



# **Annual Agency Credit Training**

## **Credit Program Accounting Basics**

June 26, 2008

Contact: Dana James  
[dmjames@omb.eop.gov](mailto:dmjames@omb.eop.gov)



# Agenda

Executive Office of the President • Office of Management and Budget

- Accounting for Direct and Guaranteed Loans (Post 1991)
- Direct Loan Basics
- Guaranteed Loan Basics
- Resources



# Accounting for Direct and Guaranteed Loans (Post 1991)

Executive Office of the President • Office of Management and Budget

- Actual and expected costs are fully recognized in budget and financial reporting
- Accounting information provides the basis for evaluating program performance
  - Default losses
  - Cohorts and risk category
- Reliability of information is enhanced through the audit process
  - Multiple account symbols involved and relationships between the different accounts
  - Multiple cohorts
  - Acceleration of financial statements
    - Use of estimates
    - Timing of providing estimates to auditors



# Accounting for Direct and Guaranteed Loans (Post 1991)

Executive Office of the President • Office of Management and Budget

- Direct Loan Basics
  - Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash flows
- Guaranteed Loan Basics
  - For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantee is recognized as a liability
- Subsidy Costs
  - For direct or guaranteed loans disbursed during a FY, a subsidy expense is recognized



# Direct Loan Basics

Executive Office of the President • Office of Management and Budget

- Accounting standards for post-1991 direct loans
  - For direct loans disbursed during a fiscal year (FY), a subsidy expense is recognized.
  - For the FY during which new direct loans are disbursed, the components of the subsidy expense of those new loans are recognized
    - Interest subsidy costs
    - Default costs
    - Fees and other collections
    - Other subsidy costs
  - The subsidy cost allowance for direct loans is re-estimated each year as of the date of the financial statements



# Guaranteed Loan Basics

Executive Office of the President • Office of Management and Budget

- Accounting standards for post-1991 guaranteed loans
  - Disclosure is made in a note to the financial statements during a FY of the outstanding principal loan guarantee
  - For guaranteed loans disbursed during a FY, a subsidy expense is recognized
  - For the FY during which new guaranteed loans are disbursed, the components of the subsidy expense of those new loans are recognized
    - Interest subsidy costs
    - Default costs
    - Fees and other collections
    - Other subsidy costs
  - The subsidy cost allowance for guaranteed loans is re-estimated each year as of the date of the financial statements



# Accounting References

Executive Office of the President • Office of Management and Budget

- Federal Accounting Standards Advisory Board (FASAB) Standards and Concepts ([www.fasab.gov](http://www.fasab.gov))
  - FASAB Standard No. 2, *Accounting for Direct Loans and Loan Guarantees*
  - FASAB Standard No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*
  - FASAB Standard No. 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*
- Accounting and Auditing Policy Committee ([www.fasab.gov/aapc](http://www.fasab.gov/aapc))
  - Technical Releases
    - TR 3, *Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*
    - TR 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*



# Accounting References

Executive Office of the President • Office of Management and Budget

- OMB Circulars and Bulletins ([www.whitehouse.gov/omb](http://www.whitehouse.gov/omb))
  - OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*
  - OMB Circular No. A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*
  - OMB Circular A-136, Financial Reporting Requirements
- Financial Management Service Case Studies ([www.fms.treas.gov/ussgl/creditreform](http://www.fms.treas.gov/ussgl/creditreform))
  - Direct Loan Case Studies
  - Loan Guarantee Case Studies
  - Pre-1992 Liquidating Accounts
  - Defaulted Guaranteed Loans with Collateral





# Questions

Executive Office of the President • Office of Management and Budget

