

## Memorandum

### **Direct Loans and Loan Guarantees Disclosures**

May 30, 2025

To: Members of the Board  
From: Brian Robinson, Analyst and Domenic Savini, Assistant Director  
Thru: Monica R. Valentine, Executive Director  
Subject: Direct Loans and Loan Guarantees Disclosures (Education Session) Topic D

#### **OBJECTIVE**

**The meeting objective is for staff to present an education session on credit reform and loan note disclosures.** At the February 2025 meeting, members of the Board expressed interest in learning more about credit reform and the corresponding disclosures before deliberations begin on this project. The purpose of this education session is to expand the Board's knowledge base regarding credit reform.

#### **REQUEST FOR FEEDBACK BY JUNE 13**

**Prior to the Board's June's meeting,** please provide any questions or comments no later than June 13, 2025.

#### **NEXT STEPS**

Staff will continue to research and work with the loan disclosure task force to develop a research paper documenting research findings and recommendations.

#### **ATTACHMENTS**

1. Education Session
2. Appendix – Credit Reform Panelist Biographies

# Education Session

## Direct Loans and Loan Guarantees Disclosures

May 30, 2025

## Introduction

The Direct Loan and Loan Guarantee Disclosure project was added to the Board's technical agenda in August 2024. The project plan was presented and approved by the Board at the February 2025 meeting. This project has the following four objectives:

- a). Determine if the current FASAB direct loan and loan guarantee disclosure requirements are relevant and meet the needs of stakeholders.
- b). Determine areas where direct loan and loan guarantee disclosure requirements can be improved, clarified, and streamlined to reduce burden on preparers, auditors, and users.
- c). Determine ways to increase the meaningfulness of the direct loan and loan guarantee disclosures to users and other stakeholders. For example, determine if there are ways to improve the presentation and format.
- d). Determine if certain direct loan and loan guarantee disclosure information would be better suited for Required Supplementary Information (RSI).

This project is currently in the research phase. Board members expressed interest in credit reform educational sessions before deliberations begin on the loan disclosure project. The June 2025 education session will be the first one on this project. Further education sessions may be provided on this project depending on the Board's feedback.

## Educational Session Format

Staff will begin the education session with a high-level overview of Credit Reform and a discussion of:

- **SFFAS 2, *Accounting for Direct Loan and Loan Guarantees*,**
- **SFFAS 18, *Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*, and**

- **SFFAS 19, *Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2.***

Staff will also briefly discuss:

- **Technical Release 3: *Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act***
- **Technical Release 6: *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act.***

Afterwards, staff will then introduce the credit reform panelists. Credit Reform education panelists will present consecutively for approximately one hour.

## **A. Education Session Panel**

Our first speaker, Ms. Sarah Cunningham, will be discussing ways she believes credit reform and loan disclosures can be improved for stakeholders from a user and preparer perspective. Ms. Cunningham will also be discussing what information is useful for decision makers and opportunities for streamlining accounting and reporting for credit.

Ms. Courtney Timberlake will then provide additional context and history of credit reform and present her thoughts on value measurement. Ms. Timberlake will also be discussing how credit reform and loan disclosures can be improved for stakeholders.

Our last speaker, Ms. Deborah Lucas, will be discussing how credit reform can be improved by using fair value measurements. Ms. Lucas will be discussing the pros and cons of using fair value vs present value and the feasibility of implementing this approach.

## **B. Board Q&A with Panelists**

Members will have 30 minutes to ask questions to the credit reform panelists after all three presentations are concluded.

**Question #1 for the Board:**

Among the topics to be discussed, would members like for staff or the speakers to specifically address any particular matter or have any questions in advance of the meeting? If so, please provide your requests by no later than June 13, 2025, so that staff has adequate time to address specific member interests or questions.

## Appendix

### Credit Reform Panelist Biographies

**Ms. Sarah Cunningham is a partner at Summit LLC.** She has experience in government financial management, enterprise risk management, federal credit budgeting and execution, and policy analysis. Ms. Cunningham started her career as private sector risk analyst and then joined OMB for 11 years. At OMB, she worked as part of the “credit crew” for most of her tenure at the agency. Ms. Cunningham also has experience working as the Assistant CFO for budget at HUD. She was the lead credit expert for the department in budget, audit, and other financial management issues for more than \$3 trillion in loan guarantees, including Ginnie Mae securities and Federal Housing Administration single-family mortgages.

Ms. Cunningham has a master’s degree in public policy from the University of Michigan and is a Certified Government Financial Manager. She serves in leadership roles for the Association of Government Accountants.

\*\*\*\*\*END BIO\*\*\*\*\*

**Ms. Courtney Timberlake works for TFC Consulting** on budget-related engagements at Federal agencies. Previously, she worked on credit program budgeting at The Craddock Group, LLC.

Ms. Timberlake received her master’s degree at the University of Southern California, then learned about the Federal Budget as a GS-9 at the Office of Management and Budget. She then became a member and leader of OMB’s “credit crew,” was promoted to Deputy Assistant Director for Budget and then Assistant Director for Budget, the Government’s senior career budget official, during times of budget turmoil.

Ms. Timberlake would like to acknowledge Kim Burke, the mother of Credit Reform, for her tireless work in teaching and implementing one of the most challenging aspects of Federal budgeting and accounting.

\*\*\*\*\*END BIO\*\*\*\*\*

**Ms. Deborah Lucas is the Sloan Distinguished Professor of Finance at the MIT Sloan School of Management** and Director of the MIT Golub Center for Finance and Policy.

Ms. Lucas’s recent research lies at the intersection of finance and policy, with a focus on applying the insights of financial economics to measure the costs and risks of a broad range of government financial activities.

Previous appointments include chief economist, and subsequently assistant and associate director at the U.S. Congressional Budget Office, member on two Social Security Technical Advisory Panels, senior staff economist for U.S. Council of Economic Advisers, Professor at the Kellogg School of Management at Northwestern University,

and coeditor of the JMCB. An expert on U.S. federal credit programs, she has testified before the U.S. Congress on Fannie Mae and Freddie Mac, student loans, and strategically important financial institutions.

Ms. Lucas received her BA, MA, and a PhD in economics from the University of Chicago.

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