
§ 502 SEC. 502.⁷⁴ DEFINITIONS.

For purposes of this title —

§ 502(1) (1) The term "direct loan" means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation.

§ 502(2) (2) The term "direct loan obligation" means a binding agreement by a Federal agency to make a direct loan⁷⁴⁵ when specified conditions are fulfilled by the borrower.

§ 502(3) (3) The term "loan guarantee" means 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 non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits,

⁷⁴⁰(...continued)

"(2) shall, beginning on October 1, 1976, commence on October 1 of each year and end on September 30 of the following year.

"(b) All accounts of receipts and expenditures required by law to be published annually shall be prepared and published for each fiscal year as established by subsection (a)."

⁷⁴⁴ Section 502 is codified at 2 U.S.C. § 661a (Supp. IV 1992). For legislative history of section 502, see *infra* note 767 (at the end of this section).

⁷⁴⁵ Section 502(1) defines "direct loan." *See supra* p. 280.

shares, or other withdrawable accounts in financial institutions.

§ 502(4) (4) The term "loan guarantee commitment" means a binding agreement by a Federal agency to make a loan guarantee⁷⁴⁶ when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

§ 502(5)(A) (5)(A) The term "cost" means the estimated long-term cost to the Government of a direct loan⁷⁴⁷ or loan guarantee,⁷⁴⁸ calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.⁷⁴⁹

§ 502(5)(B) (B) The cost of a direct loan⁷⁵⁰ shall be the net present value, at the time when the direct loan is disbursed, of the following cash flows:

§ 502(5)(B)(I) (i) loan disbursements;

§ 502(5)(B)(II) (ii) repayments of principal; and

§ 502(5)(B)(III) (iii) payments of interest and other payments by or to the Government over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties and other recoveries.

⁷⁴⁶ Section 502(3) defines "loan guarantee." *See supra* p. 280.

⁷⁴⁷ Section 502(1) defines "direct loan." *See supra* p. 280.

⁷⁴⁸ Section 502(3) defines "loan guarantee." *See supra* p. 280.

⁷⁴⁹ Section 3(1) defines "budget outlays." *See supra* p. 11.

⁷⁵⁰ Section 502(1) defines "direct loan." *See supra* p. 280.

§ 502(5)(C) (C) The cost of a loan guarantee⁷³¹ shall be the net present value when a guaranteed loan is disbursed of the cash flow from —

§ 502(5)(C)(i) (i) estimated payments by the Government to cover defaults and delinquencies, interest subsidies, or other payments, and

§ 502(5)(C)(ii) (ii) the estimated payments to the Government including origination and other fees, penalties and recoveries.

§ 502(5)(D) (D) Any Government action that alters the estimated net present value of an outstanding direct loan⁷³² or loan guarantee⁷³³ (except modifications within the terms of existing contracts or through other existing authorities) shall be counted as a change in the cost⁷³⁴ of that direct loan or loan guarantee. The calculation of such changes shall be based on the estimated present value of the direct loan or loan guarantee at the time of modification.

§ 502(5)(E) (E) In estimating net present values, the discount rate shall be the average interest rate on marketable Treasury securities of similar maturity to the direct loan⁷³⁵ or loan guarantee⁷³⁶ for which the estimate is being made.

§ 502(6) (6) The term "credit program account" means the

⁷³¹ Section 502(3) defines "loan guarantee." *See supra* p. 280.

⁷³² Section 502(1) defines "direct loan." *See supra* p. 280.

⁷³³ Section 502(3) defines "loan guarantee." *See supra* p. 280.

⁷³⁴ Section 502(5) defines "cost." *See supra* p. 281.

⁷³⁵ Section 502(1) defines "direct loan." *See supra* p. 280.

⁷³⁶ Section 502(3) defines "loan guarantee." *See supra* p. 280.

budget account into which an appropriation to cover the cost⁷⁵⁷ of a direct loan⁷⁵⁸ or loan guarantee⁷⁵⁹ program is made and from which such cost is disbursed to the financing account.⁷⁶⁰

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(7) The term "financing account" means the non-budget account or accounts associated with each credit program account⁷⁶¹ which holds balances, receives the cost⁷⁶² payment from the credit program account, and also includes all other cash flows to and from the Government resulting from direct loan obligations⁷⁶³ or loan guarantee commitments⁷⁶⁴ made on or after October 1, 1991.

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(8) The term "liquidating account" means the budget account that includes all cash flows to and from the Government resulting from direct loan obligations⁷⁶⁵ or loan guarantee commitments⁷⁶⁶ made prior to October 1, 1991. These accounts shall be shown in the budget on a cash basis.

⁷⁵⁷ Section 502(5) defines "cost." *See supra* p. 281.

⁷⁵⁸ Section 502(1) defines "direct loan." *See supra* p. 280.

⁷⁵⁹ Section 502(3) defines "loan guarantee." *See supra* p. 280.

⁷⁶⁰ Section 502(7) defines "financing account." *See infra* p. 283.

⁷⁶¹ Section 502(6) defines "credit program account." *See supra* p. 282.

⁷⁶² Section 502(5) defines "cost." *See supra* p. 281.

⁷⁶³ Section 502(2) defines "direct loan obligation." *See supra* p. 280.

⁷⁶⁴ Section 502(4) defines "loan guarantee commitment." *See supra* p. 281.

⁷⁶⁵ Section 502(2) defines "direct loan obligation." *See supra* p. 280.

⁷⁶⁶ Section 502(4) defines "loan guarantee commitment." *See supra* p. 281.

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(9) The term "Director" means the Director of the Office of Management and Budget.⁷⁶⁷

⁷⁶⁷ Section 13201(a) of the Budget Enforcement Act created the new title V on credit reform, including section 502. *See infra* p. 713. Public Law 97-258 repealed what used to be section 502. *See An Act to Revise, Codify, and Enact Without Substantive Change Certain General and Permanent Laws, Related to Money and Finance, as title 31, United States Code, "Money and Finance,"* Pub. L. No. 97-258, 96 Stat. 877, 1082 (1982). As originally enacted in 1974, section 502 read as follows:

TRANSITION TO NEW FISCAL YEAR

SEC. 502. (a) As soon as practicable, the President shall prepare and submit to the Congress —

(1) after consultation with the Committees on Appropriations of the House of Representatives and the Senate, budget estimates for the United States Government for the period commencing July 1, 1976, and ending on September 30, 1976, in such form and detail as he may determine; and

(2) proposed legislation he considers appropriate with respect to changes in law necessary to provide authorizations of appropriations for that period.

(b) The Director of the Office of Management and Budget shall provide by regulation, order, or otherwise for the orderly transition by all departments, agencies, and instrumentalities of the United States Government and the government of the District of Columbia from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new fiscal year prescribed by section 237(a)(2) of the Revised Statutes. The Director shall prepare and submit to the Congress such additional proposed legislation as he considers necessary to accomplish this objective.

(c) The Director of the Office of Management and Budget and the Director of the Congressional Budget Office jointly shall conduct a study of the feasibility and advisability of submitting the Budget or portions thereof, and enacting new budget authority or portions thereof, for a fiscal year during the regular session of the Congress which begins in the year preceding the year in which such fiscal year begins. The Director of the Office of Management and Budget and the Director of the Congressional Budget Office each shall submit a report of the results of the study conducted by them, together with his own conclusions and recommendations, to the Congress not later than 2 years after the effective date of this subsection.