

APPENDIX M

NOTE 7: LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS

NOTE 7. Loans and Loan Guarantees, Non-Federal Borrowers:

A. The entity operates the following loan and/or loan guarantee programs:

1. _____
2. _____
3. _____

Direct loan obligations or loan guarantee commitments made prior to FY 1992, and the resulting direct loans or loan guarantees, are reported net of an allowance for estimated uncollectible loans or estimated losses.

Direct loan obligations or loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy and administrative costs associated with the loans and loan guarantees are provided in the following sections.

B. Direct Loans Obligated Prior to FY 1992:

Loan Program	Loans and Interest Receivable Gross	Allowance for Est. Uncoll. Loans & Interest	Loans and Interest Receivable Net	Foreclosed Property	Value of Assets Related to Direct Loans
1. _____	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. _____	xxx	xxx	xxx	xxx	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

C. Direct Loans Obligated After FY 1991:

Loan Program	Loans Receivable Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Net Present Value of Assets Related to Direct Loans
1. _____	\$ xxx	xxx	\$ xxx	\$ xxx	\$ xxx
2. _____	xxx	xxx	xxx	xxx	xxx
Total	<u>xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

D. Defaults on Pre-1992 Guaranteed Loans:

Loan Guarantee Programs	Defaulted Guaranteed Loans & Int. Receivable, Gross	Allowance for Est. Uncoll. Loans & Interest	Loans and Interest Receivable, Net	Foreclosed Property	Value of Assets Related to Loan Guarantees
1. _____	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. _____	xxx	xxx	xxx	xxx	xxx
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

E. Defaults on Post-1991 Guaranteed Loans:

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Net Present Value of Assets Related to Defaulted Guaranteed Loans Receivable
1. _____	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. _____	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

F. Liability for Loan Guarantees:

Loan Programs	Liabilities For Losses on Pre-1992 Guarantees	Liabilities For Loan Guarantees For Post-1991 Guarantees (Present Value)	Total Liabilities For Loan Guarantees
1. _____	\$ xx	\$ xx	\$ xx
2. _____	<u>xx</u>	<u>xx</u>	<u>xx</u>
Total	<u>\$ xx</u>	<u>\$ xx</u>	<u>\$ xx</u>

G. Subsidy Expense for Post-1991 Loans:

Loan Programs	Interest Differential	Defaults	Fees	Other	Total
1. _____	xx	\$ xx	\$(xx)	\$ xx	\$ xx
2. _____	xx	xx	(xx)	xx	<u>xx</u>
Total					<u>\$ xx</u>

2. Direct Loan Modifications and Re-estimates

Loan Programs	Modifications	Re-estimates	Total
(a) _____	\$xx	\$ xx	\$ xx
(b) _____	xx	xx	<u>xx</u>
Total			<u>\$ xx</u>

3. Total Direct Loan Subsidy Expenses

Loan Programs	
(a) _____	\$ xx
(b) _____	<u>xx</u>
Total	<u>\$ xx</u>

H. Subsidy Expense for Post-1991 Loan Guarantees:

1. Current Year's Loan Guarantees

Loan Programs	Interest Supple- ment	Defaults	Fees	Other	Total
(a) _____	\$ xx	\$ xx	\$ (xx)	\$ xx	\$ xx
(b) _____	xx	xx	(xx)	xx	<u>xx</u>
Total					<u>\$ xx</u>

2. Loan Guarantee Modifications and Re-estimates

Loan Programs	Modifications	Re-estimates	Total
(a) _____	\$ xx	\$ xx	\$ xx
(b) _____	xx	xx	<u>xx</u>
Total			<u>\$ xx</u>

3. Total Loan Guarantee Subsidy Expense

Loan Programs

(a)_____		\$	xx
(b)_____	_____		xx
Total		\$	xx

I. Administrative Expense:

Direct Loans

Loan Programs

(a)_____	\$	xx
(b)_____		xx
Total	\$	<u>xx</u>

Loan Guarantees

Loan Programs

(1)_____	\$	xx
(2)_____		xx
Total	\$	<u>xx</u>

J. Other Information: _____

Instructions

A. Identity. Enter the names of the loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 divides loans and loan guarantees into two groups: (1) Pre-1992, which includes those direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees; and (2) Post-1991, which includes those direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loan or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to OMB Circular A-34, Part VI, "Credit Apportionment and Budget Execution" and Section 33 of OMB Circular A-11, "preparation and Submission of Budget Estimates."

B. Direct Loans Obligated Prior to FY 1992. For each pre-1992 Direct Loan Program, report Loans and Interest Receivable, Gross. Report estimated amount of loans and interest that will not be collected as an Allowance for Estimated Uncollectible Loans and Interest. Report the difference between columns 2 and 3 as Loans and Interest Receivable, Net and, in column 5, report the estimated net realizable value of related foreclosed property. Report the sum of columns 4 and 5 as the Value of Assets Related to Direct Loans (column 6).

C. Direct Loans Obligated After FY 1991. For each post-1991 Direct Loan Program, report Loans Receivable, Gross, Interest Receivable, and the estimated net realizable value of related foreclosed property. See further guidance regarding foreclosed property under section E. Report the related allowance for subsidy in column 5. Report the sum of columns 2 through 4 less column 5 as the Net Present Value of Assets Related to Direct Loans.

D. Defaults on Pre-1992 Guaranteed Loans. For each pre-1992 Loan Guarantee Program, report receivables from defaults on loan guarantees as Defaulted Guaranteed Loans and Interest Receivable, Gross. Report estimated amount of defaults that will not be collected as Allowance for Estimated Uncollectible Loans and Interest. Report the difference between columns 2 and 3 as Defaulted Guaranteed Loans and Interest Receivable, Net and, in column 5, report the estimated net realizable value of related foreclosed property. Report the sum of columns 4 and 5 as the Value of Assets Related to Loan Guarantees (column 6).

E. Defaults on Post-1991 Guaranteed Loans. For each post-1991 Loan Guarantee Program, report gross receivables from defaults on loan guarantees as interest receivable, and the estimated net realizable value of related foreclosed property. Report the related allowance for subsidy in column 5. Report the sum of columns 2 through 4 less column 5 as the Net Present Value of Assets Related to Defaulted Guaranteed Loans Receivable.

Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans should be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement, foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the related allowance for subsidy account will apply to the foreclosed property, but that amount need not be separately

determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets.

For guidance in recording transactions related to foreclosures see Treasury's Case 5B "Accounting for Collateral and Escrow Transactions for a Loan Guarantee Program Under the Credit Reform Act of 1990 (Present Value Reporting Approach)," dated August 24, 1993.

The sum of the amounts reported in column 6 of sections B, C, D, and E should equal the amount reported on line 1.b.(3) of the Statement of Financial Position.

F. Liability for Loan Guarantees. For each Loan Guarantee Program, report the following:

1. For each Pre-1992 Loan Guarantee Program, report in column 2, the liabilities for pre-credit reform loan guarantees based on the amount of known and estimated losses.

2. For each Post-1991 Loan Guarantee Program, report in column 3, the present value of the estimated net cash flows to be paid by the entity as a result of the loan guarantees.

3. The total of these two columns should equal line 4.b.(3) of the Statement of Financial Position

G. Subsidy Expense for Post-1991 Loans.

Direct Loans. Report the direct loan subsidy expense at present value, as follows:

1. Current Year's Direct Loans: In column 2, the present value of the amount of the interest differential attributable to the difference between the interest rate to be collected from the borrowers and the interest rate to be paid on funds borrowed to finance the loans; in column 3, the present value of the estimated delinquencies and defaults (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows including prepayments and proceeds of loan asset sales; and in Column 6, the total of columns 2 through 5.

2. Direct Loan Modification and Re-estimates: In column 2, the cost of modifications of direct loans previously disbursed; in column 3, re-estimates of the subsidy cost of direct loans previously disbursed; and in column 4, the sum of columns 2 and 3.

3. Total Direct Loans Subsidy Expense: The total subsidy expense for current year's direct loans and prior years' direct loans.

H. Subsidy Expense for Post-1991 Loan Guarantees.

Loan Guarantees. Report the loan guarantee subsidy expense consisting of the following present values:

1. Current Year's Loan Guarantees: In column 2, the present value of the amount of the interest supplement; in column 3, the present value of the estimated delinquencies and defaults on guaranteed loans (net of recoveries); in column 4, the present value of the estimated fees collected (offsetting expense); in column 5, the present value of other cash flows; and in column 6, the total of columns 2 through 5.

2. Loan Guarantee Modification and Re-estimates: In column 2, the subsidy cost of modifications of guaranteed loans previously disbursed; in column 3, the re-estimates of the subsidy cost of guaranteed loans previously disbursed; and in column 4, the totals of columns 2 and 3.

3. Total Loan Guarantee Subsidy Expense: The total subsidy expense for current year's loan guarantees and prior years' loan guarantees.

I. Administrative Expense. Report the portions of salaries and expenses that have been accounted for in support of the direct loan program and guaranteed loan programs. Report the expenses for the individual programs, if material.

J. Other information. Provide other information related to direct and guaranteed loan programs, as appropriate, including the face value of loans which the government has guaranteed, amounts of lending authority available from the U.S. Treasury to fund direct loans not yet obligated or disbursed and guarantees not yet committed, and any commitments to guarantee.

Also, disclose subsidy expense resulting from re-estimates that is included in the financial statements but not budgeted for until the subsequent year.

With respect to the foreclosed property reported in sections B, C, D, and E the following information must be disclosed:

1. Changes from prior year's accounting methods, if any.
2. Restrictions on the use/disposal of the property.
3. Number of properties held and average holding period by type or category.
4. Number of properties for which foreclosure proceedings are in process at the end of the period.