchase of loan assets from the public	Amount of loans purchased or repurchased by the account from non-Federal lenders.
1233 Purchase of loan assets from a liquidating account	Amount of direct loan assets transferred from liquidating account to a financing account as a result of a loan modification.
Repayments:	These entries must agree with amounts included for these transactions on line 8840 (offsetting collections from non-Federal sources) of the program and financing schedule for the account. The proceeds from discounted prepayment programs that were part

Entry	Description
	of a loan asset sales program should be recorded together with the proceeds from loan asset sales to the public (line 1253). The discount (i.e., the difference between the face value of the loan and the proceeds received from discounted prepayments) should be recorded together with the discount on loan asset sales to the public (line 1262).
1251 Repayments and prepayments (-)	Amount of principal repayments or prepayments. In the liquidating account, this entry will include repayments on loans disbursed by the FFB.
1252 Proceeds from loan asset sales to the public or discounted prepayments without recourse (-)	Amount of gross proceeds received from the non-recourse sale of loans to non-Federal buyers or the discounted loan prepayments that were part of a loan asset sales program.
1253 Proceeds from loan asset sales to the public with recourse (-)	Amount of gross proceeds received from the sale of loans to non-Federal buyers when loans are sold with recourse to the Federal Government. The full principal of the loans is scored as a new guaranteed loan commitment (line 2132). The amount of new budget authority resulting from the sale should equal the amount on line 6400 of the program and financing schedule.
Adjustments:	
1261 Capitalized interest (+)	Amount of interest due at the end of the year that is capitalized as part of the existing loan principal.
1262 Discount on loan asset sales to the public or discounted prepayments (-)	Difference between the face value of the loan and the proceeds received by the account from the sales of loans to non-Federal buyers or discounted loan prepayments that were part of a loan asset sales program.
Write-offs for default:	
1263 Direct loans (-)	Amount of direct loan principal reduced by write-offs for defaults. This line should only be used to indicate write-offs of loans that were initiated as direct loans. (Refer to the definitions for write-offs in OMB Circular No. A-129.)
1264 Other adjustments, net (+ or -)	Proceeds from the sale of collateral acquired from the foreclosure of direct loans; amount of principal repayments waived as provided by statute, in the event of certain specified contingencies; outstanding balances of loans transferred to or received from other accounts; amount of principal reduced or increased for other reasons. When this line is used, the nature of the adjustment must be explained in a footnote.
1290 Outstanding, end of year	Amount of direct loan principal outstanding at the end of the year. The sum of lines 1210 through 1264.
Net financing disbursements	Provide line 6300 for direct loan financing accounts only. See section 85.10(d).

Entry	Description
6300 Net financing disbursements	Analogous to net outlays in budgetary accounts reported on line 9000 of the program and financing schedule.

Note: Line 6300 does not print in the Appendix but is used by OMB for analytical and reporting purposes.

(c) *Guaranteed loan data (schedule H).*

Prepare a Status of Guaranteed Loans (schedule H) for all liquidating and guaranteed loan financing accounts (see exhibits 85G and 85K). Report the full principal amounts of loans guaranteed, whether guaranteed in full or in part. Report principal only, even if the guarantee covers both the principal and interest. Do not count agency guarantees of loans disbursed by the FFB as guaranteed loans; treat such loans as direct loans of your agency financed by the FFB.

Each line entry is described in the table below. MAX will automatically generate the line entries indicated in **boldface**.

DATA REQUIREMENTS FOR SCHEDULE H

Entry	Description
Position with respect to appropriations act limitation on commitments:	Provide lines 2111-2199 for guaranteed loan financing accounts only.
2111 Limitation on guaranteed loans made by private lenders	Amount of limitation enacted or proposed to be enacted in appropriations acts on full principal of commitments to guarantee loans by private lenders. For discretionary programs, this line is equal to line 2159 in schedule U. So long as any entry appears on lines 2111 through 2132, this line should remain in MAX and will be listed in the stub column even if no amounts are shown.
2112 Uncommitted loan guarantee limitation	Amount of limitation enacted in appropriations acts on full principal of commitments to guarantee loans by private lenders that is not committed in the year it is enacted. Includes both amounts that expire and multi-year limitation amounts that can be carried forward in a future fiscal year (see line 2113). Use in past and current years only, unless specifically approved by OMB.
2113 Uncommitted limitation carried forward (P.L. xx)	Amount of multi-year limitation enacted in a prior year appropriations act that was not committed and is carried forward and used in a subsequent year.
2131 Guaranteed loan commitments exempt from limitation	Amount of full principal of commitments to guarantee loans by private lenders that is not subject to limitation.
2132 Guaranteed loan commitments for loan asset sales to the public with recourse	Amount of full principal of guaranteed loan commitments made as a result of selling direct loans to non-Federal buyers with recourse to the Federal Government.

Entry	Description
2150 Total guaranteed loan commitments	The sum of lines 2111 through 2132. This is the guaranteed loan portion of the credit budget.
Memorandum: 2199 Guaranteed amount of guaranteed loan commitments	Amount of maximum potential Federal liability for the guaranteed loan principal associated with line 2150. To the extent the guarantee covers both principal and interest, this amount must exclude interest. This entry is required even though the amount may be the same as in line 2150.
Cumulative balance of guaranteed loans outstanding:	Provide lines 2210-2390 for liquidating and guaranteed loan financing accounts.
2210 Outstanding, start of year	Amount of guaranteed loan principal outstanding at the beginning of the year.
Disbursements:	
2231 Disbursements of new guaranteed loans	Amount of guaranteed loan principal disbursed.
2232 Guarantees of loans sold to the public with recourse	Face value amount of guaranteed loan principal of loans sold to non-Federal buyers with recourse to the Federal Government.
2251 Repayments and prepayments (-)	Amount of principal repayments and prepayments.
Adjustments:	
2261 Terminations for default that result in loans receivable (-)	Amount of loan principal reduced by terminations for default that subsequently become a loans receivable in which the formerly guaranteed borrower owes the agency for the amount of claims paid as a result of the borrower's default.
2262 Terminations for default that result in acquisition of property (-)	Amount of loan principal reduced by terminations for default that lead to the acquisition of property by the agency.
2263 Terminations for default that result in claim payments (-)	Amount of loan principal reduced by terminations for default that lead to claim payments by the agency that result in neither a loan receivable nor the acquisition of property.
2264 Other adjustments, net (+ or -)	Amount of loan principal reduced or increased for reasons other than those covered by the lines listed above; outstanding principal balances of guaranteed loans transferred to or received from other accounts. When this line is used, the nature of the adjustment must be explained in a footnote.
2290 Outstanding, end of year	Amount of guaranteed loan principal outstanding at the end of the year. The sum of lines 2210 through 2264.
Memorandum: 2299 Guaranteed amount of guaranteed loans outstanding, end of year	Amount of maximum potential Federal liability for the guaranteed loan principal associated with line 2290. To the extent the guarantee covers both principal and interest, this amount must exclude interest.

Entry	Description
	This entry is required even though the amount may be the same as in line 2290.
Addendum: Cumulative balance of defaulted guaranteed loans that results in loans receivable:	
2310 Outstanding, start of year	Amount of defaulted guaranteed loans that resulted in the acquisition of a loan receivable outstanding at the beginning of the year.
2331 Disbursements for guaranteed loan claims	Amount of disbursements for acquisition of defaulted loans that were previously guaranteed and result in loans receivable, where the borrower owes the account for the disbursement. These disbursements include past due interest amounts that were paid under the terms of the loan guarantee, if such amounts were capitalized as part of the loan principal.
2351 Repayments of loans receivable (-)	Proceeds received by the account from the settlement of claims on defaulted guaranteed loans that resulted in loans receivable to be applied to the reduction of the loans receivable outstanding. Exclude any premium realized.
2361 Write-offs of loans receivable (-)	Amount of loans receivable written-off for default that were initiated as guaranteed loans but were subsequently acquired as loans receivable. (Refer to the definitions for write-offs provided in OMB Circular No. A-129.)
2364 Other adjustments, net (+ or -)	Amount of loans receivable reduced or increased for reasons other than those covered by the lines listed above. When this line is used, the nature of the adjustment must be explained in a footnote.
2390 Outstanding, end of year	Amount of defaulted guaranteed loans that resulted in loans receivable outstanding at the end of the year. The sum of lines 2310 through 2364.
Net financing disbursements:	Provide line 6300 for guaranteed loan financing accounts only. See section 85.10(d).
6300 Net financing disbursements	Analogous to net outlays in budgetary accounts reported on line 9000 of the program and financing schedule.

Note: Line 6300 does not print in the Appendix but is used by OMB for reporting and analytical purposes.

(d) *Agency debt held by the FFB and net financing disbursements (schedules Y, G, and H).*

Baseline data on ***debt owed to the FFB*** must be reported by all financing and liquidating accounts and by programs that are not covered by the FCRA, such as the Tennessee Valley Authority and Federal Deposit Insurance Corporation (which assumed the responsibilities of the Resolution Trust Corporation). Prior to enactment of the Gramm-Rudman-Hollings Act, when the FFB was off-budget, it had three types of transactions. With the enactment of the Gramm-Rudman-Hollings law, the distinctions disappeared for budgetary purposes. Now, all FFB transactions are treated as means of financing to the agencies. In order to track old and new transactions, the lines should be coded with a two-digit suffix as follows, to identify the transactions:

- .01 FFB loan originations;
- .02 Sale of loan assets to the FFB; and
- .03 Sale of debt securities to the FFB.

Report this data on the 3300 data line series in schedule Y (PY through BY+4). No policy estimates are required.

Baseline and policy data on ***net financing disbursements*** must be reported. "Net financing disbursements" correspond to "net outlays" reported on line 9000 in schedule P of the program account. Rather than total outlays (gross) less total offsetting collections, net financing disbursements consist of total financing disbursements (gross) less total offsetting collections in the financing account. In PY through BY, these amounts should equal the amount reported on line 9000 in schedule P of the financing account. These data are needed to estimate Federal borrowing and interest on the public debt.

Report this data on line 6300 of schedule G or H (PY through BY+4) for policy estimates and schedule Y for baseline estimates. Schedule Y only collects baseline net financing disbursement data for financing accounts.

DATA REQUIREMENTS FOR SCHEDULE Y

Entry	Description
Agency debt held by the FFB	Provide lines 3310-3390 for liquidating and direct and guaranteed loan financing accounts.
3310 Outstanding agency debt, start of year	Amount of agency debt issues held by FFB at the beginning of the year.
3330 New agency borrowing	Amount of new borrowing from FFB.
3350 Repayments and prepayments (-)	Amount of repayments made to FFB.
3390 Outstanding agency debt, end of year	Amount of agency debt issued held by FFB at the end of the year. The sum of lines 3310 through 3350.
Net financing disbursements:	Provide line 6300 for direct and guaranteed loan financing accounts only.
6300 Net financing disbursements	Analogous to net outlays in budgetary accounts reported on line 9000 of the program and financing schedule.

Note: Lines 3310-6300 do not print in the Appendix but are used by OMB for reporting and analytical purposes.

85.11 What do I report for liquidating accounts?

Reporting requirements for liquidating accounts are discussed in sections 85.8, 85.10(b), 85.10(c), and 85.10(d). Illustrations of typical liquidating account status of direct and guaranteed loans schedules can be found at exhibits 85J and 85K. An illustration of a typical liquidating account program and financing schedule can be found at exhibit 85I.

85.12 What do I report for receipt accounts?

Negative subsidy receipt accounts record receipts of amounts paid from the financing account when there is a negative subsidy or downward reestimate. Usually, they are general fund receipt accounts, but with the permission of the OMB representative for the account, they can be special fund receipt accounts. If the program is discretionary, report negative subsidies as "discretionary." If the program is mandatory, report negative subsidies as "mandatory." Report downward reestimates for all credit programs as "mandatory, authorizing committee" in schedules R and K (see section 81.3).

Program and Financing Schedule
Program Account (Schedule P)

Program and Financing (in millions of dollars)

Identification code 83-0100-0-1-155		PY act.	CY est.	BY est.
Obligations by program activity:				
00.01	Direct loan subsidy	39	32	29
00.02	Guaranteed loan subsidy	107	110	115
00.03	Subsidy for modifications of direct loans			
00.04	Subsidy for modifications of guaranteed loans			
00.05	Reestimates of direct loan subsidy	*Use these designated lines*		
00.06	Interest on reestimates of direct loan subsidy	*where appropriate.*		
00.07	Reestimates of guaranteed loan subsidy			
00.08	Interest on reestimates of guaranteed loan subsidy			
00.09	Administrative expenses	19	18	17
10.00	Total new obligations	165	160	161
Budgetary resources available for obligation:				
22.00	New budget authority (gross)	165	160	161
23.95	Total new obligations	-165	-160	-161
New budget authority (gross), detail:				
	Discretionary:			
40.00	Appropriation (definite)	165	160	161
	Mandatory:	*Use these lines to finance*		
60.05	Appropriation (indefinite)	*reestimates of direct loan and*		
		loan guarantee subsidies.		
Change in unpaid obligations:				
72.40	Unpaid obligations, start of year	……..	74	98
72.99	Obligated balance, start of year	……..	74	98
73.10	Total new obligations	165	160	161
73.20	Total outlays (gross)	-91	-136	-150
74.40	Unpaid obligations, end of year	74	98	109
74.99	Obligated balance, end of year	74	98	109
Outlays (gross), detail:				
86.90	Outlays from new discretionary authority	91	136	150
87.00	Total outlays (gross)	91	136	150
Net budget authority and outlays:				
89.00	Budget authority	90	89	95
90.00	Outlays	84	86	89

Shaded entries are automatically calculated by MAX.

Summary of Loan Levels and Subsidy Data (Schedule U)

Summary of Loan Levels, Subsidy Budget Authority, and Outlays by Program (in millions of dollars)

Identification code 83-0100-0-1-155		PY act.	CY est.	BY est.
	Direct loan levels supportable by subsidy budget authority			
1150	Economic opportunity loans	301	250	225
1150	Handicapped loans	199	150	150
1150	Minority enterprise loans	215	200	195
1159	Total direct loan levels	715	600	570
	Direct loan subsidy rates (in percent):			
1320	Economic opportunity loans	8.00	8.00	8.00
1320	Handicapped loans	3.01	2.66	2.66
1320	Minority enterprise loans	4.20	4.00	3.59
1329	Weighted average subsidy rate	5.45	5.39	5.19
	Direct loan subsidy budget authority:			
1330	Economic opportunity loans	24	20	18
1330	Handicapped loans	6	4	4
1330	Minority enterprise loans	9	8	7
1339	Total subsidy budget authority	39	32	29
	Direct loan subsidy outlays:			
1340	Economic opportunity loans	12	10	9
1340	Handicapped loans	3	4	4
1340	Minority enterprise loans	4	7	8
1349	Total, subsidy outlays	19	21	21
	Guaranteed loan levels supportable by subsidy budget authority:			
2150	General business loans	1,120	1,200	1,215
2150	Minority enterprise loans	8,790	9,000	9,250
2159	Total guaranteed loan levels	10,000	10,200	10,465
	Guaranteed loan subsidy rates (in percent):			
2320	General business loans	2.41	2.42	2.47
2320	Minority enterprise loans	0.91	0.90	0.92
2329	Weighted average subsidy rate	1.07	1.08	1.10
	Guaranteed loan subsidy budget authority:			
2330	General business loans	27	29	30
2330	Minority enterprise loans	80	81	85
2339	Total subsidy budget authority	107	110	115
	Guaranteed loan subsidy outlays:			
2340	General business loans	13	25	29
2340	Minority enterprise loans	40	72	83
2349	Total subsidy outlays	53	97	112
	Administrative expense data:			
3510	Budget authority	19	18	17
3590	Outlays from new authority	19	18	17

Agencies should tailor their submissions to provide data at the program level of detail, as illustrated in this exhibit.

For non-zero transmittal codes, amounts should represent the change to the subsidy rates reported under transmittal code zero, not the new rates.

Shaded entries are automatically calculated by MAX.

Subsidy rate should be shown, even if zero or negative.

Program and Financing Schedule
Direct Loan Financing Account (Schedule P)

Program and Financing (in millions of dollars)

Identification code 83-4200-0-3-155		PY act.	CY est.	BY est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Direct loans	650	600	570
00.02	Interest paid to Treasury	65	46	88
10.00	Total new obligations	715	646	658
	Budgetary resources available for obligation:			
22.00	New financing authority (gross)	715	646	658
23.95	Total new obligations	-715	-646	-658
	New financing authority (gross), detail:			
	Mandatory:			
67.10	Authority to borrow	675	634	639
	Spending authority from offsetting collections:			
	Mandatory:			
69.00	Offsetting collections (cash)	23	28	30
69.10	Change in uncollected customer payments from Federal Sources	20	-9	-3
69.47	Portion applied to debt reduction	-3	-7	-8
69.90	Spending authority from offsetting collections (total)	40	12	19
70.00	Total new financing authority (gross)	715	646	658
	Change in unpaid obligations:			
72.40	Unpaid obligations, start of year	……..	377	391
72.95	Uncollected customer payments from program account, start of year	……..	-20	-11
72.99	Obligated balance, start of year	……..	357	380
73.10	Total new obligations	715	646	658
73.20	Total financing disbursements (gross)	-338	-632	-685
74.00	Change in uncollected customer payments from Federal sources	-20	9	3
74.40	Unpaid obligations, end of year	377	391	364
74.95	Uncollected customer payments from program account, end of year	-20	-11	-8
74.99	Obligated balance, end of year	357	380	356
	Outlays (gross), detail:			
87.00	Total financing disbursements (gross)	338	632	685
	Offsets:			
	Against gross financing authority and financing disbursements:			
	Offsetting collections (cash) from:			
88.00	Federal sources: Payments from program account	19	21	21
	Non-Federal sources:			
88.40	Repayments of principal	3	6	7
88.40	Interest received on loans	1	1	2
88.90	Total, offsetting collections (cash)	23	28	30
	Against gross financing authority only:			
88.95	From Federal sources: Change in receivables and unpaid, unfilled orders	20	-9	-3
	Net financing authority and financing disbursements:			
89.00	Financing authority	672	627	631
90.00	Financing disbursements	315	604	655

Shaded entries are automatically calculated by MAX.

Spending authority from offsetting collections consists of cash collections plus the change in receivables from program account.

Separately identify the portion of the obligated balances that represents undisbursed direct loan obligations and the portion that represents subsidy receivables from the account.

Cash collections and the change in receivables from program accounts will be identified separately.

Status of Direct Loans
Direct Loan Financing Account (Schedule G)

In the financing account status of direct loans:

- -- direct loan obligations and disbursements will be shown only for post-1991 direct loans.
- -- outstanding, repayments, prepayments, and write-offs for default will reflect only post-1991 direct loans (and pre-1992 direct loans that have been modified).

Status of Direct Loans (in millions of dollars)

Identification code 83-4200-0-3-155		PY act.	CY est.	BY est.
	Position with respect to appropriations act limitation on obligation:			
1111	Limitation on direct loans…………………………………	650	600	570
1150	Total direct loan obligations……………………………	650	600	570
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year…………………………………	200	525	1,105
	Disbursements:			
1231	Direct loan disbursements………………………………	338	586	597
	Repayments:			
1251	Repayments and prepayments…………………………	-3	-6	-7
	Write-offs for default:			
1263	Direct loans………………………………………………	-10	……..	……..
1290	Outstanding, end of year…………………………………	525	1,105	1,695

Shaded entries are automatically calculated by MAX.

Balance Sheet
Direct Loan Financing Account (Schedule F)

Equals obligated but undisbursed subsidy from program account plus undisbursed upward reestimates and interest on reestimates.

Balance Sheet (in millions of dollars)

Identification code 83-4200-0-3-155	PY-1 act.	PY act.	CY est.	BY est.
ASSETS				
1106 Federal assets: Receivables, net………………………	10	20	11	8
Non-federal assets:				
1401 Direct loans receivable, gross………………………	200	335	915	1,505
1402 Interest receivable…………………………………	1	1	2	2
1403 Accounts receivable from foreclosed property…….	1	1	2	3
1404 Foreclosed property………………………………	2	3	6	9
1405 Allowance for subsidy cost…………………………	-13	-23	-52	-84
1499 Net present value of assets related to direct loans….	191	317	873	1,435
1999 Total assets…………………………………………	201	337	884	1,443
	====	====	====	====
LIABILITIES				
2101 Accounts payable……………………………………	2	……..	……..	……..
2103 Federal liabilities: Debt……………………………	189	320	873	1435
2105 Other liabilities………………………………………	10	17	11	8
2999 Total liabilities……………………………………	201	337	884	1443
	====	====	====	====
NET POSITION				
3300 Cumulative results of operations……………………	……..	……..	……..	……..
3999 Total net position…………………………………	……..	……..	……..	……..
4999 Total liabilities and net position………………………	201	337	884	1,443

Shaded entries are automatically calculated by MAX.

Equal to obligated but undisbursed subsidy from program account.

The financing account is designed to break even and thus have a zero results of operation.

Undisbursed downward reestimates and interest interest on reestimates.

Program and Financing Schedule
Guaranteed Loan Financing Account (Schedule P)

Program and Financing (in millions of dollars)

Identification code 83-4100-0-3-155		PY act.	CY est.	BY est.
	Obligations by program activity:			
	Operating expenses:			
00.01	Default claims……………………………………………	……..	9	10
10.00	Total new obligations………………………………	……..	9	10
	Budgetary resources available for obligation:			
21.40	Unobligated balance carried forward, start of year………….	……..	66	173
22.00	New financing authority (gross)………………………………	66	116	139
23.90	Total budgetary resources available for obligation………….	66	182	312
23.95	Total new obligations…………………………………………	……..	-9	-10
24.40	Unobligated balance carried forward, end of year……………	66	173	302
	New financing authority (gross), detail:			
	Spending authority from offsetting collections:			
	Mandatory:			
69.00	Offsetting collections, cash…………………………………	66	116	139
	Change in unpaid obligations:			
73.10	Total new obligations…………………………………………	……..	9	10
73.20	Total financing disbursements (gross)………………………	……..	-9	-10
87.00	Total financing disbursements (gross)………………………	……..	9	10
	Offsets:			
	Against gross financing authority and financing disbursements:			
	Offsetting collections (cash) from:			
88.00	Federal sources…………………..…………………………	53	97	112
88.25	Interest on uninvested funds…………………………………	3	9	17
88.40	Non-Federal sources…………………………………………	10	10	10
88.90	Total, offsetting collections (cash)…………………………	66	116	139
	Net financing authority and financing disbursements:			
89.00	Financing authority……………………………………………	……..	……..	……..
90.00	Financing disbursements………………………………………	-66	-107	-129

Shaded entries are automatically calculated by MAX.

Status of Guaranteed Loans
Guaranteed Loan Financing Account (Schedule H)

In the financing account status of guaranteed loans:

- -- disbursements of guaranteed loan claims will be shown only for post-1991 loan guarantees.
- -- outstanding, repayments, prepayments, and write-offs for default will reflect only post-1991 loan guarantees (and pre-1992 loan guarantees that have been modified).

Status of Direct Loans (in millions of dollars)

Identification code 83-4100-0-3-155		PY act.	CY est.	BY est.
	Position with respect to appropriations act limitations on commitments:			
2111	Limitations on guaranteed loans made by private lenders	10,000	10,200	10,465
2150	Total guaranteed loan commitments	10,000	10,200	10,465
	Memorandum:			
2199	Guaranteed amount of guaranteed loan commitments	7,500	7,650	7,849
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	……..	5,000	13,895
	Disbursements:			
2231	Disbursements of new guaranteed loans	5,000	9,100	10,312
2251	Repayments and prepayments	……..	-200	-375
	Adjustments:			
2261	Terminations for default that result in a loan receivable	……..	……..	……..
2290	Outstanding, end of year	5,000	13,895	23,820
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	3,750	10,421	17,865
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	……..	……..	5
2331	Disbursements for guaranteed loan claims	……..	5	13
2351	Repayments of loans receivable	……..	……..	-3
2361	Write-offs of loans receivable	……..	……..	-2
2390	Outstanding, end of year	……..	5	13

Shaded entries are automatically calculated by MAX.

Balance Sheet
Guaranteed Loan Financing Account (Schedule F)

Equals obligated but undisbursed subsidy from program account plus undisbursed upward reestimates and interest on reestimates.

Balance Sheet (in millions of dollars)

Identification code 83-4200-0-3-155		PY-1 act.	PY act.	CY est.	BY est.
	ASSETS				
	Federal assets				
1101	Fund balances with Treasury……………………….	……..	63	170	299
1106	Receivables, net………………………………….		10	12	11
	Non-federal assets:				
1501	Defaulted guaranteed loans receivable, gross…….	……..	……..	5	18
1502	Interest receivable………………………………..	……..	……..	1	1
1503	Accounts receivable from foreclosed property……	……..	……..	……..	1
1504	Foreclosed property……………………………….	……..	……..	1	2
1505	Allowance for subsidy cost……………………….	……..	……..	-1	-3
1599	Net present value of assets related to defaulted guaranteed loans………………………………..	……..	……..	6	19
1999	Total assets……………………………………	……..	73	188	329
		====	====	====	====
	LIABILITIES				
2101	Accounts payable………………………………….	……..	1	……..	……..
2105	Other liabilities…………………………………….	……..	10	12	11
2204	Non-federal liabilities: Liabilities for loan guarantees…………………………………………	……..	62	176	318
2999	Total liabilities…………………………………..	……..	73	188	329
		====	====	====	====
	NET POSITION				
3300	Cumulative results of operations…………………….	……..	……..	……..	……..
3999	Total net position…………………………………	……..	……..	……..	……..
4999	Total liabilities and net position…………………..	……..	73	188	329

Equals unobligated balances.

Shaded entries are automatically calculated by MAX.

Undisbursed downward reestimates and interest on reestimates.

Equal to obligated but undisbursed subsidy from program account.

Equals net present value of cash flows for loan guarantees.

The financing account is designed to break even and thus have a zero results of operation.

Program and Financing Schedule
Liquidating Account (Schedule P)

There should be no unobligated balance at the end of the fiscal year.

Shaded entries are automatically generated by MAX.

Program and Financing (in millions of dollars)

Identification code 16-1186-0-3-755		PY act.	CY est.	BY est.
	Obligations by program activity:			
	Direct program:			
00.01	Default claims	629	536	789
00.02	Advances on behalf of borrowers	27	103	98
00.03	Interest on Treasury borrowings	285	279	330
10.00	Total new obligations	941	918	1,217
	Budgetary resources available for obligation:			
22.00	New budget authority (gross)	941	918	1,217
23.95	Total new obligations	-941	-918	-1,217
	New budget authority (gross), detail:			
	Mandatory:			
60.05	Appropriations (indefinite)	……..	……..	367
	Spending authority from offsetting collections:			
	Mandatory:			
69.00	Offsetting collections (cash)	2,299	2,234	1,808
60.27	Capital transfer to general fund	-159	-239	……..
69.47	Portion applied to repay debt	-1,199	-1,077	-958
69.90	Total spending authority from offsetting collections	941	918	850
70.00	Total new budget authority (gross)	941	918	1,217
	Change in unpaid obligations:			
72.40	Unpaid obligations, start of year	1,704	1,294	694
72.99	Obligated balance, start of year	1,704	1,294	694
73.10	Total new obligations	941	918	1,217
73.20	Total outlays (gross)	-1,351	-1,518	-1,517
74.40	Unpaid obligations, end of year	1,294	694	394
74.99	Obligated balance, end of year	1,294	694	394
	Outlays (gross), detail:			
86.97	Outlays from new mandatory authority	741	718	1,017
86.98	Outlays from mandatory balances	610	800	500
87.00	Total outlays (gross)	1,351	1,518	1,517
	Offsets:			
	Against gross budget authority and outlays:			
	Offsetting collections (cash) from:			
	Non-Federal sources:			
88.40	Repayments of principal	1,477	1,857	1,300
88.40	Interest received on loans	786	349	468
88.40	Fees	36	28	22
88.90	Total, offsetting collections (cash)	2,299	2,234	1,808
	Net budget authority and outlays:			
89.00	Budget authority	-1,358	-1,316	-591
90.00	Outlays	-948	-716	-291

Unobligated budgetary resources at the end of the fiscal year are unavailable for obligation or outlay in subsequent fiscal years and must be transferred to the general fund at the end of the fiscal year unless an extension has been approved by OMB.

Status of Direct Loans
Liquidating Account (Schedule G)

In the liquidating account status of direct loans:

- -- there will be no direct loan obligations
- -- most accounts should have no direct loan disbursements
- -- outstandings, repayments, prepayments, and write-offs for default will be shown

Status of Direct Loans (in millions of dollars)

Identification code 83-4200-0-3-155		PY act.	CY est.	BY est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year…………………………………	112	99	93
	Disbursements:			
1231	Direct loan disbursements………………………………	……..	……..	……..
	Repayments:			
1251	Repayments and prepayments…………………………	-3	-6	-7
	Write-offs for default:			
1263	Direct loans……………………………………………	-10	……..	……..
1290	Outstanding, end of year…………………………………	99	93	86

Shaded entries are automatically calculated by MAX.

Status of Guaranteed Loans
Guaranteed Loan Liquidating Account (Schedule H)

In the liquidating account status of guaranteed loans:

- -- disbursements of guaranteed loan claims will be shown only for pre-1992 loan guarantees.
- -- most accounts should have no disbursements for new guaranteed loans.
- -- outstanding, repayments and prepayments will reflect only pre-1992 loan guarantees.

Status of Direct Loans (in millions of dollars)

Identification code 83-4100-0-3-155		PY act.	CY est.	BY est.
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year…………………………………	4,413	4,132	3,827
	Disbursements:			
2231	Disbursements of new guaranteed loans………………	……..	……..	……..
2251	Repayments and prepayments…………………………	-281	-300	-375
	Adjustments:			
2261	Terminations for default that result in a loan receivable……………………………………………	……..	-5	-13
2290	Outstanding, end of year…………………………………	4,132	3,827	3,439
Memorandum:				
2299	Guaranteed amount of guaranteed loans outstanding, end of year………………………………	3,400	3,150	2,840
Addendum:				
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year………………………………	……..	……..	5
2331	Disbursements for guaranteed loan claims……………	……..	5	13
2351	Repayments of loans receivable…………………………	……..	……..	-3
2361	Write-offs of loans receivable……………………………	……..	……..	-2
2390	Outstanding, end of year………………………………	……..	5	13

Shaded entries are automatically calculated by MAX.