

Credit Reform Accounting

2001

Credit Reform Accounting

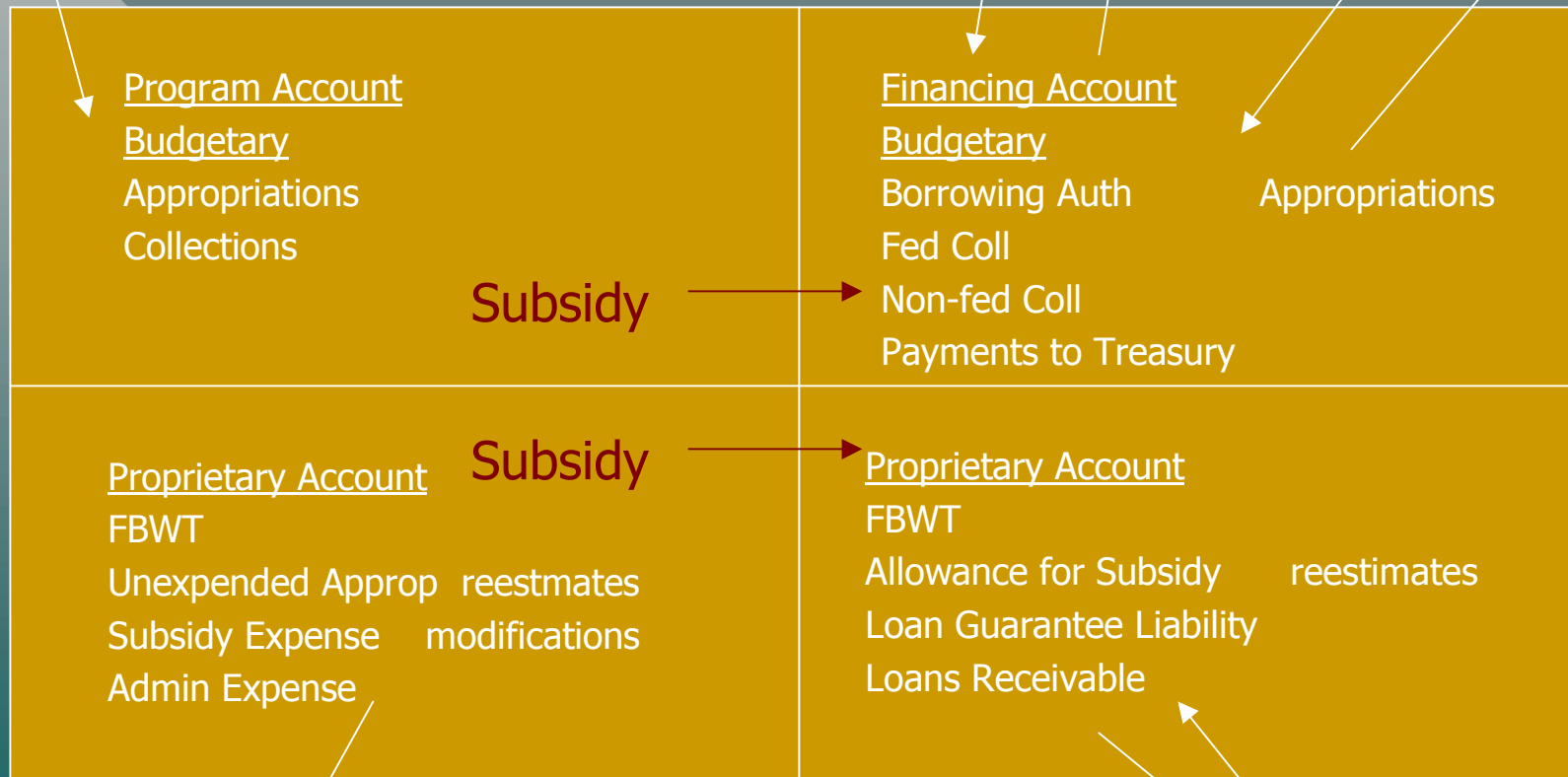
- Flow of Funds
 - Direct Loans
 - Loan Guarantees
 - Reestimates
- Eliminations
- Reporting
- Most Common Errors
- Resources
- What's New

Credit Reform Accounting

Appropriation

FMS, Treasury

BPD, Treasury



Vendor or Other Fund

Borrower or Third Party Lender

Credit Reform Accounting

Direct Loan Program

- Loan Level \$100,000
- Subsidy Rate 25%
- Borrowing Authority \$75,000
- Fee \$500

Credit Reform Accounting

Loan Guarantee Program

- Loan Level \$100,000
- Subsidy Rate 25%
- Guarantee 75%
- Pay interest \$5,000
- Fee \$500

Credit Reform Accounting

Direct Loan

Appropriation

- Receive Appropriation

<u>Program Account</u> <u>Budgetary</u> Approp-Admin 50,000 Approp-Subsidy 25,000	<u>Financing Account</u> <u>Budgetary</u> Borrowing Auth 75,000 Antic Fed Coll 25,000 Antic Non-Fed Coll 1,000 Anti Pay to Treasury 1,000
<u>Proprietary Account</u> FBWT 75,000 Unexpended Approp 75,000	<u>Proprietary Account</u> no entry

Credit Reform Accounting

Loan Guarantee

Appropriation

- Receive Appropriation

<u>Program Account</u> <u>Budgetary</u> Approp-Admin 50,000 Approp-Subsidy 25,000	<u>Financing Account</u> <u>Budgetary</u> Antic Fed Coll 25,000 Antic Non-Fed Coll 1,000
<u>Proprietary Account</u> FBWT 75,000 Unexpended Approp 75,000	<u>Proprietary Account</u> no entry

Credit Reform Accounting

Direct Loan

- Borrow from Treasury

BPD Treasury



<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> Borrowing Auth 75,000
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> FBWT 75,000 Pay to Treasury 75,000

Credit Reform Accounting

Loan Guarantee

- Borrow from Treasury

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> no entry

Credit Reform Accounting

Direct Loan

- Obligate for Administrative Expenses

<u>Program Account</u> <u>Budgetary</u> Obligations 5,000	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> no entry

Credit Reform Accounting

Loan Guarantee

- Obligate for Administrative Expenses

<u>Program Account</u> <u>Budgetary</u> Obligations 5,000	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> no entry


Credit Reform Accounting

Direct Loan

- Pay for Administrative Expenses

<u>Program Account</u> <u>Budgetary</u> Outlay 5,000	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> Administrative expenses 5,000 FBWT 5,000	<u>Proprietary Account</u> no entry

Vendor or Other
Fund




Credit Reform Accounting

Loan Guarantee

- Pay for Administrative Expenses

<u>Program Account</u> <u>Budgetary</u> Outlay 5,000	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> Administrative expenses 5,000 FBWT 5,000	<u>Proprietary Account</u> no entry

Vendor or Other
Fund



Credit Reform Accounting

Direct Loan

- Loan commitments signed with borrowers

<p><u>Program Account</u> <u>Budgetary</u> Obligations 12,500</p>	<p><u>Financing Account</u> <u>Budgetary</u> Obligations 50,000 Subsidy Receivable 12,500 non-Fed coll 500</p>
<p><u>Proprietary Account</u> Contra Liab for Subsidy 12,500 Subsidy payable 12,500</p>	<p><u>Proprietary Account</u> FBWT 500 Allowance for Subsidy 500 Subsidy Receivable 12,500 Liability for Undis Loans 12,500</p>

• Borrower

Credit Reform Accounting

Loan Guarantee

- Loan commitments signed with borrowers

<p><u>Program Account</u> <u>Budgetary</u> Obligations 12,500</p>	<p><u>Financing Account</u> <u>Budgetary</u> Obligations 5,000 Subsidy Receivable 12,500 Non-Fed coll 500</p>
<p><u>Proprietary Account</u> Contra Liab for Subsidy 12,500 Subsidy payable 12,500</p>	<p><u>Proprietary Account</u> FBWT 500 Loan Guarantee Liability 500 Subsidy Receivable 12,500 Liability for Undis Loans 12,500</p>

• Borrower

Credit Reform Accounting

Direct Loan

- Loans Disbursed

<p><u>Program Account</u> <u>Budgetary</u> Outlays 6,250</p> <p>•subsidy</p>	<p><u>Financing Account</u> <u>Budgetary</u> Outlays 25,000 Subsidy Collected 6,250</p>
<p><u>Proprietary Account</u></p> <p>Subsidy Expense 6,250</p>	<p><u>Proprietary Account</u></p> <p>FBWT 6,250 Allowance for Subsidy 6,250 Loans Receivable 25,000 FBWT 25,000</p>

•Borrower

Credit Reform Accounting

Loan Guarantee

- Loans Disbursed

<p><u>Program Account</u> <u>Budgetary</u> Outlays 6,250</p> <p>•subsidy</p>	<p><u>Financing Account</u> <u>Budgetary</u> Outlays 5,000 Subsidy Collected 6,250</p>
<p><u>Proprietary Account</u> •subsidy</p> <p>Subsidy Expense 6,250</p>	<p><u>Proprietary Account</u></p> <p>FBWT 6,250 Loan Guarantee Liability 6,250 Loan Guarantee Liability 5,000 FBWT 5,000</p>

•Bank

Credit Reform Accounting

Direct Loan

- Receive Payment from Borrower

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> Principal Collection 500 Interest Collections 100
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> FBWT 600 Loans Rec 500 Interest Rev-Borrower 100

• Borrower

Credit Reform Accounting

Loan Guarantee

- Receive Payment from Borrower

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> no entry

Credit Reform Accounting

Direct Loan

- Pay Interest to Treasury

BPD Treasury

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> Outlay 3,000
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> Interest Expense Treasury 3,000 FBWT 3,000

Credit Reform Accounting

Loan Guarantee

- Pay Interest to Treasury

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> no entry

Credit Reform Accounting

Direct Loan

- Receive interest from Treasury

FMS Treasury

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> Treasury Interest 1,500
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> FBWT 1,500 Interest Rev -Treasury 1,500

Credit Reform Accounting

Loan Guarantee

- Receive interest from Treasury

FMS Treasury

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> Treasury Interest 500
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> FBWT 500 Interest Rev -Treasury 500

Credit Reform Accounting

Direct Loan

- Pay Treasury Principal

BPD Treasury



<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> Act Pay to Treasury 600
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> Principal Pay Treasury 600 FBWT 600

Credit Reform Accounting

Loan Guarantee

- Pay Treasury Principal

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> no entry

Credit Reform Accounting

Direct Loan

- Annual Reestimate - Upward

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> Reestimate Exp 700 Interest Exp-Reest 150 Subsidy payable 850	<u>Proprietary Account</u> Subsidy Receivable 850 Interest Rev-Reest 150 Allowance for Subsidy 700

Credit Reform Accounting

Loan Guarantee

- Annual Reestimate - Upward

<p><u>Program Account</u> <u>Budgetary</u> no entry</p>	<p><u>Financing Account</u> <u>Budgetary</u> no entry</p>												
<p><u>Proprietary Account</u></p> <table> <tr> <td>Reestimate Exp</td> <td>700</td> </tr> <tr> <td>Interest Exp-Reest</td> <td>150</td> </tr> <tr> <td> Subsidy payable</td> <td>850</td> </tr> </table>	Reestimate Exp	700	Interest Exp-Reest	150	Subsidy payable	850	<p><u>Proprietary Account</u></p> <table> <tr> <td>Subsidy Receivable</td> <td>850</td> </tr> <tr> <td> Interest Rev-Reest</td> <td>150</td> </tr> <tr> <td> Loan Guarantee Liability</td> <td>700</td> </tr> </table>	Subsidy Receivable	850	Interest Rev-Reest	150	Loan Guarantee Liability	700
Reestimate Exp	700												
Interest Exp-Reest	150												
Subsidy payable	850												
Subsidy Receivable	850												
Interest Rev-Reest	150												
Loan Guarantee Liability	700												

Credit Reform Accounting

Direct Loan

- Calculate the Subsidy Amortization

Interest Expense-Treasury 3,000

Interest Rev-Treasury 1,500

Interest Rev-Reest 150

Interest Rev-Borrower 100

Subtotal Revenue 1,750

$3,000 - 1,750 = 1,250$ Subsidy Revenue

Credit Reform Accounting

Loan Guarantee

- Calculate the Update to Loan Guarantee Liability

Interest Expense-LGL	650
Interest Rev-Treasury	500
Interest Rev-Reest	<u>150</u>
Subtotal Revenue	650

Credit Reform Accounting

Direct Loan

- Amortize Subsidy

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> Allowance for Subsidy 1,250 Interest Rev- Subsidy 1,250

Credit Reform Accounting

Loan Guarantee

- Update LGL

<u>Program Account</u> <u>Budgetary</u> no entry	<u>Financing Account</u> <u>Budgetary</u> no entry
<u>Proprietary Account</u> no entry	<u>Proprietary Account</u> Interest Expense-LGL 650 Loan Guarantee Liability 650

Eliminations

	Program Account	Financing	Eliminator	Summary
4115	Approp Admin	\$ 50,000		\$ 50,000
4117	Approp Subsidy	\$ 25,000		\$ 25,000
4060	Antic Non-Fed coll		\$ 400	\$ 400
4070	Antic Fed Coll		\$ 11,000	\$ 11,000
4047	Antic Pay Treasury		\$ (400)	\$ (400)
4142	Borrow Auth		\$ 75,000	\$ 75,000
4145	BA con to Cash		\$(75,000)	\$ (75,000)
4147	Act pay Treasury		\$ (600)	\$ (600)
4148	Res from Bor Auth		\$ 75,000	\$ 75,000
4262	Coll of Prin		\$ 500	\$ 500
4263	Coll of Interest		\$ 100	\$ 100
4271	Act Sub Coll		\$ 6,250	\$ 6,250
4272	Act Treasury Int Coll		\$ 1,500	\$ 1,500
4281	Sub Rec		\$ 6,250	\$ 6,250
4610	Allotments Avail	\$(57,500)	\$(47,000)	\$(104,500)
4801	Unex Obl	\$ (6,250)	\$(25,000)	\$ (31,250)
4902	Expend Auth pd	\$(11,250)	\$(28,000)	\$ (39,250)
		\$ -	\$ -	\$ -

Eliminations

		Program Account	Financing	Eliminator	Summary
1010	FBWT	\$ 63,750	\$ 55,250		\$ 119,000
1310	Acct Rec	\$ -	\$ 7,100	\$ (7,100)	\$ -
1399	Allowance for Subsidy		\$ (6,200)		\$ (6,200)
1350	Loans Receivable		\$ 24,500		\$ 24,500
2170	Subsidy Pay to Fin Fc	\$ (7,100)	\$ -	\$ 7,100	\$ -
2179	Contra for subsidy	\$ 6,250	\$ -	\$ (6,250)	\$ -
2510	Prin Pay Treasury		\$ (74,400)		\$ (74,400)
2950	Liability undisb loans		\$ (6,250)	\$ 6,250	\$ -
3100	Unexp Approp	\$(63,750)			\$ (63,750)
5310	Interest Rev-Borr		\$ (100)		\$ (100)
5310	Interest Rev-Treasury		\$ (1,500)		\$ (1,500)
5310	Interest Rev-Reest		\$ (150)		\$ (150)
5310	Interest Rev-Subsidy		\$ (1,250)		\$ (1,250)
5700	Approp Cap Used	\$(11,250)			\$ (11,250)
6100	Administrative exp	\$ 5,000	\$ -		\$ 5,000
6100	Subsidy Exp	\$ 6,250	\$ -		\$ 6,250
6100	Reest Exp	\$ 700	\$ -		\$ 700
6310	Interest Exp-Treas		\$ 3,000		\$ 3,000
6330	Int Exp Reest	\$ 150	\$ -		\$ 150
		\$ -	\$ -	\$ -	\$ -

Subsidy Components

- Subsidy 25%
- Default Rate 20%
- Interest Differential 10%
- Fees (5%)

Schedule for Reconciling Subsidy Cost allowance Balances

30-Sep-Annual

Beginning Balance, Changes, and Ending Balance FY 2000

Beginning Balance of the Subsidy Cost Allowance	\$	0
Add: Subsidy expense for direct loans disbursed during the reporting year		
(a) Interest Differential	\$	2,500
(b) Default costs (net of recoveries)	\$	5,000
(c) Fees and other collections	\$	(1,250)
(d) Other Subsidy Costs		
Total of the above components	\$	<u>6,250</u>
Adjustments :		
(a) Loan Modifications		
(b) Fees received	\$	500
(c) Foreclosed Property acquired		
(d) Loans written off		
(e) Subsidy allowance amortization	\$	(1,250)
(f) Other		
Ending balance of the subsidy cost allowance before reestimates		<u>\$ 5,500</u>
Add or subtract subsidy reestimate by component		
(a) Interest rate reestimate		
(b) Technical/default reestimate	\$	<u>700</u>
Total of the above reestimate components	\$	<u>700</u>
Ending balance of the subsidy cost allowance	\$	<u>6,200</u>

Schedule for Reconciling Loan Guarantee Liability Balances

30-Sep-Annual

Beginning Balance, Changes, and Ending Balance FY 2000

Beginning Balance of the loan guarantee liability	\$ 0
Add: Subsidy expense for guaranteed loans disbursed during the reporting year	
(a) Interest subsidy costs	\$ 2,500
(b) Default costs (net of recoveries)	\$ 5,000
(c) Fees and other collections	\$ (1,250)
(d) Other Subsidy Costs	
Total of the above components	<u>\$ 6,250</u>
Adjustments :	
(a) Loan guarantee modifications	
(b) Fees received	\$ 500
(c) Interest supplements paid	\$ (5,000)
(d) Loans written off	
(e) Interest Accumulation on the liability bal	\$ 650
(f) Other	
Ending balance of the subsidy cost allowance before reestimates	<u>\$ 2,400</u>
Add or subtract subsidy reestimate by component	
(a) Interest rate reestimate	
(b) Technical/default reestimate	<u>\$ 700</u>
Total of the above reestimate components	<u>\$ 700</u>
Ending balance of the subsidy cost allowance	<u>\$ 3,100</u>

Reporting

Credit Reform Information Presented in Financial Statements

program account				finance account			
Balance Sheet				Balance Sheet			
FBWT for Undisbursed subsidy				FBWT for Undisbursed loans			
Admin Expense				working capital			
Balance of Dwn Reest (mandatory programs)				Credit Receivables			
Receivables from Dwn Reest (mandatory programs)				borrower interest			
				Loans Receivable			
				foreclosed property			
				Loan Guarantee Liability			
Payables for undisbursed subsidy				Payables for undisbursed loans			
Admin Expense							

Reporting

Credit Reform Information Presented in Financial Statements

program account				finance account			
Statement of Net Costs				Statement of Net Costs			
Subsidy Expense				Interest Expense- Treasury			
Admin Expense				Interest Expense - Reest (dwrd)			
Interest Expense - Reest (upwrđ mand)				Interest Revenue - Treasury			
Interest Revenue - Reest(dwrđ mand)				Interest Revenue - Borrower			
				Interest Revenue - Reest(upwrđ)			
				Interest Revenue - Subsidy			
				Interest Expense -LGL			
				net 0			
Statement of Changes in Net Position				Statement of Changes in Net Position			
Beginning Bal of Unexpended Approp				none			
Approp Used							
Ending Bal of Unexpended Approp							

Most Common Errors

- **Eliminations**
- **BPD, FMS, - Interest Expense and Revenue**
- **Reestimates**
 - **interest on Reestimates**
 - **Interest Rate Reestimate**
- **Accounting and Reporting For**
 - **Special Fund Receipts**
 - **General Fund Receipts**
- **Subsidy Amortization for Direct Loans**
- **Increases to Loan Guarantee account**

Resources Available

- www.financenet.gov/federal/fasab
 - SFFAS 2 & 18 for loans
- www.financenet.gov/financenet/fed/aapc/cdreform/cdreform.htm
 - Credit Reform Task Force
- www.whitehouse.gov/omb/credit/
 - Subsidy Calculator
 - Interest rates for reestimates
- www.fms.treas.gov/center/certprog.html
 - Treasury Credit Reform Certificate (CTCR)

New for 2001

SFFAS #18

Schedule of changes in
Subsidy Allowance

USSGL

Changes in
Capital Transfer Accounts

CTCR

new class at
FMS, Center

Credit Reform Accounting

- Borrow only what you expect to get back in receipts from borrower
- Subsidy represents loss to the Govt. and must be appropriated
- Make sure you know where you are
 - Budgetary/Proprietary/Program/Financing

Credit Reform Accounting

2001

See you in 2002