

Memorandum

Direct Loans and Loan Guarantees Disclosures

October 6, 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 D**

OBJECTIVE

The objective of this meeting is for the Board to review and consider staff's five recommendations for streamlining federal reporting entity loan note disclosures.

At the **April 2026 meeting**, the Board discussed alternatives presented to reduce and streamline the loan note disclosure. The alternatives in staff's memo were:

- **Alternative A:** Eliminate/streamline certain loan disclosure requirements.
- **Alternative B:** Relocate certain loan disclosure requirements to Required Supplementary Information (RSI).

The Board's consensus was a hybrid approach combining alternatives A and B. The Board referred to this approach as "alternative C." For alternative C, staff would conduct a more detailed analysis of the loan disclosure requirements considered for change and present it to the Board. This approach would allow the Board members to deliberate whether specific loan disclosure requirements should be retained, eliminated, or relocated to RSI. The Board members provided suggestions on the type of research and analysis staff should consider when working on the proposal for alternative C.

Since the April meeting, staff has:

- Performed an analysis of the credit subsidy information found in the [Federal Credit Supplement](#)¹ and compared that to the credit information required in the loan disclosure.
- Evaluated the loan disclosure requirements at the consolidated financial report (CFR) vs agency financial report (AFR).
- Performed a detailed analysis² of the loan disclosure requirements recommended for potential change.
- Held multiple meetings with the loan disclosure task force³ to receive feedback on the loan disclosure requirements recommended for potential change.
- Met with stakeholders⁴ to discuss the proposed changes to the reporting entity's loan disclosure requirements

Staff recommends that the Board consider:

1. Eliminating the requirement for reporting entities to report pre-1992 loan disclosure information.
2. Eliminating the requirement to disclose subsidy rates or move the requirement to RSI.
3. Streamlining the requirement to disclose subsidy expense.
4. Streamlining the requirement to disclose subsidy re-estimate.
5. Retaining the requirement for reporting entities to display a reconciliation for the subsidy allowance for direct loans and the loan guarantee liability.

REQUEST FOR FEEDBACK BY OCTOBER 16, 2026

Prior to the Board's October meeting, please review the attached staff analyses and recommendations and respond to the ensuing question by October 16, 2026.

¹ The 2027 Federal Credit Supplement (Supplement) provides summary information about Federal direct loan and loan guarantee programs subject to the Federal Credit Reform Act (FCRA) of 1990, as amended by the Balanced Budget Act of 1997. The credit activities of programs exempt from FCRA do not appear in the Supplement, such as the credit activities of certain agencies providing deposit insurance. Source: Electronic versions of the Supplement in PDF are available at [Federal Credit Supplement FY 2027](#).

² Analysis of the original basis for and informational value of the loan disclosure requirement.

³ The loan disclosure task force is composed of preparers, auditors, and users.

⁴ The stakeholders that provided feedback on staff's proposal were a GAO auditor and a working group composed of non-federal auditors and users.

NEXT STEPS

Pending Board member feedback, staff will continue to work with the task force to refine the proposed loan note disclosure changes, as appropriate.

ATTACHMENTS

1. Staff Analyses and Recommendations

APPENDICES

Appendix A: Review of the *Federal Credit Supplement*

Appendix B: Loan Disclosure Requirements for the CFR vs AFR

Appendix C: Task Force Questionnaire Results

Staff Analysis

Direct Loans and Loan Guarantee Disclosures

October 6, 2026

INTRODUCTION

Purpose

Federal reporting entities' direct loans and loan guarantees note disclosures as required by generally accepted accounting principles (GAAP) have become very lengthy, with numerous schedules and narratives spanning many pages. Most agencies' loan note disclosures are on average 5 -10 pages. A few credit agencies' loan disclosures are over 14 pages. This has put additional burden on preparers, auditors, and users of agency reports. The Board is considering ways to improve, clarify, and streamline required note disclosures and reduce preparer burden regarding loan note disclosures.

Background

- **August 2024:** The direct loans and loan guarantee disclosure project was added to the Board's technical agenda.
- **February 2025:** The Board approved the project plan for the direct loans and loan guarantees disclosure project. At that meeting, Board members expressed interest in having credit reform educational sessions before project deliberations.
- **June 2025:** Staff presented a credit reform educational session to the Board. The educational session had presentations from subject matter experts in credit reform. The credit reform panelists presented recommendations for potential improvements to credit reform and related disclosures. The credit reform panelists were Sarah Cunningham, Courtney Timberlake, and Deborah Lucas.
- **During 2025:** Staff (1) conducted outreach with congressional stakeholders to ascertain their credit reform informational needs, (2) conducted outreach meetings with preparers, federal and non-federal auditors, & users to discuss their issues and challenges, (3) formed a loan disclosure task force to help with research and developing recommendations.
- **April 2026:** Staff presented alternatives to the Board to reduce and streamline the loan note disclosure. The alternatives presented were (A) eliminate/streamline certain loan disclosure requirements, (B) relocate certain loan disclosure requirements to Required Supplementary Information (RSI) instead of basic. The Board reached consensus on a hybrid approach that combined alternatives A and B. This approach was referred to as "alternative C." For alternative C, staff would conduct a more detailed analysis of the loan disclosure requirements considered for change and present it to the Board. This approach would allow Board members to deliberate whether to retain, eliminate, or relocate specific loan disclosure requirements to RSI.

Research

To prepare for this session, staff reviewed each agency's loan note disclosure in their respective Agency Financial Report (AFR). Staff also reviewed the *Federal Credit Supplement*⁵ and *FY 2025 Financial Report of the United States Government*⁶. Staff also coordinated with the task force and other stakeholders to research the proposed changes to the loan disclosure requirements. Staff also reviewed prior task force correspondence and prior direct loan and loan guarantee Board materials.

Summary of Recommendations and Analysis

This staff analysis examines the loan disclosure requirements recommended for potential change to determine whether they should remain in basic, move to RSI, or be eliminated.

In Table 1.0 below, for the Board's consideration, staff recommends the following actions on the identified disclosure requirements:

Summary of Disclosure Requirement Recommendations
Table 1.0

Disclosure Requirement	Recommended Action	Burden Level of Requirement ⁷
Pre-1992 Loans Disclosures	Eliminate Requirement	Low
Subsidy Rates by Program and Component	Eliminate Requirement or RSI	High
Subsidy Expense by Component	Streamline Requirement	High
Subsidy Re-estimates by Component	Streamline Requirement	Low
Required Reconciliations ⁸	No change to requirement	High

⁵ See Appendix A for a breakdown of information contained in the Federal Credit Supplement.

⁶ See Appendix B for the loan disclosure requirements at the consolidated vs component level.

⁷ Burden level of requirement rated by the loan disclosure task force.

⁸ SFFAS 18 par. 10 requires "reporting entities should 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."

RECOMMENDATION #1

Staff recommends that the Board consider eliminating the requirement for reporting entities to report pre-1992 loan disclosure information.

Analysis

The disclosure requirement for reporting entities to disclose pre-1992 loans can be found in SFFAS 2:

- **Paragraph 39 says** *“The losses and liabilities of direct loans obligated and loan guarantees committed before October 1, 1992, are recognized when it is more likely than not that the direct loans will not be totally collected or that the loan guarantees will require a future cash outflow to pay default claims. The allowance of the uncollectible amounts and the liability of loan guarantees should be reestimated each year as of the date of the financial statements. In estimating losses and liabilities, the risk factors discussed in the previous section should be considered. **Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.**”*

The Board’s rationale for not requiring reporting entities to restate pre-1992 on the present value basis can be found in the basis of conclusion for SFFAS 2:

- **Paragraph 94 says** *“The phrase pre-1992 direct loans and loan guarantees refers to direct loans obligated and loan guarantees committed before October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. In the Exposure Draft, the Board did not recommend restating pre-1992 direct loans and loan guarantees at present value. **The Board’s position was that the costs of restating those direct loans and loan guarantees would outweigh the benefits.**”*

The Board’s rationale for requiring the face value and the amount guaranteed of loan guarantees to be disclosed can be found in the basis of conclusions for SFFAS 2:

- **Paragraph 101 says** *“The Board believes that each loan guarantee program should disclose the aggregate amount of outstanding guaranteed loans. **In addition, it should also disclose its risk exposure, which is the guaranteed portion of the total outstanding guaranteed loans.**”*

Staff Analysis - Reasons for eliminating this disclosure requirement

SFFAS 2 was issued in August 1993. When this standard was issued, the pre-1992 loan balances were material and significant to reporting entities. Over 30 years later, these balances are de minimis for the vast majority of reporting entities. Reporting entities are still reporting schedules including pre-1992 loan information because the reporting requirements remain in place.

To better understand how much pre-1992 loan guarantee information reporting entities still reported in FY25, staff reviewed agency financial reports. The table below shows

the pre-1992 loan guarantee information of 10 reporting entities⁹ that reported loan balances in their FY25 agency financial statements. The table shows the amount of loan guarantee information reported for pre-1992 & post 1991 loans (outstanding and defaulted amounts).

Pre-1992 Loan Guarantees (in millions)¹⁰
Table 2.0

Agency	Pre - 1992 Outstanding Guarantee amount	Value of Defaulted Pre-1992 Loans	Post - 1991 Outstanding Guarantee amount	Value of Defaulted Post -1991 Loans
Department of Agriculture	\$0	\$0	\$127,880	\$819
Department of Energy	\$0	\$0	\$1,441	\$0
Department of Commerce	\$0	\$0	\$0	\$0
Department of Defense	\$0	\$0	\$781.5	\$0
Department of Housing	\$0	\$716	\$1,766,439	\$80,169
Department of Interior	\$0	\$0	\$.11	\$629
Department of Transportation	\$0	\$0	\$801	\$163
Department of Veterans Affairs	\$0	\$1.0	\$275,443	\$2,519
Development Finance Corporation	\$0	\$16	\$10,345	\$776
Export-Import Bank	\$0	\$7.6	\$19,411	\$994

Based on the review of these 10 reporting entities' loan disclosures, the amount of pre-1992 loan guarantee information currently reported is very minimal when compared to post-1991 loan guarantee information. All of these reporting entities report zero

⁹ Results for the Department of Education and Small Business Administration are not included since they have elected to bifurcate portions of their loan disclosure between basic and Other Information (OI). Staff is currently in the process of researching this matter and will brief the Board accordingly.

¹⁰ Source of the information in this table is FY25 Agency Financial Reports.

balances for outstanding pre-1992 loan guarantees. The four agencies¹¹ in the review that reported pre-1992 loan guarantees have information only on defaulted pre-1992 loans. These pre-1992 defaulted loan guarantees accounted for a small amount of their overall loan portfolios.

The pre-1992 loan disclosure requirement is a candidate for elimination because the reporting of this information may have more cost than benefit based on the feedback from the task force & stakeholders. Eliminating this disclosure requirement would also reduce the burden on preparers and shorten the note disclosure.

Task Force Feedback “Pre-1992 disclosure requirements should be eliminated.”

- Members indicated strong support for eliminating the requirement to report pre-1992 loans in the disclosure.
- Members noted that pre-1992 loan balances were not material for their agencies.
- One member stated that burden reduction for removing pre-1992 disclosures would not be high because they would still keep track of these loans internally.
- Auditors stated that materiality for pre-1992 loans may be on a case-by-case basis for certain agencies.
- Preparers on the task force were not in support of pre-1992 disclosures being moved to RSI because this would not reduce the associated burden of this disclosure requirement.
- A member indicated that moving a loan disclosure requirement out of basic and into RSI may potentially add additional burden to preparers.

Stakeholder Feedback “Pre-1992 disclosure requirements should be eliminated.”

- Stakeholders agreed with the proposal to eliminate the requirement for pre-1992 disclosure information.
- A Government of Accountability Office (GAO) auditor stated that less than 1% of reported federal loan balances were pre-1992.
- Pre-1992 disclosure information is immaterial for all federal credit agencies.
- Although the pre-1992 balances are minimal, they still will take many years to be completed, liquidated, and fall off agency financial reports.

¹¹ Department of Agriculture, Department of Housing, Development Finance Corporation, & Export-Import Bank

Question for the Board:

1. Does the Board agree with the staff analysis and recommendation for eliminating the requirement for pre-1992 loan disclosures? Please explain your rationale along with any changes, improvements, or edits you suggest staff consider.

RECOMMENDATION #2

Staff recommends the Board consider either eliminating the requirement to disclose subsidy rates or moving it to Required Supplementary Information (RSI). If the Board chooses to eliminate the subsidy rate requirement AFRs could reference interested users to the *Federal Credit Supplement* for information on subsidy rates.

Example of a Subsidy Rates Disclosure Requirement (FY25 USDA Loan Disclosure)

Table 5: Subsidy Rates for Direct Loans by Program and Component (percentage)

FY 2025 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Ownership	2.32	0.21	—	(0.58)	1.95
Farm Operating	(3.81)	2.46	—	0.73	(0.62)
Emergency Disaster	5.13	7.20	—	(0.69)	11.64
Indian Tribe Land Acquisition	(5.32)	—	—	—	(5.32)
Farm Storage Facility Loan	0.37	—	(0.27)	(0.02)	0.08
Sugar Storage Facility Loan Program	(1.03)	—	—	0.12	(0.91)
Community Facility Loans	(1.38)	3.02	—	(0.52)	1.12
Section 502 Single-Family Housing	8.17	4.01	—	(0.38)	11.80
Section 515 Multi-Family Housing	40.27	0.88	—	(1.56)	39.59
Section 504 Housing Repair	26.82	(0.03)	—	(5.38)	21.41
Section 514 Farm Labor Housing	39.25	0.10	—	(0.59)	38.76
Section 524 Site Development	5.46	2.71	—	0.56	8.73
Multi-Family Housing Revitalization Seconds	70.82	0.29	—	(0.09)	71.02
Multi-Family Housing Revitalization Zero	59.50	0.22	—	(0.21)	59.51
Native American Single Family Relending Pilot	44.44	6.42	—	(1.47)	49.39
Rural Microenterprise Direct Loans	23.24	2.64	—	(4.09)	21.79
Intermediary Relending Program	35.09	0.96	—	(1.99)	34.06
Rural Economic Development Loans	20.66	—	—	(0.86)	19.80
Water and Waste Disposal Loans	16.76	0.10	—	(6.52)	10.34
Water and Waste 1%	45.04	0.08	—	(13.81)	31.31
Treasury Electric Loans	—	—	—	(1.61)	(1.61)
FFB Electric Loans	(3.47)	—	—	(0.83)	(4.30)
Treasury Telecommunications Loans	0.34	0.45	—	0.31	1.10
FFB Guaranteed Underwriting	—	0.60	(2.45)	(0.39)	(2.24)
Rural Energy Savings Program	19.98	0.55	—	(0.37)	20.16
IRA Section 22001	37.97	—	—	(0.29)	37.68
IRA Section 22004 Blended	18.40	—	—	(0.96)	17.44
IRA Section 22004 Zero	39.30	—	—	(1.61)	37.69
IRA Section 22004 Subsidized	1.50	—	—	(0.52)	0.98
Broadband Treasury Loans	0.38	13.74	—	(0.02)	14.10
Reconnect Direct Loans	19.49	8.57	—	(2.31)	25.75
Reconnect Grant Assisted Loans	—	8.57	—	0.39	8.96

Analysis

The disclosure requirement for reporting entities to disclose subsidy rates by program and component can be found in SFFAS 18:

- Paragraph 11(B) says,** *Reporting entities should also disclose, at the program level, the subsidy rates for the total subsidy cost and its components for the interest subsidy costs, default costs (net of recoveries), fees and other collections, and other costs, estimated for direct loans and loan guarantees in the current year's budget for the current year's cohorts. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct or guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.*

The Board's rationale for requiring reporting entities to disclose the subsidy rates by program and component can be found in the basis of conclusion for SFFAS 18:

- **Paragraph 31 says,** *A disclosure provision has been prescribed in this statement to require that reporting entities disclose, at the program level, the rates for the total estimated subsidy cost and the subsidy cost components in the current year's budget for the current year's cohorts. Each rate equals the amount of the total subsidy or a subsidy component divided by the amount of direct or guaranteed loans obligated in the cohort for the reporting year. The Board members believed that the budget subsidy rates for the reporting year are highly important because they represent budget expectations that reflect the most recent program characteristics.*
- **Paragraph 36 says,** *The Board was aware that the budget subsidy rates are published in the Federal Credit Supplement to the Budget of the U.S. Government. However, the inclusion of those subsidy rates in the financial reports will provide the reader of the financial statements with an easy access to the budget data. The Board was also aware that one cannot calculate the subsidy expense for the current year by applying the estimated subsidy rates of the current year cohorts to the amount of direct or guaranteed loans disbursed during the current year. Such calculation may give erroneous results because some of the loans disbursed during the current year may belong to previous years' cohorts. The disclosure of budget subsidy rates was initially proposed by the AAPC Credit Reform Accounting Task Force. When proposing the disclosure, the AAPC Credit Reform Accounting Task Force suggested that the disclosure be accompanied by a narrative explaining in conceptual terms how the total subsidy rate differs from the total subsidy expense recognized in the financial statements. The Board believes that it is necessary to have such a narrative to avoid confusion between the subsidy rates of the current year cohorts and the subsidy expense recognized for the current reporting year.*
- **Paragraph 38 says,** *The Board believes that the disclosure for the subsidy rates for the cohorts of the current reporting year will prove beneficial as they are important indicators for management's latest expectations reflecting the programs' current characteristics. The disclosure requirement is adopted because the advantages of the disclosure outweigh its disadvantages.*

Staff Analysis - Reasons for eliminating this disclosure requirement

As referenced above, the Board acknowledged in the basis for conclusions for SFFAS 18 that it knew the *Federal Credit Supplement* published subsidy rates for federal credit programs. Therefore, the Board acknowledged the duplication of effort for preparers.

The justification for this duplication of effort was stated in SFFAS 18 paragraph. 36. Paragraph 36 stated that adding the subsidy rates to the disclosure would "provide the reader of the financial statements an easy way to access budget data" and "the advantages of the disclosure outweigh its disadvantages."

Based on staff's research and outreach efforts, staff found that credit reform program managers and decision makers rely heavily on the *Federal Credit Supplement* for their informational needs rather than AFR loan disclosures. The supplement provides credit users with a centralized place for all federal credit programs. Therefore, in staff's opinion, the Board's intended purpose of including this disclosure has changed given

how data access has become significantly more efficient and streamlined since SFFAS 18 was released in 2000.

However, an important consideration regarding congressional and policy stakeholders is that even though they continue to rely on the *Federal Credit Supplement* for their informational needs, they still find value in having loan disclosure information audited and readily available in an alternate source. They view the information in the disclosure as being (1) more reliable since it is audited and (2) an alternate or back-up reference tool for use, if necessary.

Congressional stakeholders continue to have issues extracting credit information from executive branch agencies and are hesitant eliminating audited loan disclosure requirements from the AFR.

Two additional considerations to note are: (1) SFFAS 32 *Consolidated Financial Report of the United States Government Requirements* (CFR requirements) does not require the reporting of subsidy rates and (2) user preferences for subsidy rate attestation can be satisfied by moving said disclosures to RSI.

The subsidy rates disclosure requirement was rated as one of the more burdensome disclosures on the questionnaire that was issued to the task force last year¹². Eliminating this disclosure requirement or moving it to RSI would provide much needed relief for preparers and other stakeholders.

Also, it is staff's opinion that if the RSI option for the subsidy rate disclosure is chosen, interested users would not lose either reliability or access to this information.

Lastly, staff believes adding a reference in the agency note disclosure directing interested users to the *Federal Credit Supplement* for subsidy rates for credit programs would be beneficial if the decision is made to eliminate the requirement.

Task Force Feedback “Subsidy rates disclosure requirement should be eliminated.”

- Members agreed that the requirement to report subsidy rates by program and component for direct loans and loan guarantees should be eliminated.
- Members indicated this information was already reported in the *Federal Credit Supplement* and reporting it in the AFR was duplicative.
- Preparers noted that the burden reduction from eliminating subsidy rate disclosures would be high because of the duplication of effort.
- An auditor noted that removing this disclosure requirement would not be considered a high burden reduction for the audit community.

¹² See Appendix C for task force questionnaire results from 2025.

Stakeholder Feedback “*Subsidy rates disclosure requirement should be eliminated.*”

- Stakeholders agreed with the proposal to eliminate the requirement to disclose subsidy rates by program and component.
- Stakeholders also agreed with the proposal to include a reference in the loan disclosure stating that the subsidy rates can be found in the *Federal Credit Supplement*.
- Stakeholders stated that when they wanted subsidy rates by program and component, they went to the *Federal Credit Supplement*.

Question for the Board:

2. Does the Board agree with the staff analysis and recommendation for change to the subsidy rates disclosure requirement? If so, please indicate your preference whether this requirement should be eliminated or moved to RSI? Please explain your rationale along with any changes, improvements, or edits you suggest staff consider.

RECOMMENDATION #3

Staff recommends the Board consider streamlining the requirement to disclose detailed subsidy expense information. Staff proposes changing the requirement to allow reporting entities to disclose total subsidy expense rather than by expense component, similar to what is required at the consolidated level.

Example of an AFR Format (FY25 USDA Loan Disclosure)

Table 4: Subsidy Expense for Direct Loan Programs by Component

FY 2025 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	\$ 43	\$ 10	\$ (1)	\$ (11)	\$ 41	\$ (46)	\$ (239)	\$ 414	\$ 175	\$ 170
Export	—	—	—	—	—	—	—	(3)	(3)	(3)
Food Aid	—	—	—	—	—	—	—	26	26	26
Housing	99	40	—	(12)	127	1	1	(6)	(5)	123
Community Facility	(126)	91	—	14	(21)	—	—	189	189	168
Electric	(82)	5	(6)	(101)	(184)	—	8	(856)	(848)	(1,032)
Telecommunications	—	27	—	—	27	—	—	(82)	(82)	(55)
Water and Environmental	42	2	—	(54)	(10)	—	4	334	338	328
Intermediary Relending	2	1	—	—	3	—	—	(4)	(4)	(1)
Business and Industry	—	—	—	—	—	—	—	—	—	—
Economic Development	10	—	—	—	10	—	1	4	5	15
Total	\$ (12)	\$ 176	\$ (7)	\$ (164)	\$ (7)	\$ (45)	\$ (225)	\$ 16	\$ (209)	\$ (261)

Example of the CFR Format (FY25 CFR Loan Disclosure)

Loans Receivable, net as of September 30, 2025						
(In billions of dollars)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Subsidy Cost Allowance	Loans Receivable, Net	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education	1,397.7	135.4	-	(279.5)	1,253.6	(146.1)
Disaster Assistance Loans - SBA	324.9	11.0	-	(104.0)	231.9	10.5
FDIC (acting in its capacity as Receiver)	96.4	1.0	-	-	97.4	-
Federal Housing Admin Loans - HUD	75.7	34.4	1.1	(26.8)	84.4	-
Electric Loans - USDA	62.6	-	-	2.2	64.8	(1.0)
Federal Family Education Loans - Education	72.7	25.9	-	(63.3)	35.3	(2.7)
All other programs	265.7	5.0	1.4	(37.0)	235.1	5.8
Total loans receivable	2,295.7	212.7	2.5	(508.4)	2,002.5	(133.5)

Analysis

The disclosure requirement for reporting entities to disclose subsidy expense by component can be found in SFFAS 18:

- Paragraph 11(A) says, Reporting entities should provide a description of the characteristics of the programs that they administer, and should disclose for each program: (a) the total amount of direct or guaranteed loans disbursed for the current reporting year and the preceding reporting year, (b) the subsidy expense by components as defined in paragraphs 25 through 29, recognized for the direct or guaranteed loans disbursed in those years, and (c) the subsidy reestimates by components as defined in paragraph 32 for those years.**

The Board's rationale for requiring reporting entities to disclose subsidy expense by component can be found in the basis of conclusion for SFFAS 2:

- **Paragraph 83 says,** *The Exposure Draft proposed that when direct or guaranteed loans are disbursed, their subsidy expense be recognized separately among interest subsidy costs, default costs, fees (as a deduction from the costs), and other subsidy costs.*
- **Paragraph 85 says,** *The Exposure Draft posed a question: Should the subsidy cost components, if material, be recognized separately in financial reporting? Some respondents agreed that the subsidy cost components should be separately recognized. They believed that separate recognition would provide the level of detail needed to understand the program better and improve their component estimates for budget formulation.*
- **Paragraph 86 says,** *Some respondents were opposed to reporting subsidy costs by component on the grounds that (1) only the aggregate amount of subsidy costs is needed for budget execution purposes, (2) information on cost components may not be used by management, and (3) the cost of complex record-keeping and calculations outweigh the benefit.*
- **Paragraph 87 says,** *After considering the benefits and efforts required in accounting for subsidy cost components, the Board has concluded that when direct or guaranteed loans are disbursed, the subsidy expense of the direct loans or loan guarantees should be recognized in separate components. The Board believes that by reporting the subsidy expense components of direct or guaranteed loans disbursed during the reporting year, the cost components of newly disbursed direct loans and loan guarantees can be compared with those of prior years. The cost component information would be valuable for making credit policy decisions, monitoring portfolio quality, and improving credit performance. Information on interest subsidies and fees would help in making decisions on setting interest rates and fee levels. Information on default costs would help in evaluating credit performance.*
- **Paragraph 88 says,** *In calculating the present value of the subsidy costs for the budget, agencies must first develop data on cash flow components. OMB requires agencies to use the OMB credit subsidy model, which takes these cash flows as inputs and automatically calculates the components of the subsidy cost. Since the information on subsidy cost components of new direct loans and loan guarantees is available, reporting the information would not require significant additional efforts.*

Staff Analysis - Reasons to streamline this disclosure requirement

The Board believed that requiring reporting entities to disclose subsidy expense by component would provide policymakers and other stakeholders with valuable information. Providing stakeholders with additional details of the components of subsidy cost was intended to inform credit policy decisions and help evaluate loan portfolio performance.

As explained earlier, congressional staffers and policy decision makers rely on the *Federal Credit Supplement* for their informational needs but still find value in audited loan disclosure information. The *Federal Credit Supplement* publishes a breakdown of subsidy costs by component in greater detail than required in the AFR.

The subsidy expense by component disclosure was also rated as one of the more burdensome disclosures on the questionnaire that was issued to the task force last year¹³. Preparers noted that preparing the subsidy expense by component disclosure is challenging because of the level of detail it requires. Requiring preparers to only disclose the overall subsidy expense would greatly reduce preparer burden. Task force members indicated that streamlining this disclosure requirement would reduce burden at a high level.

Another consideration is that SFFAS 32 does not require the reporting of subsidy expense by component at the consolidated level. SFFAS 32 requires reporting subsidy expense for the reporting year for direct loans and loan guarantees in the *Financial Report of the United States*. Requiring only the total subsidy expense, rather than breaking it down by component, streamlines the note and makes it easier for CFR preparers. This is another difference between the consolidated and agency financial reports.

The subsidy expense by component disclosure is a candidate for streamlining because the intended users of this level of detail are not using it for their informational needs. Also, details regarding the components of subsidy expense can be found in the *Federal Credit Supplement*. Streamlining the subsidy expense by component disclosure would also provide high-level burden relief for preparers and the total subsidy expense amount would still be subject to audit in the AFR.

Task Force Feedback “Subsidy expense by component should be streamlined to reduce burden.”

- Members indicated strong support for streamlining the requirement to report subsidy expense by component and instead report only the total subsidy cost.
- Members indicated that the reporting of the breakdown of subsidy expense by component is a very detailed schedule and creates a burden on reporting entities.
- Some members supported giving reporting entities the flexibility to report the subsidy expense schedule by component or by overall total, based on materiality.
- A preparer stated streamlining the subsidy expense schedule would create short term burden because the controls for the disclosure would have to be

¹³ See Appendix C for task force questionnaire results from 2025.

reconfigured. He stated he preferred the disclosure requirement stay as is or be eliminated entirely.

- An auditor stated the components of subsidy cost he viewed as most important were fees and defaults. He acknowledged that this varied by reporting entity.
- Members said streamlining the subsidy expense by component requirement would significantly reduce burden due to its complexity and detail.

Stakeholder Feedback “*Subsidy expense by component can be streamlined.*”

- Stakeholders agreed with the proposal to streamline the requirement to report subsidy expense by component to reporting only the total subsidy expense.
- Stakeholders stated that a detailed breakdown of the subsidy cost components can be found in the *Federal Credit Supplement* when needed for their informational needs.
- Stakeholders believed reporting the total subsidy expense is still useful to AFR readers to show the cost to the government of these loan programs.

Question for the Board:

3. Does the Board agree with the staff analysis and recommendation for streamlining the requirement of disclosing subsidy expense by component? Please explain your rationale along with any changes, improvements, or edits you suggest staff consider.

RECOMMENDATION #4

Staff recommends the Board consider streamlining the requirement to disclose subsidy re-estimates by expense component. Staff proposes changing the requirement to allow reporting entities to disclose total subsidy re-estimates rather than by component.

Example of an AFR Subsidy Re-estimates Disclosure Requirement (FY25 USDA Loan Disclosure)

Table 4: Subsidy Expense for Direct Loan Programs by Component

FY 2025 Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	\$ 43	\$ 10	\$ (1)	\$ (11)	\$ 41	\$ (46)	\$ (239)	\$ 414	\$ 175	\$ 170
Export	—	—	—	—	—	—	—	(3)	(3)	(3)
Food Aid	—	—	—	—	—	—	—	26	26	26
Housing	99	40	—	(12)	127	1	1	(6)	(5)	123
Community Facility	(126)	91	—	14	(21)	—	—	189	189	168
Electric	(82)	5	(6)	(101)	(184)	—	8	(856)	(848)	(1,032)
Telecommunications	—	27	—	—	27	—	—	(82)	(82)	(55)
Water and Environmental	42	2	—	(54)	(10)	—	4	334	338	328
Intermediary Relending	2	1	—	—	3	—	—	(4)	(4)	(1)
Business and Industry	—	—	—	—	—	—	—	—	—	—
Economic Development	10	—	—	—	10	—	1	4	5	15
Total	\$ (12)	\$ 176	\$ (7)	\$ (164)	\$ (7)	\$ (45)	\$ (225)	\$ 16	\$ (209)	\$ (261)

Analysis

The disclosure requirement for reporting entities to disclose subsidy re-estimates by component can be found in SFFAS 18:

- Paragraph 11(A) says, Reporting entities should provide a description of the characteristics of the programs that they administer, and should disclose for each program: (a) the total amount of direct or guaranteed loans disbursed for the current reporting year and the preceding reporting year, (b) the subsidy expense by components as defined in paragraphs 25 through 29, recognized for the direct or guaranteed loans disbursed in those years, and (c) the subsidy reestimates by components as defined in paragraph 32 for those years.**

The Board's rationale for requiring reporting entities to disclose subsidy expense by component can be found in the basis of conclusion for SFFAS 18:

- Paragraph 13 says, As explained in the March 1999 ED, the rationale for separating the two reestimate components lies in the fact that interest rate reestimates and technical/default reestimates differ in nature.** The interest rate reestimate depends on how close the assumed interest rate, which is initially used in the budget, is to the actual interest rates prevailing at the time of loan disbursement. The interest rate reestimate does not in itself indicate changes in the quality of loan assets or the overall risk of loan guarantees, nor does it have any implication for the quality of the agency's subsidy estimation process. The technical/default reestimate, on the other hand, reflects the latest developments in risk and program characteristics and thus it indicates changes in the quality of loan portfolio or the overall risk of loan guarantees. In some instances, a large technical/default reestimate may indicate that the credit program management should find ways to improve its subsidy estimation process and/or its portfolio

management. Because of the difference in the nature of the two components, separate reporting would provide better information to users of the financial reports.

- **Paragraph 14 says,** All of the 12 respondents to the March 1999 ED agreed with the Board's proposal for reporting subsidy reestimates in those two components. The respondents believe that reporting the two reestimate components separately will provide information to reveal the causes of the reestimates. They believe that such information can help program managers improve credit program performance and subsidy estimation methodology.
- **Paragraph 15 says,** Although in support for the proposal, one respondent commented on the controllability argument. Since it was discussed in the March 1999 ED that the magnitude of an interest rate reestimate is beyond agencies' control, the respondent pointed out that some default factors, such as changes in economic conditions and natural disasters, are also beyond the control of credit programs. While it was stated in the March 1999 ED that "the assumed rate is determined by the Administration and is beyond the control of the agency," that statement does not imply that credit programs can control changes in economic conditions or all of the other events that would impact default rates. However, the Board believes that a reliable assessment of the economic changes and other risk factors in making default subsidy reestimates, whether or not controllable by the agency, can help credit programs better manage program costs and performance.
- **Paragraph 16 says,** Another respondent stated that analyses performed by his agency indicated that in past years, changes in interest rates produced relatively minor changes in that agency's overall subsidy rates. Thus, the respondent suggested that the Board consider whether it is cost beneficial to separate out the interest rate reestimates.
- **Paragraph 17 says,** The interest rate reestimates vary in magnitude from year to year. For some years, the assumed and the actual rates may be fairly close, whereas in other years they differ significantly and could produce a material effect on the overall subsidy rate. For example, the subsidy reestimate data provided USDA Rural Development Water and Waste Direct Loan program indicated that for fiscal years 1992 through 1994, the amounts of interest rate reestimates exceeded the amounts of technical/default reestimates. In 1995, the interest rate reestimate accounted for 84 percent of the total subsidy reestimate. In more recent years, the impact of interest rate reestimates was relatively small. In any case, we do not believe one can rely on the past experience for any particular year to make a conclusion about interest variations in future years.

Staff Analysis - Reasons for streamlining this disclosure requirement

The Board's rationale for requiring interest and technical re-estimates to be reported separately was to provide users with more detail. The Board believed that by separating the technical re-estimate, potential credit performance or estimation issues could be identified or highlighted for stakeholders.

Based on staff's research, stakeholders believed disclosing the total re-estimate was important, but opinions varied on the significance of reporting the components separately. Some stakeholders said they saw value in reporting the technical re-

estimate separately, but the added value was not significant. Streamlining the disclosure requirement to report the total re-estimate rather by component would not significantly impact their use of the disclosure.

Stakeholders are already using the *Federal Credit Supplement* for detailed information on subsidy re-estimates and their components. The *Federal Credit Supplement* reports the re-estimates by component and in much greater detail than reporting entities' loan disclosures. The 2027 supplement has lifetime subsidy re-estimate information for direct loans and loan guarantees from 1992 to 2025.

The subsidy re-estimates by component disclosure is a candidate for streamlining because the *Federal Credit Supplement* already includes similar information at a more detailed level. Streamlining the subsidy re-estimates by component disclosure would give burden relief for preparers and not compromise the available credit information for interested stakeholders. Also, the total subsidy re-estimates would still be subject to audit in the AFR.

Task Force Feedback “Reporting subsidy re-estimates by component can be streamlined.”

- Members did not recommend that the requirement for the disclosure of interest and technical re-estimates be eliminated or moved to RSI.
- Members believed the disclosure of re-estimates during the reporting period was very important information to have in the disclosure for users and program managers
- Members supported recommending that interest and technical re-estimates be disclosed as a total line item, not by component.
- A few members did find value in interest and technical re-estimates being disclosed by components but stated the impact of reporting them together was not significant.
- Preparers stated the burden reduction from requiring re-estimates to be disclosed component or together was not very high.

Stakeholder Feedback “Reporting subsidy re-estimates by component has value in some cases.”

- Stakeholders believed there was still value in requiring the interest and technical re-estimates to be reported by component.
- Stakeholders acknowledged that agencies had little control over the interest re-estimates, and they do not indicate loan performance.

- In some cases, additional details from reporting interest and technical re-estimates by component can identify variances and discrepancies.
- Stakeholders stated that the actual interest re-estimate process rather than the disclosure was one of the most burdensome aspects in credit reform for preparers.

Question for the Board:

4. Does the Board agree with the staff analysis and recommendation for streamlining the requirement of disclosing subsidy re-estimates by component? Please explain your rationale along with any changes, improvements, or edits you suggest staff consider.

RECOMMENDATION #5

Staff recommends the Board retain the requirement for reporting entities to display a reconciliation for the subsidy allowance for direct loans and the loan guarantee liability.

Example of an AFR Reconciling Subsidy Cost Allowance Balances – Direct Loans
(FY25 USDA Loan Disclosure)

Table 6: Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

	FY 2025
Beginning Balance of the Subsidy Cost Allowance	\$ 2,538
Add: Total Subsidy Expense for Direct Loans Disbursed During the Year As Shown in Table 4	(7)
Adjustments	
Loan Modifications	(1)
Fees Received	90
Loans Written Off	(313)
Subsidy Allowance Amortization	38
Other	46
Ending Balance of the Subsidy Cost Allowance Before Reestimates	2,391
Add or Subtract Total Subsidy Reestimates As Shown in Table 4	(209)
Ending Balance of the Subsidy Cost Allowance	<u><u>\$ 2,182</u></u>

Analysis

The disclosure requirement for reporting entities to display a reconciliation for the subsidy allowance for direct loans and the loan guarantee liability can be found in SFFAS 18:

- Paragraph 10 says, In a note to the financial statements, reporting entities should 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. The reconciliation is accomplished by adding to or subtracting from the beginning balance the dollar amounts of the following items: (a) the subsidy expense recognized in the four components as defined in paragraphs 25 through 29 for direct or guaranteed loans disbursed during the reporting year, (b) the two types of subsidy reestimates as defined in paragraph 32, and (c) other adjustments. For direct loans, the other adjustments include loan modifications, fees received, loans written off, foreclosed property or other recoveries acquired, and subsidy allowance amortization. For loan guarantees, the other adjustments include loan guarantee modifications, fees received, interest supplements paid, claim payments made to lenders, foreclosed property or other recoveries acquired, and interest accumulated on the loan guarantee liability. The requirement to display reconciliation applies to direct loans and loan guarantees obligated or committed on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged but not required to display reconciliations for direct loans and loan guarantees obligated or committed prior to October 1, 1991, in schedules separate from the direct loans and loan guarantees obligated or committed after September 30, 1991. The U.S. government-wide financial statements need not disclose a reconciliation between the beginning and ending balances of the subsidy cost allowance for the**

outstanding direct loans and the liability for outstanding loan guarantees reported in the U.S. government-wide financial statements.

The Board's rationale for requiring reporting entities to display a reconciliation for the subsidy allowance for direct loans and the loan guarantee liability can be found in the basis of conclusion for SFFAS 18:

- **Paragraph 19 says,** *During its discussions about the subsidy expense and subsidy reestimates, the Board held the view that it is not adequate or desirable to report annual subsidy expense and reestimates in an isolated fashion. The Board concluded that additional information is needed to provide a full picture about a credit program's performance. The Board believes that the reconciliation can be used as an effective vehicle to provide such information.*
- **Paragraph 20 says,** *As explained in the March 1999 ED, an advantage of displaying the reconciliation is to show in one place the activities that affect the subsidy cost allowance or the loan guarantee liability. In addition to the subsidy expense and reestimates, which are based on projections of future cash flows, the reconciliation schedule also displays data on actual performance, such as fees received, loans written off, claim payments made to lenders, and foreclosed property, loans receivable, or other recoveries acquired during the reporting year. These actual performance data and the data on subsidy cost estimates would be a useful tool to begin assessing the actual performance of a reporting entity's lending or loan guarantee activities against its budget expectations.*
- **Paragraph 21 says,** *The Board noted as another advantage that the reconciliation process would enhance credit agencies' internal control. To comply with the requirement, entities must make the subsidy data elements consistent, accurate, and thus reconcilable. In conjunction with credit agencies' loan monitoring systems, the reconciliation process can serve as a tool to foster a discipline in organizing data related to subsidy costs and performance in a systematic manner.*
- **Paragraph 22 says,** *A majority of the respondents supported the Board's proposal for displaying the reconciliation. They believed that the reconciliation will provide useful information to Congress, program managers, and other users of financial statements. One respondent stated that once required as a part of the financial statements, the reconciliation will be subject to validation through audit and thus will become a reliable source of information for those who make decisions and evaluate results for credit activities.*
- **Paragraph 23 says,** *Several respondents, however, expressed disagreements or reservations about the proposed reconciliation. Some of them commented that compiling the reconciliation data would be a burdensome process. We believe that performing the reconciliation would initially require some staff training and computer programming. However, the effort will be worthwhile because the process will help agencies organize the necessary data in an orderly manner. When properly programmed, the reconciliation process can become a routine and systematic process. In fact the reconciliation requires no more data than those that are necessary in deriving the ending balances of the subsidy cost allowance and loan guarantee liability from their beginning balances of a*

reporting period. Thus, all the data necessary for the reconciliation should be available and verifiable if the ending balances are accurate.

- **Paragraph 25 says,** *Some of those who disagreed with the reconciliation proposal recognized merits in reconciling subsidy cost allowance for direct loans and liability for loan guarantees, but doubted whether the reconciliation on an entity basis would provide useful information.* They pointed out that the programs their agencies administer vary in characteristics and subsidy rates, and that the reconciliation at the entity level will aggregate the program data and, as a result, will not reveal the characteristics and operating results of individual programs.
- **Paragraph 26 says,** *The Board was aware that programs administered by an agency often differ in characteristics and subsidy rates. The Board agrees with the view that the entity-wide reconciliation in itself would not reveal variations in program performance. The Board thus decided to issue an exposure draft, soon after issuing this statement, to propose a display of a program-by-program reconciliation for major programs. Nevertheless the Board sees value in the entity-wide reconciliation itself. With respect to the subsidy cost allowance and the loan guarantee liability reported on an entity's balance sheet, the entity-wide reconciliation shows changes in those balances. Those changes indicate the entity's aggregate performance results for all the credit activities under the entity's management.*

Staff Analysis - Reasons for retaining disclosure requirement

The Board believed the required reconciliations would provide a better understanding of the reporting entity's credit performance throughout the reporting year. The Board also believed that the required reconciliations would enhance the reporting entity's internal control. They believed the benefits of these reconciliations would offset preparer burden.

Based on staff's outreach efforts, we found that interested users and auditors use the required reconciliation to understand changes in the subsidy allowance during the reporting period. Stakeholders such as GAO and Congressional Research Service (CRS) use the required reconciliations to respond to congressional requests and inquiries about changes in the subsidy allowance and the reasons "why."

Feedback from preparers on the task force and in other discussions is that the required reconciliations remain the most burdensome disclosure requirement. The reasons preparers stated these reconciliations were burdensome were that 1) preparation information had to be pulled from various sources and 2) preparers had to ensure numbers tied to other schedules in the disclosure.

Opponents of the required reconciliations still argue that they have limited value because they are entity-wide rather than program-by-program. Therefore, the reconciliations are less useful for reporting entities with a diverse loan portfolio with varying performance in a reporting year. The Board rationale for requiring the reconciliations to be program by program is in the basis of conclusions for SFFAS 19:

- Paragraph 12 says,** *After considering the comments, the Board decided not to adopt the proposed standard. The Board concluded that SFFAS No. 2 and SFFAS No. 18 already require sufficient program information. Paragraph 32 in SFFAS No. 2, as amended by SFFAS No. 18, requires that entities disclose each program's interest rate re-estimates and technical/default re-estimates. More extensive disclosure is required in SFFAS No. 18. Paragraph 11(a) in SFFAS No. 18, for example, requires that entities provide a description of the characteristics of the programs that they administer. It also requires disclosure of the amount of direct or guaranteed loans disbursed for each program during the reporting year as well as each program's subsidy expense, and subsidy re-estimates. Paragraph 11(b) requires disclosure of each program's subsidy rates for direct loans and loan guarantees in the current year's cohort. Furthermore, paragraph 11(c) requires that reporting entities disclose, discuss, and explain events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates. The Board believes that in the process of producing the program based information required by paragraph 11(c), an entity will naturally describe important changes in the actual performance of its credit programs; e.g., default claims paid, loans written off, etc. Thus, the Board concluded that the program-based disclosure and discussion required by the existing standards should provide sufficient information about credit activities at the program level. In addition, although the incremental cost of producing the program-based reconciliation would be quite small for most agencies, the Board believes that requiring the display of program-based reconciliation would add length and complexity to the financial reports that are already detailed and complex. As a result of these benefit and cost considerations, the Board concluded that requiring the display of a program-by-program reconciliation was not justified.*

Changing the reconciliation to program-by-program would increase meaning for users of this disclosure, but it would also add burden to preparers. It would also increase the length and complexity of the reporting entities' already lengthy disclosures. Therefore, staff does not recommend changing the required reconciliation to a program-by-program basis.

Staff also does not recommend relocating the required reconciliations to RSI. Stakeholders find value in the required reconciliations being audited as part of basic information. Reducing audit scrutiny by moving the reconciliations to RSI would provide less value for interested stakeholders.

The required reconciliations requirement is recommended for no change because of the value it brings to stakeholders to truly understand the change in the subsidy allowance throughout the fiscal year. Staff believes the benefit outweighs the cost for this disclosure requirement.

Task Force Feedback “Required Reconciliations are burdensome to prepare but a valuable disclosure requirement.”

- Members did not recommend eliminating the required reconciliations for the subsidy cost allowance and loan guarantee liability or moving them to RSI.
- Members noted that the required reconciliation told a story of the subsidy cost allowance and answered questions for auditors and users.
- Preparers acknowledged that the required reconciliations were the most burdensome disclosures but still saw value in the requirement.
- An auditor on the task force stated the required reconciliations were the most important requirement when reviewing the loan disclosure.
- An auditor noted that the required reconciliation could possibly be streamlined as certain line items may not be necessary.
- Users on the task force said this disclosure was important for understanding changes in subsidy cost throughout the reporting period.

Stakeholder Feedback “Required Reconciliations are very important and should remain in basic.”

- Stakeholders believed the required reconciliations of the subsidy cost allowance and loan guarantee liability were very important disclosure requirements
- Stakeholders believed these required reconciliations should remain in basic rather than be moved to RSI or eliminated.
- They were valid arguments in support and against the required reconciliations.
 - The benefits mentioned were enhanced internal control for credit accounts and greater insight into the causes of changes in agency subsidy balances.
 - The cons mentioned were that the reconciliations were burdensome for preparers, and the lack of programmatic detail reduced the meaningfulness of the disclosure requirement.
- The required reconciliations could be improved by requiring a program-by-program reconciliation but that would increase the burden of preparers and greatly increase the size and complexity of the disclosure requirement.
- The required reconciliations were most useful for agencies with fewer direct loan and loan guarantee programs.

Question for the Board:

5. Does the Board agree with the staff analysis and recommendation to retain the requirement for reporting entities to display a reconciliation for the subsidy allowance for direct loans and the loan guarantee liability? Please explain your rationale along with any changes, improvements, or edits you suggest staff consider.

Appendix A

Review of the *Federal Credit Supplement*

Based on staff's research in 2025, congressional staffers, policymakers, and other interested stakeholders mainly relied on the *Federal Credit Supplement* for their credit information needs. The *Federal Credit Supplement* is a very detailed document that provides credit information on federal direct loan and loan guarantees. During the April Board meeting, staff was asked to research the information contained in this document and compare it to the information found in reporting entities' loan note disclosures.

Federal Credit Supplement

Tables 1 & 2 contain information on:

- Subsidy rates for federal direct loans and loan guarantees programs for the current and previous year
- Obligations and Commitments for direct loans and loan guarantees programs for current and previous year
- Average loan size for direct loan and loan guarantees programs

Tables 3 – 6 contain information on:

- Composition of subsidy for direct loan and loan guarantee programs for current and previous year
 - Defaults, net of recoveries
 - Interest
 - Fee
 - Other
- Loan Characteristics for direct loan and loan guarantee programs for the current and previous year
 - Loan maturity in years
 - Borrower rate
 - Grace period in years
 - Upfront fees
 - Annual fees

- Other fees
- Default rate
- Recovery rate

Tables 7 & 8 contain information on:

- Lifetime re-estimates of direct loan and loan guarantee cohorts from 1992 through 2024 by agency, bureau, program, and risk category
 - Original subsidy rate
 - Current re-estimate rate
 - Percentage point change due to technical assumptions
 - Current re-estimate amount
 - Net lifetime re-estimate amount
 - Net lifetime re-estimate amount excluding interest
 - Total disbursements to date
 - Outstanding balances

Tables 9 & 10 contain information on:

- Rates at which the 2026 cohorts of direct loans and guaranteed loans are expected to disburse

Comparison of *Federal Credit Supplement* to Agency Loan Note Disclosure

- There is information in both the supplement and loan note disclosure on credit program subsidy rates
 - The rate breakdown in the FCS is more granular
- There is information in both the supplement and loan note disclosure on the components of subsidy costs (defaults, interest fee, & other)
- There is information in both the supplement and loan note disclosure contain on direct loan and loan guarantee obligations
 - The obligation breakdown in the FCS is more granular

- There is information in both the supplement and loan note disclosure on subsidy re-estimates
 - The supplement contains information on lifetime re-estimates and also for cohorts from 1992 to 2025 as of the most recent issue¹⁴.
 - The loan note disclosure contains re-estimates for current reporting year only.
- The supplement lacks the narratives required in the loan note disclosure. This an area where the loan note disclosure can add real meaning for users and decision makers.
- The supplement does not have a reconciliation displaying the changes in the subsidy allowance like what is required in the loan note disclosure.

¹⁴ The most recent issue was published in Spring 2027.

Appendix B

Loan Disclosure Requirements for the CFR vs AFR

During the April 2026 Board meeting, staff was asked to research the requirements at the consolidated level and compare them to the requirements at the reporting entity level. The added detail required at the reporting-entity disclosure level is a main reason why the disclosure is longer and more complex than at the consolidated level.

CFR Loan Disclosure Requirements SFFAS 32	AFR Loan Disclosure Requirements SFFAS 2 & SFFAS 18
• 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	• Explanation of the nature of modifications of direct loans and loan guarantees • The face value of guaranteed loans outstanding and the amount guaranteed (For pre-1992 & post-1991 loans) • Reconciliation between the beginning and ending balances of the subsidy cost allowance for direct loans and loan guarantees • A description of the characteristics of loan programs • The total amount of direct or guaranteed loans disbursed for the current reporting year and preceding • Subsidy expense by components for direct or guaranteed loans recognized for those years • Subsidy re-estimates by components for those years • Subsidy rates for the total subsidy costs and its components, estimated for direct and guaranteed loans • Disclose, discuss, and explain events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions, that have had a measurable effect on subsidy rates, subsidy expense and subsidy reestimates.

Appendix C

Task Force Questionnaire 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 re-estimates. 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
