

VOLUME 4, CHAPTER 11: “COMPONENT DEBT”

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue and underlined font***](#).

The previous version dated [November 2013](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110102.B.2.a (Deleted)	Deleted policy citing Title 42 United States Code, Section 3374(g) which was eliminated by the American Recovery and Reinvestment Act of 2009.	Deletion
3.0 (1103) (Previous Version)	Removed United States Standard General Language account numbers that are already contained and maintained in the Department of Defense (DoD) Chart of Accounts located within the Standard Financial Information Structure already referenced in the section.	Deletion
110305 (Deleted)	Deleted guidance associated with Participation Certificates since DoD does not have the legislative authority to use them.	Deletion

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CHAPTER 11

COMPONENT DEBT

1.0 GENERAL (1101)

1.1 Purpose (110101)

This chapter prescribes the accounting principles and policy to be followed by Department of Defense (DoD) Components to account for debt incurred in accordance with the [referenced](#) statutory [and other](#) authorities.

1.2 [Authoritative Guidance](#) (110102)

The following identified authoritative guidance is explained in its appropriate context in the remainder of the chapter:

1.2.1. [DoD Manual Number 4165.63](#), "DoD Housing Management";

1.2.2. [Title 42 United States Code \(U.S.C.\), section 3374](#);

1.2.3. [DoD Directive 4165.50E](#), "Homeowners Assistance Program" (HAP); and

1.2.4. [Title 32, Code of Federal Regulations \(CFR\), Part 239](#) "Homeowners Assistance Program – Application Processing"

2.0 DEBT (1102)

2.1 [Loans](#) (110201)

2.1.1. The Department's debt primarily consists of interest and principal payments due to the U.S. Treasury and the Federal Financing Bank. Debt incurred by DoD Components is generally associated with direct and guaranteed loans, and housing programs determined to be necessary to carry out the Department of Defense's mission, including mortgage agreements accepted pursuant to the Family Housing Program (FHP) and the Homeowners Assistance Fund (HAF).

2.1.2. The Department must pay the debt on direct loans if borrowers (e.g., foreign governments, county or city governments, ship owners, or housing builders) default. For loan guarantees, the Department must pay the amount of outstanding principal guaranteed. The majority of the debt represents direct and guaranteed loans to foreign governments. Before 1992, funds were borrowed from the Federal Financing Bank to either directly loan the funds to foreign governments or to reimburse defaulted guaranteed loans. Beginning in 1992, the Department began borrowing funds for the Foreign Military Financing Program from the U.S. Treasury, in accordance with the Federal Credit Reform Act of 1990, which governs all direct loan obligations and loan guarantee commitments made after [Fiscal Year](#) 1991. Guidance on direct loans and loan guarantees is contained in Volume 12, Chapter 4.

2.2 Debt Associated with Housing Programs (110202)

2.2.1. Family Housing Program. The Defense FHP provides housing for military families and for civilian families where circumstances require the DoD to support this program by providing housing referral services, including administration of private rental housing for DoD personnel overseas; leasing private housing for DoD personnel; or by guaranteeing service members' rental, mortgage and mortgage insurance payments on privately owned housing. Guidance for financing the FHP is contained in Volume 2B, Chapter 6 and [DoD Manual Number 4165.63](#), while guidance for accounting for funds made available for this program is contained in Volume 3, Chapter 5.

2.2.2. Homeowners Assistance Fund (HAF).

2.2.2.1. Under [42 U.S.C., section 3374](#), the Secretary of Defense is authorized to provide assistance to owners of one- or two-family dwellings located at or near military installations ordered to be closed in whole or in part. In certain instances, this assistance is rendered by acquiring negotiated title to the properties from such owners. Section (d) of the statute established the HAF.

2.2.2.2. [DoD Directive 4165.50E](#), "Homeowners Assistance Program," (HAP) provides overall policy guidance and information on this program. [The directive also specifies that detailed guidance regarding available benefits, both foreign and domestic, will be provided in the regulations published by the Secretary of the Army as the DoD Executive Agent for the HAP, and codified in 32 CFR Part 239. The Army uses the Headquarters, United States Army Corps of Engineers to implement the program.](#)

2.2.2.3. Funding for this program is through annual appropriations made available by the Congress.

3.0 ACCOUNTING POLICY FOR DEBT ASSOCIATED WITH HOUSING PROGRAMS (1103)

The accounting policy for properties acquired under both the FHP and HAP is the same as those for real property discussed in Volume 4, Chapter 6. The accounting policy for the liabilities incurred under both programs is discussed in the following paragraphs.

3.1 Liability for Amounts Owed on Housing Acquired under FHP and HAP (110301)

The liability for amounts owed on housing acquired under the two programs will be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the properties, or (2) the mortgages assumed when title passes to the Department of Defense.

3.2 Mortgage Balance Payable Reductions (110302)

The balance of the mortgages payable will be reduced by that portion of the periodic payments made which represent the mortgage principal.

3.3 Liabilities for Borrowing from Other Organizations (110303)

Liabilities for borrowings from other Federal Agencies and non-federal organizations will be recorded at the amounts actually obtained. Amounts paid to financial organizations to obtain the borrowings must be treated as a current period operating expense.

4.0 ACCOUNTING FOR COMPONENT DEBT (1104)

The accounts used to report DoD debt are described in the following paragraphs. The entries for these accounts are specified in the [DoD United States Standard General Ledger Standard *Financial Information Structure Transaction Library*](#).

4.1 Principal Payable to the Bureau of the [Fiscal Service](#) (110401)

"Principal Payable to the Bureau of the [Fiscal Service](#)" is used to record amounts borrowed from the Treasury. Accrued interest associated with these borrowings is recorded to "Accrued Interest Payable".

4.2 Principal Payable to the Federal Financing Bank (110402)

"Principal Payable to the Federal Financing Bank" is used to record amounts borrowed from [the](#) Federal Financing Bank. Accrued interest associated with these borrowings is recorded to "Accrued Interest Payable".

4.3 Securities under General and Special Financing Authority (110403)

"Securities Issued by Federal Agencies Under General and Special Financing Authority" is used to record the liability arising from issuing new borrowings authorized under special financing authorities.

4.4 Other Debt (110404)

"Other Debt" is used to account for all other forms of DoD liabilities, secured and unsecured, not otherwise classified in this chapter.