

Memorandum

Direct Loans and Loan Guarantees Disclosures

April 8, 2026

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- Topic F

Introduction

At the February 2025 meeting, the Board reviewed and approved the project plan for the direct loans and loan guarantees disclosures project. At that meeting, Board members expressed interest in educational sessions on credit reform before deliberations on the loan disclosure project were to begin. Therefore, at the June 2025 meeting, staff presented a credit reform educational session to the Board. This education session had presentations from several panelists who were experts in credit reform. The credit reform panelists that presented at that Board meeting were Sarah Cunningham, Courtney Timberlake, and Deborah Lucas. Details of the discussion can be found at Attachment 1, Background.

Throughout 2024 and 2025, staff conducted outreach to credit reform stakeholders and users, including congressional committees, to determine their current credit reform information needs. Subsequently, staff formed a loan disclosure task force in July 2025 to work on ways to improve, clarify, and streamline the loan note disclosures. Task force composition is provided at Attachment 1 and results of staff's outreach are summarized at Attachment 2.

The objective of this meeting is to update the Board on the feedback received from stakeholders and the results from the loan disclosure task force.

REQUEST FOR FEEDBACK BY April 24, 2026

Prior to the Board's April's meeting, please provide any questions or comments no later than April 24, 2026.

NEXT STEPS

Pursuant to Board advice and consultation, staff will continue to research and work with the loan disclosure task force based on the Board's feedback to staff's recommendations.

ATTACHMENTS

1. Background and Outreach Activities
2. Staff Analysis of Alternatives and Recommendation
3. Appendix

Background

Direct Loans

Loan Guarantees

Disclosures

April 8, 2026

Attachment 1

Background

At the August 2024 meeting, the Board added the direct loans and loan guarantees disclosures project to its technical agenda following staff's pre-research. Staff's pre-research materials included feedback from a roundtable with members of the largest credit agencies and discussions with a Government Accountability Office (GAO) auditor. In February 2025, staff presented the project plan for the direct loan and loan guarantee disclosure project for the Board's review. [The Board approved the project plan with the following primary objectives:](#)

1. Determine if the current FASAB direct loan and loan guarantee disclosure requirements are relevant and meet the needs of stakeholders.
2. Determine areas where direct loan and loan guarantee disclosure requirements can be improved, clarified, and streamlined to reduce burden on preparers, auditors, and users.
3. 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.
4. Determine if certain direct loan and loan guarantee disclosure information would be better suited for Required Supplementary Information (RSI).

As previously noted, during the February 2025 meeting, Board members expressed interest in having credit reform education sessions before project deliberations.

The education session held at the June 2025 meeting had presentations from subject matter experts in credit reform. The credit reform panelists presented to the Board their recommendations on potential improvements to credit reform and the related disclosures. The credit reform presenters were Sarah Cunningham, Courtney Timberlake, and Deborah Lucas. Ms. Cunningham's presentation discussed the informational needs of policy and decision makers. Ms. Cunningham discussed the information currently in the disclosure that can be found in other sources such as the *Federal Credit Supplement* and the Budget. Included in Ms. Cunningham's presentation were some of the challenges agencies faced when accounting for loan programs such as the lack of credit reform expertise in federal agencies, high degree of manual Federal Credit Reform Act (FCRA) accounting, and lack of standard business and loan system

requirements. Ms. Timberlake’s presentation provided much needed context and history to the Board on credit reform and present value accounting. Ms. Timberlake also presented to the Board recommendations on how to streamline the note disclosure and reduce its page length/complexity. Ms. Lucas presented to the Board the case for fair value accounting for federal loan programs. She discussed ways she believed fair value accounting would provide a more accurate picture of the cost to the government of credit programs compared to present value accounting.

Outreach Activities

During the research phase on the loan disclosure project, staff conducted meetings with various stakeholders. Staff held meetings with three congressional subcommittees and Congressional Research Service (CRS) to gain insights into the current credit reform informational needs of Congress. Staff also met with auditors from different audit firms to discuss the issues and challenges they are observing when auditing credit reform agencies. Staff also met with federal entities to learn about their challenges when preparing the loan note disclosures.

Summary of Outreach Activities
Table 1.0

	Congressional Subcommittees and CRS	Audit Community	Federal Entities
Issues	<ul style="list-style-type: none"> • Difficulty in obtaining credit reform information from federal agencies • Lack of detailed programmatic information in the loan disclosure 	<ul style="list-style-type: none"> • Auditors must audit the complex and lengthy loan credit reform disclosures • Auditors are observing entities struggle to prepare meaningful loan disclosures 	<ul style="list-style-type: none"> • The loan disclosure requirements from FASAB and OMB exert burden on federal entities • Federal entities face resource constraints such as limited credit reform expertise

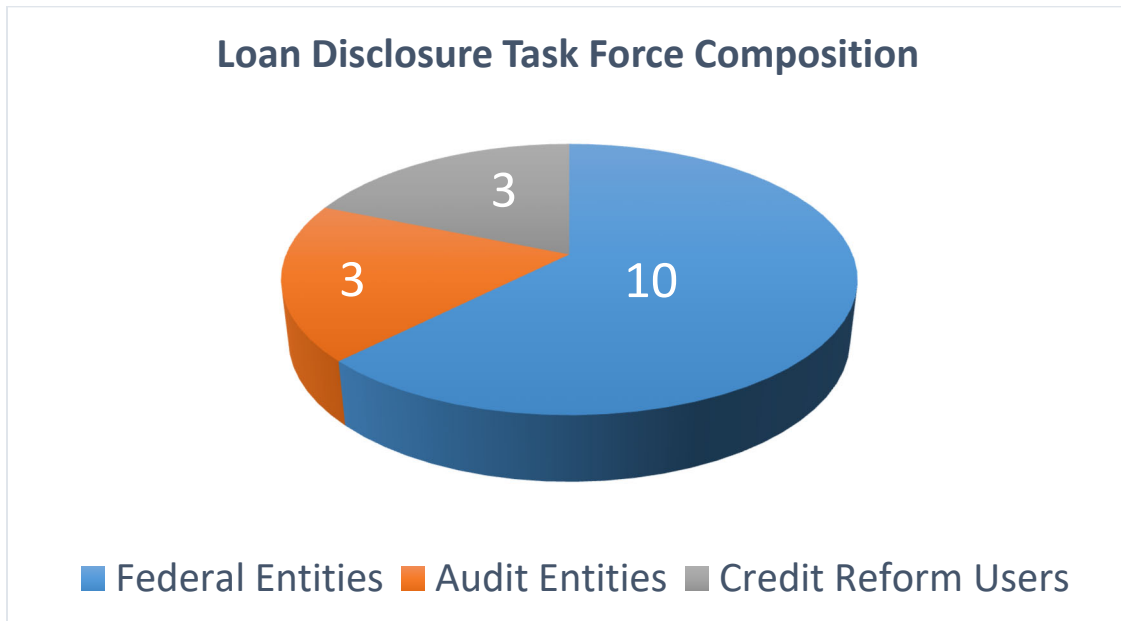
In July 2025, a loan disclosure task force was formed to research ways to improve, clarify, and streamline loan note disclosure requirements. This task force is composed of members of the financial management community who have a great interest and

experience in credit reform. The task force consists of 34 federal and non-federal stakeholders. These stakeholders represent the following groups:

- 10 federal entities
- 3 audit firms
- 3 credit reform users

Attachment 2 discusses the feedback from the task force and other stakeholders regarding areas where the loan note disclosures can be improved, clarified, and streamlined.

Loan Disclosure Task Force Composition
Chart 1.0



Staff Analysis

Direct Loans

Loan Guarantees

Disclosures

April 8, 2026

Attachment 2

Summary of Analysis and Recommendations

Congressional Outreach and Congressional Research Service

Staff met one-on-one with congressional staffers to learn more about their credit reform informational needs and listen to their challenges and suggestions. Staff spoke to three congressional subcommittees and the Congressional Research Service (CRS). The majority of the congressional staffers we spoke to view the credit reform information reported in the loan note disclosure as a valuable reference tool. The credit reform information reported in the loan disclosure was not useful for most of their oversight and monitoring needs. Staffers relied on the *Federal Credit Supplement*¹ and other sources for their information needs because of its level of detail and granularity.

Most staffers commented that the information reported in the loan note disclosure is more summary-level data and lacks programmatic information that they needed for oversight and decision-making. Even though most of the staffers we interviewed did not regularly use the loan note disclosure information, they still found value in this information being required to be disclosed by credit agencies. For example, some staffers found value in the reporting and resultant auditing of credit subsidy information, giving them comfort when reviewing agency programmatic information. Staffers were agreeable to the option of moving certain loan disclosure requirements from basic to required supplementary information as long as the information remained part of an agency's audited financial statements.

In addition to discussing their credit reform informational needs, congressional staffers also provided suggestions for improving loan note disclosure requirements. Staffers requested more granularity and programmatic information in the note disclosure instead of summary-level information. Staffers believed that more information should be in the narratives regarding recoveries, treasury offsets, and the models and assumptions used in credit programs. Staffers believed there should be better explanations of complex credit terms in the disclosure and suggested the use of agency specific glossaries. One congressional staffer had a great interest in fair value accounting and reporting for credit

¹ The Federal Credit Supplement is an annual document from OMB that provides detailed, technical data on federal direct loan and loan guarantee programs, including subsidy rates and, loan volumes. It serves as a record of federal credit activities, outlining the budgetary costs of programs such as student loans or housing assistance. See [OMB Technical Supplement to the 2026 Budget: Credit Supplement](#).

reform loans. This staffer indicated that there was growing interest among other members of Congress in fair value accounting for federal credit programs.

Audit Community

Staff held meetings with members from the audit community to listen to their views on the current loan note disclosures and potential improvements. Staff held meetings with members of two audit firms. The consensus of these auditors was that FASAB and Office of Management and Budget (OMB) are requiring federal agencies to report a lot of information in the disclosure. The disclosure requirements are placing burden on preparers to compile this credit information and create meaningful narratives. Auditors also face additional burden due the credit reform disclosure requirements from FASAB and OMB. Members of one firm suggested that most of the disclosure requirements could be moved to required supplementary information (RSI) or other accompanying information (OAI). This would keep all of the current subsidy information in the AFR but removes most of it from basic information. The auditors from that firm believed that this course of action would benefit auditors, users, and preparers. The member from the other audit firm believed certain disclosure requirements such as the subsidy rates for direct loans and loan guarantees by program and component could be streamlined. The auditor also mentioned that consolidating certain schedules could reduce agencies' loan disclosure page length.

Federal Entities

Throughout 2024 and 2025 staff had discussions with various members of credit reform agencies to gain their insights on improvements to the required loan disclosures. Preparers were able to discuss the issues they were facing when preparing the disclosure and requirements that should be streamlined.

Preparers noted their main challenge in this area is the amount of information that FASAB and OMB requires. The detailed disclosure requirements place burden on their already constrained resources. In many federal agencies there are a limited amount of experts in credit reform accounting and reporting. Preparers acknowledged that since these requirements have been around for over 20 years they have systems and processes in place to compile all this credit subsidy information. Some preparers noted that preparing the narratives were more difficult than compiling the numbers for the schedules. Preparers did question if including all of this credit subsidy information in the AFR was necessary and beneficial for users.

The main disclosure requirements that meeting participants believed can be streamlined were pre-1992 disclosures, loan modifications, the schedules for reconciling subsidy cost allowance balances and loan guarantee liability reconciliation, and the SFFAS 18 par. 11(C) narrative. Preparers believed these disclosures should be streamlined based on cost to benefit considerations.

Other Federal Stakeholder Outreach

Summary of GAO and OMB Discussions
Table 2.0

	GAO	OMB
Issues	Balancing user needs and preparer burden	OMB requirements place additional burden on federal agencies
Insights	<ul style="list-style-type: none"> • Guidance should focus preparers to key drivers • Glossary of Terms • More information on loan performance, • More discussion of loan administrative cost breakdowns • Streamline requirements / eliminate duplication 	<ul style="list-style-type: none"> • Hesitant to eliminate or streamline credit reform information in the disclosure • Viewed credit reform information in the disclosure as a good reference tool for users • Value found in audited credit subsidy information

GAO

FASAB staff also held credit reform outreach meetings with members from GAO. The members from GAO were from the Financial Management and Assurance (FMA) team.

The GAO auditors noted that there needed to be a balance between providing decision makers with useful credit information in the note and not overburdening preparers. The auditors also noted issues in obtaining detailed credit information from the major credit reform agencies.

It was noted that U.S. Department of Agriculture’s (USDA) disclosure is around 14 pages and takes up a significant amount of reader space in the AFR. The loan disclosure contains a significant amount of information (mostly summary information rather than programmatic). Policymakers are struggling to understand and make use of the summary level credit information that is provided in the loan disclosure in their

regular processes. This causes stakeholders to turn to other sources, such as the *Federal Credit Supplement*. It was noted that agencies are struggling to provide concise and meaningful narratives that describe the “why” behind changes in subsidy re-estimates, expenses, and rates. The auditors suggested providing more clarification and guidance so that preparers can focus on the key drivers of change in the narratives. Other suggestions from the auditors included a glossary of key credit reform terms, more information on loan performance, greater flexibility for the preparers, and more discussion of loan administrative cost breakdowns. These suggestions were to increase the meaningfulness of the disclosure to stakeholders.

One auditor was in favor of streamlining certain loan disclosure requirements in the disclosure to reduce the burden on stakeholders, as well as reducing the length of the note. The loan disclosures that the auditor mentioned could be eliminated are the requirements for agencies to disclose the subsidy rates per component² and the subsidy expense per component³. The rationale the auditor gave for eliminating the subsidy rates in the disclosure is that these rates can already be found in the *Federal Credit Supplement*. The subsidy expense by component was viewed as not being as meaningful for users to be included in the AFR. The auditor also mentioned that the required allowance reconciliations could be streamlined to provide more concise information to users.⁴ The auditor mentioned that the pages of summary narrative in the disclosure can be streamlined by giving preparers more flexibility and guidance in that area.

OMB

FASAB staff met with members from OMB regarding the direct loans and loan guarantee disclosure project to gain their insights and feedback. These members were from OMB’s credit team.

During this meeting, it was discussed that OMB requires substantial credit information from agencies that can be found in the *Federal Credit Supplement*. This is the source where most users who are interested in federal credit are looking for information. Even though the loan note disclosure was not regularly used by federal credit policy or decision makers, members from OMB were hesitant to eliminate or streamline loan disclosure requirements. OMB members believed that sometimes the information in the disclosure can be necessary and good for reference (please note that some Congressional staffers shared this perspective as well). Also, a member of OMB mentioned that the credit subsidy information in the loan disclosure is currently subject to audit procedures. The OMB members did not specify whether they placed great significance on the required credit subsidy information being in the basic information vs RSI.

² SFFAS 18 par. 11(B) requires agencies to disclose the subsidy rates for the total subsidy costs and its components.

³ SFFAS 18 par. 11(A) requires agencies to disclose the subsidy expense by components.

⁴ SFFAS 18 par. 10 requires reporting entities to display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees reported in the entities balance sheet.

Task Force Questionnaire

In July 2025, staff sought feedback from the task force via a loan disclosure questionnaire. The objective of this questionnaire was to assess the task force members' views on the loan disclosures that could be eliminated or moved to RSI. The questionnaire had six short-answer questions. The respondents were also asked to explain the rationale behind each of their responses. Staff provided task force members with a copy of an agency's FY24 loan note disclosure and an analysis of the current loan disclosure requirements as references

**Summary of Loan Disclosure Task Force Questionnaire
Table 3.0**

Task Force Questionnaire Results	
Burdensome Disclosure Requirements	<ul style="list-style-type: none"> • The Schedule for Reconciling Subsidy Cost Allowance Balances and Loan Guarantee liability • Subsidy Rates for Direct Loans and Loan Guarantees by program and component • Subsidy Expense for Direct Loans & Loan Guarantees by program and component
Disclosures that can be streamlined or eliminated	<ul style="list-style-type: none"> • The Schedule for Reconciling Subsidy Cost Allowance Balances and Loan Guarantee liability • Subsidy Rates for Direct Loans and Loan Guarantees by program and component • Subsidy Expense for Direct Loans & Loan Guarantees by program and component • Pre-1992 required Disclosures
Disclosures that can be moved to RSI	<ul style="list-style-type: none"> • Subsidy Rates for Direct Loans & Loan Guarantees by program and component • No required disclosures are candidates to be moved to RSI or OAI • Subsidy Expense for Direct Loans and Loan Guarantees by program and component

Improvements to the loan disclosure

- Discussion of key complex credit reform terms in the loan disclosure may help the reader
- Clarify that detailed tables and breakdowns are only required for material programs/cohorts/components, and allow preparers more flexibility
- Loan Receivable, Change in Net Receivable currently required by A-136
- Current disclosures do not address how programs are meeting their original objectives and economic parameters. Key metrics include how the loan portfolio has expanded, loss experience against original expectations, experience curves, realization of subsidy estimates, and realization of any original savings estimates

. The following questions were on the loan disclosure questionnaire.

Q1. Which Direct Loan and Loan Guarantee disclosure tables and/or narratives are the most burdensome for your agency/organization? *Please consider areas where there is significant preparer or audit burden versus perceived value of the information and other cost/benefit concerns.*

Q2. Are there required Direct Loan and Loan Guarantee disclosure tables and/or narratives that can be eliminated? *Please consider disclosures that may no longer benefit users, disclosures that contain information that can be found elsewhere.*

Q3. Are there required Direct Loan and Loan Guarantee disclosure tables and/or narratives that should be streamlined? *Please consider disclosures that may no longer benefit users, disclosures that contain information that can be found elsewhere.*

Q4. Are there any required Direct Loan and Loan Guarantee disclosure tables and/or narratives that are candidates to be moved to RSI or OAI? *Please consider disclosures that are critical to users of the loan disclosure and that should be audited*

Q5. Are there any areas in the existing Direct Loan and Loan Guarantee disclosures requirements that can be improved or clarified? *Please consider any gaps in the disclosure guidance or areas any areas of inconsistencies.*

Q6. Is there any information that may be valuable to the reader that is currently not required to be disclosed in the notes? *Please consider the informational needs of users such as (program managers, decision makers, and congressional staffers).*

Staff received 12 responses to the questionnaire⁵, consisting of:

- 7 responses from federal preparers
- 3 responses from the auditing community
- 2 responses from the user community

The details of the task force views on the loan disclosure questionnaire are discussed in [Appendix A](#).

Summary of Responses to Questionnaire

As evidenced at Appendix A, the task force responses generally indicated a strong support for streamlining and/or eliminating certain loan disclosure requirements in the standards.

Required Reconciliations Schedules for Direct Loans and Loan Guarantees -

Respondents believed the schedule for reconciling subsidy cost allowance balances for direct loans and the schedule for reconciling liability balances for loan guarantees are the most burdensome loan requirements. Respondents stated preparing the reconciliations are burdensome because they pull information from various sources. Preparers must ensure the reconciliations tie to other schedules in the loan disclosure. Respondents also supported the reconciliation being streamlined or eliminated from the loan disclosure.

Subsidy Rates, Subsidy Expenses, Pre-1992, and Subsidy Re-estimates - Other requirements that the task force supported eliminating or streamlining were the subsidy rates for direct loans and loan guarantees by program and component, subsidy expense for direct Loans & loan guarantees by program and component, pre-1992 required disclosures, and subsidy re-estimates by components for direct loans and loan guarantees⁶.

Basic, RSI, or OAI - The preparers on the task force did not have much support for moving loan disclosure tables and narratives to RSI/OAI instead of basic information. Task force members believed this would not greatly reduce the burden on preparers since they would still have to put effort into compiling and preparing the credit information whether in basic or RSI. They believed loan disclosure requirements should be eliminated if they were no longer deemed necessary to stakeholders. Some respondents indicated that if the option to move credit reform disclosure requirements to RSI, prime candidates for RSI would be the subsidy expense for direct loans & loan guarantees by program and component and subsidy rates for direct loans and loan guarantees by program and component. Another respondent further discussed that the required narrative in SFFAS 18 par. 11(C) that discusses economic conditions and

⁵ Task Force members belonging to the same entity submitted consolidated responses.

⁶ SFFAS 18 par. 11(A) requires agencies to disclose the subsidy reestimates by components.

trends that had a significant impact on subsidy rates, expense, and re-estimates can be moved to RSI/OAI.

Clearly Defining Terms - Task force members believed the loan disclosure could be improved by adding a discussion of key complex credit reform terms. Some of the terms in the disclosure, such as “negative subsidy cost” and “technical and interest rate re-estimate,” are not familiar to readers and may cause confusion. Clearly defining these terms at the beginning of the disclosure may add to the meaningfulness of the note. Members also believed that giving preparers more flexibility when preparing the note would reduce burden and the size of the loan disclosure. A couple of task force members stated the loan disclosure can be improved by adding disclosure requirements that address loan performance and whether these loans are meeting their objectives.

Staff Analysis of Alternatives and Recommendation

Based on the analysis of stakeholder outreach and the task force questionnaire responses, staff asks the Board to consider the following two options to improve the loan disclosure and reduce the burden on stakeholders:

Alternative A: Eliminate and/or streamline certain credit subsidy disclosure requirements from the loan disclosure.

Benefit considerations for Alternative A:

- **This alternative received the most positive feedback from task force members.**
- **This alternative presents the most burden relief for preparers.**
- **This alternative is more likely to reduce the length and complexity of the loan disclosure.**

Cost considerations for Alternative A:

- **This alternative reduces the amount of credit subsidy information that is available to interested stakeholders.**
- **This alternative was not favored by congressional staffers and some other users.**

Alternative A Staff Analysis

Alternative A presents the path that would provide the greatest burden reduction to preparers and reduce the size and complexity of the loan note disclosure. This is the option most preferred by the loan disclosure task force. The task force identified disclosure requirements that are the most burdensome for preparers. The task force also provided recommendations for loan disclosure requirements that should be streamlined and/or eliminated.

Respondents believed the most burdensome loan disclosure requirements are the schedule for reconciling subsidy cost allowance balances (post-1991 direct loans) & schedule for reconciling loan guarantee liability balances (post-1991 loan guarantees). Preparers stated these reconciliations pull from a lot of different sources and are complex to prepare. Respondents to the questionnaire stated that the required reconciliations are prime candidates for elimination from the disclosure or possibly reducing the complexity by streamlining.

Respondents also identified the subsidy rates for direct loans and loan guarantees by program and component loan disclosure requirement as a source of burden and candidate for elimination. Extensive information on credit subsidy rates can be found in the *Federal Credit Supplement*. In SFFAS 18 par. 36, the Board acknowledged that the credit subsidy rates were already being published in the *Federal Credit Supplement*. The Board at that time believed that also including them in the disclosure would provide easy access to users. Based on staff outreach to stakeholders, users are still mostly using the *Federal Credit Supplement* for their informational needs. Therefore, the inclusion of credit subsidy rates by component in the disclosure is seemingly a duplication of effort for minimal value. Also, the subsidy expense for direct loans and loan guarantee by program and component disclosure requirement was found by some members of the task force and other stakeholders to be a less meaningful disclosure requirement. It was identified as a candidate for elimination from the loan disclosure.

Other loan disclosure requirements in SFFAS 2 & 18 that are candidates for elimination due to benefit-to-cost considerations are pre-1992 disclosures and the subsidy re-estimates by component. These disclosure requirements are found to have little informational value to stakeholders.

If the Board chose the alternative to eliminate and/or streamline certain disclosure requirements, staff would recommend using the loan disclosure in the Consolidated Financial Report of the U.S. Government as a model for the information agencies should present in their reports. SFFAS 32: *Consolidated Financial Report of the United States Government Requirements* streamlines many of the disclosure requirements that agencies include in their disclosure in accordance with SFFAS 18. SFFAS 32 requires the following direct Loan and loan guarantee disclosures at the consolidated level:

- A broad description of direct loan and loan guarantee programs
- The face value of loans outstanding for direct loan and loan guarantee programs
- The long-term cost of loans and guarantees outstanding for direct loan and loan guarantee programs
- Net loans receivable for direct loan programs
- The amount guaranteed by the government for guaranteed loan programs

- The subsidy expense for the reporting year for direct for direct loan and loan guarantee programs
- A general reference to component entity reports

Alternative B: Move certain credit subsidy loan disclosure requirements in SFFAS 18 to RSI. Specifically, keep financial accounting information that ties directly to the balance sheet in basic information, and move budgetary credit subsidy information to RSI.

Benefit considerations for Alternative B:

- This alternative received positive feedback from congressional staffers.
- This alternative reduces the complexity of the loan disclosure by moving certain items from basic to RSI.
- This alternative does not reduce the amount of credit subsidy information available to users.

Cost considerations for Alternative B:

- This alternative was not favored by the preparers on the task force.
- This alternative reduces the audit scrutiny of the disclosure requirements moved to RSI.

Alternative B Staff Analysis

As staff performed outreach to credit reform stakeholders, we found that they viewed the loan disclosure to be dense and convoluted. The loan disclosure in its current form was not viewed as useful for policy and decision makers. Congressional staffers and other federal stakeholders appreciated the sheer amount of financial and budgetary information in the disclosure as a good reference tool. Although stakeholders' informational needs were being met by other sources outside of the loan disclosure, they did not request that information be removed. Most of the congressional staffers that staff met with suggested that even more detailed programmatic information be added to the loan disclosure to meet their informational needs.

In determining ways, the loan disclosure can be more meaningful to all stakeholders, the needs of the users and the burden of the preparers must be carefully considered and balanced. If more detailed and granular disclosure requirements were added to the disclosure, the complexity and length of the note would increase. If loan disclosure requirements are removed from the disclosure preparers' burden, it would reduce, but there would be less credit reform information available for stakeholders to use as a point of reference.

Alternative B presents a middle ground that balances credit reform users’ information needs with reducing stakeholder burden and the size of the loan note disclosure. This option was preferred by the congressional subcommittees that FASAB staff met with throughout 2024 and 2025.

Staff discussed with stakeholders the option of moving certain loan disclosure requirements to RSI and what that would entail. The congressional staffers and subcommittees we spoke to were open to moving credit subsidy information currently in basic to RSI. They understood that this would mean this information would be subject to less stringent audit procedures than if they remained in basic information. But this credit subsidy information would still be able to be accessed by decision makers and federal credit specialists if the need arises and would be subject to limited audit procedures.

To determine which disclosure requirements should be in basic information or RSI, staff referred to: SFFAC 6: *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*. According to SFFAS 6, basic Information and RSI are defined as,

- i. Paragraph 4 (a). Basic Information: Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).
- ii. Paragraph 4 (b). Required Supplementary Information: Information that a body that establishes GAAP requires to accompany basic information.

SFFAC 6 contains the table below that lists factors for the Board to consider when distinguishing basic information from RSI.

Table 1: Factors to Consider in Distinguishing Basic Information from RSI²

Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Level of importance the Board wishes to be communicated in the financial report>	
	<Significance, relevance, or importance of the item in light of Objectives>	
	< Level of importance the Board wishes to be communicated in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Benefit/cost ratio of using resources to compile the information as well as ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

Important factors from the above table to consider when deciding whether to move certain loan disclosure subsidy requirements from basic information to RSI are:

relevance to fair presentation, level of importance the Board wishes to be communicated in the financial report, level of importance the Board wishes to be communicated in the auditor's report, extent to which the information interests a wide audience (rather than specialists), extent to which there are not alternative sources of reliable information, benefit/cost ratio of using resources to compile the information as well as ensure accuracy, connection with basic financial statements.

If the alternative to move certain credit reform disclosures to RSI is chosen by the Board, staff would recommend using the loan disclosures contained within the Consolidated Financial Report of the U.S Government as a model for the basic information that agencies should have. The remaining disclosures would be moved to RSI.

Staff Recommendation – Adopt Alternative B

Based on the analysis presented, the staff recommends Alternative B, which is to move certain loan disclosure requirements to RSI. This option would reduce the size and complexity of the loan note disclosure while retaining credit subsidy information in RSI.

Question for the Board:

1. Does the Board agree with staff's recommendation to consider Alternative B and the associated analysis? If not, do members prefer Alternative A staff presented or any other alternative? Please explain your rationale.

Staff recommends that whichever alternative the Board selects, that the next steps include (1) coordination with the Chief Financial Officer's Council (CFO) and (2) drafting an exposure draft in consultation with the task force.

Question for the Board:

2. Does the Board have any concerns or suggestions for staff and the task force to consider while proceeding with the DLLG disclosure project?

APPENDIX
TASK FORCE
QUESTIONNAIRRE
RESULTS

Q1. Which Direct Loan and Loan Guarantee disclosure tables and/or narratives are the most burdensome for your agency/organization? *Please consider areas where there is significant preparer or audit burden versus perceived value of the information and other cost/benefit concerns.*

The loan disclosure requirement that questionnaire respondents believed is the most burdensome is the Schedule for Reconciling Subsidy Cost Allowance Balances (Post–1991 Direct Loans) & Schedule for Reconciling Loan Guarantee Liability Balances (Post–1991 Loan Guarantees). Some of the respondents’ rationale for stating that this requirement created the most burden was:

- The Schedule for Reconciling Subsidy Cost Allowance Balances and Loan Guarantee liability pulls information from various sources and is complex to compile.
- Preparers must ensure that line items in the reconciliation tie to other tables in the note disclosure, such as the subsidy expense components and reestimates. This also creates some redundancy with other tables in the note disclosure.
- Preparers believe that certain reconciliation categories are not well defined, which may lead to inconsistent transaction categorization across agencies.

The following loan disclosure requirements also received votes from the task force as being burdensome for agencies:

- Subsidy Rates for Direct Loans and Loan Guarantees by program and component
- Subsidy Expense for Direct Loans & Loan Guarantees by program and component

Q2. Are there required Direct Loan and Loan Guarantee disclosure tables and/or narratives that can be eliminated? *Please consider disclosures that may no longer benefit users, disclosures that contain information that can be found elsewhere.*

The loan disclosure requirements that received the most votes from respondents regarding elimination from the disclosure were as follows:

- Subsidy Rates for Direct Loans and Loan Guarantees by program and component
- Subsidy Expense for Direct Loans & Loan Guarantees by program and component

- Schedule for Reconciling Subsidy Cost Allowance Balances (Post 1991 Direct Loans) and Schedule for Reconciling Liability Balances (Post 1991 Loan Guarantees)
- Pre-1992 required Disclosures

Q3. Are there required Direct Loan and Loan Guarantee disclosure tables and/or narratives that should be streamlined? *Please consider disclosures that may no longer benefit users, disclosures that contain information that can be found elsewhere.*

The loan disclosure requirements that received the most votes from respondents regarding streamlining in the disclosure were as follows:

- Schedule for Reconciling Subsidy Cost Allowance Balances (Post 1991 Direct Loans) and Schedule for Reconciling Liability Balances (Post 1991 Loan Guarantees)
- Subsidy Expense for Direct Loans & Loan Guarantees by program and component
- Subsidy Rates for Direct Loans and Loan Guarantees by program and component
- Subsidy Reestimates by Components for Direct Loans and Loan Guarantees
- Streamlining subsidy information found in the federal credit supplement or the Budget

Q4. Are there any required Direct Loan and Loan Guarantee disclosure tables and/or narratives that are candidates to be moved to RSI or OAI? *Please consider disclosures that are critical to users of the loan disclosure and that should be audited.*

The loan disclosure requirements that received the most votes from respondents regarding moving certain disclosures to RSI were as follows:

- Subsidy Rates for Direct Loans & Loan Guarantees by program and component
- No required disclosures are candidates to be moved to RSI or OAI
- Subsidy Expense for Direct Loans and Loan Guarantees by program and component

Q5. Are there any areas in the existing Direct Loan and Loan Guarantee disclosures requirements that can be improved or clarified? *Please consider any gaps in the disclosure guidance or areas any areas of inconsistencies.*

The following are improvements or clarifications to the loan disclosure that the task force identified:

- Discussion of key complex credit reform terms in the loan disclosure may help the reader
- Clarify that detailed tables and breakdowns are only required for material programs/cohorts/components, and allow preparers more flexibility

Q6. Is there any information that may be valuable to the reader that is currently not required to be disclosed in the notes? Please consider the informational needs of users such as (program managers, decision makers, and congressional staffers).

The following are information that could be useful to the loan disclosure readers and users that could be added:

- Loan Receivable, Change in Net Receivable currently required by A-136
- Current disclosures do not address how programs are meeting their original objectives and economic parameters. Key metrics include how the loan portfolio has expanded, loss experience against original expectations, experience curves, realization of subsidy estimates, and realization of any original savings estimates
- Discussion of key complex credit reform terms in the loan disclosure may help the reader
