Federal Accounting Standards Advisory Board (FASAB)

Sponsored under an agreement between the Department of the Treasury, the Office of Management and Budget (OMB), and Government Accountability Office (GAO). FASAB promulgates Statements of Federal Financial Accounting Standards (SFFAS) after considering the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and other users of federal financial information. See www.FASAB.gov. (For a discussion of the methods for tracking funds in the federal government, *see* app. III.)

Federal Credit

Defined by the Federal Credit Reform Act of 1990 (FCRA) as federal direct loans and federal loan guarantees.

Administrative Expense

The cost that is directly related to credit program operations, including payments to contractors. The Federal Credit Reform Act of 1990 (FCRA) requires that administrative expenses for both direct loans and loan guarantees be included in program accounts. Administrative expenses are not included in subsidy costs appropriations but are separately appropriated.

Cohort

All direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year, even when disbursements occur in subsequent fiscal years. For direct loans and loan guarantees that receive multiyear or no-year appropriations, the cohort is defined by the year of obligation. Pre-1992 direct loans that are modified will constitute a single cohort. Likewise, pre-1992 loan guarantees that are modified constitute a cohort. (*See also* Direct Loan *and* Guaranteed Loan *under* Federal Credit.)

Credit Reestimates

Recalculation of the estimated cost to the government of a group of direct loans or loan guarantees. After new direct loans or loan guarantees are made, the Federal Credit Reform Act of 1990 (FCRA) requires periodic revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance, estimated changes in future cash flows of the cohort, or both. Reestimates must generally be made annually (with an associated recalculation of applicable cumulative interest), as long as any loans in the cohort are outstanding. These reestimates represent additional costs or savings to the government and are recorded in the budget. An upward reestimate indicates that insufficient funds had been paid to the financing account, so the increase (plus interest on reestimates) is paid from the program account to the financing account to make it whole. Permanent indefinite budget authority is available for this purpose. A downward reestimate indicates that too much subsidy had been paid to the financing account. The excess identified in a downward reestimate (plus interest) may be credited directly to the program account as offsetting collections for programs classified as mandatory or to a downward reestimate receipt account for programs classified as discretionary.

Credit Reform

The method of controlling and accounting for credit programs in the federal budget after fiscal year 1991. The Federal Credit Reform Act of 1990 (FCRA) added title V to the Congressional Budget Act of 1974. It requires that the credit subsidy cost be financed from new budget authority and be recorded as budget outlays at the time the direct or guaranteed loans are disbursed. In turn, it authorizes the creation of nonbudgetary financing accounts to receive this subsidy cost payment. Agencies must have appropriations for the subsidy cost before they can enter into direct loan obligations or loan guarantee commitments. (*See also* Credit Subsidy Cost, Direct Loan Obligation, Discount Rate, *and* Loan Guarantee Commitment *under* Federal Credit; Present Value.)

Risk Category. Subdivisions of a cohort of direct loans or loan guarantees that are relatively homogeneous in cost, given the facts known at the time of obligation or commitment. Risk categories will group within a cohort all direct loans or loan guarantees that share characteristics that predict defaults and other costs. They may be defined by characteristics or combinations of characteristics of the loan, the project financed, the borrower, or a combination of these.

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.

Credit Reform Act Accounts

Credit Program Account. A budget account that receives and obligates appropriations to cover the subsidy cost (on a net present value basis) of a direct loan or loan guarantee and disburses the subsidy cost to the financing account. Usually, a separate amount is also appropriated in the program account for administrative expenses that are directly related to credit program operations. (*See also* Present Value.)

Financing Account. A nonbudgetary account (or accounts) associated with each credit program account that holds balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991. It disburses loans, collects repayments and fees, makes claim payments, holds balances, borrows from the Department of the Treasury, earns or pays interest, and receives the subsidy cost payment from the credit program account.

Liquidating Account. A budget account that includes all cash flows to and from the government resulting from direct loan obligations or loan guarantee commitments made prior to October 1, 1991. The Federal Credit Reform Act of 1990 (FCRA) requires that such accounts be shown in the budget on a cash basis. Agencies are required to transfer end-of-year unobligated balances in these accounts to the general fund as soon as practicable after the close of the fiscal year.

Negative Subsidy Receipt Account. A budget account for the receipt of amounts paid from the financing account when there is a negative subsidy for the original estimate. 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. Separate downward reestimate receipt accounts are used to record amounts paid from the financing account for downward reestimates.

Credit Subsidy Cost

The estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis and excluding administrative costs.

In estimating the net present value, for loans made, guaranteed, or modified in fiscal year 2001 and after, 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. For loans made or guaranteed prior to fiscal year 2001, the discount rate is the average interest rate on marketable Treasury securities of similar maturity to the direct loan or loan guarantee for which the estimate is being made. 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 the same as the financial discount rate for a cohort, the disbursement-weighted average discount rate (for cohorts before 2001) or a single effective rate (for cohorts 2001 and after) derived from this collection of interest rates. (*See also* Credit Reform, Direct Loan, *and* Guaranteed Loan *under* Federal Credit; Present Value; Subsidy.)

Direct Loan Subsidy Cost. The estimated long-term cost to the government of a direct loan, excluding administrative costs. Specifically, the subsidy 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 estimated 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.

Guaranteed Loan Subsidy Cost. The estimated long-term cost to the government of a loan guarantee, excluding administrative costs. The Federal Credit Reform Act of 1990 (FCRA) specifies that the credit subsidy cost of a loan guarantee is the net present value, at the time a guaranteed loan is disbursed by the lender, of the following cash flows: (1) estimated payments by the government to cover defaults, delinquencies, interest subsidies, or other payments and (2) the estimated payments to the government, including origination and other fees, penalties, and recoveries.

Direct Loan

A disbursement of funds by the government to a nonfederal borrower under a contract that requires the repayment of such funds either with or without interest. The term includes the purchase of or the participation in a loan made by a 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. It does not include the acquisition of federally guaranteed loans in satisfaction of default or other price support loans of the Commodity Credit Corporation. Under credit reform, the budget records the credit subsidy cost of direct loans as outlays. The subsidies are paid to the direct loan financing accounts, which, in turn, make the loans to the public. For more information, see Credit and Insurance and accompanying tables in the President's budget. (*See also* Asset Sale; Credit Reform, Credit Subsidy Cost, Direct Loan Obligation, *and* Guaranteed Loan *under* Federal Credit.)

Direct Loan Obligation

A binding agreement by a federal agency to make a direct loan when the borrower fulfills specified conditions.

Under credit reform, direct loan obligations are composed of obligations for both the credit subsidy cost and the unsubsidized amounts of the loan. When an agency enters into a direct loan obligation, it obligates itself to pay the credit subsidy cost to the direct loan financing account, and the financing account is committed to make the loan to the borrower. Only the credit subsidy cost is recorded as a budgetary obligation. (*See also* Direct Loan *under* Federal Credit.)

Guaranteed Loan

A nonfederal loan to which a federal guarantee is attached. The loan principal is recorded as a guaranteed loan regardless of whether the federal guarantee is full or partial. For the purposes of the Federal Credit Reform Act of 1990 (FCRA), a loan guarantee is defined as 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 nonfederal borrower to a nonfederal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. Under credit reform, the budget records the credit subsidy cost of guaranteed loans as outlays. The subsidies are paid to the guaranteed loan financing accounts, which hold these uninvested funds to serve as a reserve against future loan defaults or other payments to lenders. (*See also* Credit Reform, Direct Loan, *and* Loan Guarantee Commitment *under* Federal Credit.)

Loan Guarantee Commitment

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. (*See also* Commitment; Credit Reform *and* Guaranteed Loan *under* Federal Credit.)

Federal Credit Reform Act (FCRA)

See under Federal Credit.

Federal Financing Bank (FFB)

A government corporation created by the Federal Financing Bank Act of 1973 under the general supervision of the Secretary of the Treasury. FFB was established to (1) finance federal and federally assisted borrowings in ways that least disrupt private markets, (2) coordinate such borrowing programs with the government's overall fiscal policy, and (3) reduce the costs of such borrowing from the public.

FFB provides financial assistance to or on behalf of federal agencies by (1) making direct loans to federal agencies to help them fund their programs, (2) purchasing loan assets from federal agencies, and (3) making direct loans to nonfederal borrowers (including foreign governments) that are secured by federal agency guarantees against risk of default by borrowers on loan principal and interest payments. FFB obtains funds by borrowing from the Department of the Treasury. For more information, see www.treas.gov/ffb/.

Feeder Account

Appropriation and revolving fund accounts whose resources are available only for transfer to other specified appropriation or revolving fund accounts.

Financial Accounting

See under Proprietary Accounting.

Financial Statements

A document that describes an entity's financial activity and status for a specified period. Under federal law and applicable accounting standards, the financial statements for a federal agency usually include a balance sheet, statement of net cost, statement of changes in net position, statement of budgetary resources, and statement of financing.