

New Credit Reform Accounts

1.

Account Title: Subsidy Payable to Financing Account

Account Number: 2170

Normal Balance: Credit

Type of Account: Posting

Proposed Definition: The amount of subsidy payable from a program account to a financing account for both undisbursed direct loans and undisbursed guaranteed loans.

Justification: Subsidy payments are obligated in a program account simultaneous to an obligation of direct loans or guaranteed loans in a financing account. This payable is presently accounted for in account 2110 Accounts Payable. Since the balance in 2110 Accounts Payable is tracked against account 4901 expended Authority - Unpaid, subcommittee members suggested the new account would benefit reconciliations. Also, the amount of subsidy payable will be more easily identified after this new account is added.

2.

Account Title: Contra Liability for Subsidy Payable to Financing Account

Account Number: 2179

Normal Balance: Debit

Type of Account: Posting

Proposed Definition: The amount of subsidy payable from a program account to a financing account for both undisbursed direct loans and undisbursed guaranteed loans. (Contra account to Account 2170 Subsidy Payable to Financing Account.)

Justification: Previous case studies showed transactions recording the payable with a debit to prepaid subsidy in account 1450 Prepayments. When using account 1450, there is an assumption that something had been paid. Since there is no actual payment, the IRC subcommittee suggested that using account 1450 is incorrect. No other SGL account was identified as being an acceptable repository for this data. After adding Account 2179, the required debit/offset to account 2170 will be easily identified.

3.

Account Title: Loan Modification Adjustment Transfer Appropriation

Account Number: 4125

Normal Balance: Debit

Type of Account: Posting

Proposed Definition: An amount appropriated to a financing account from a permanent indefinite appropriation to cover the cost of a modification adjustment transfer. Modification costs are calculated using a current discount rate at which a cohort pays or earns interest. When the cost of a modification is less when calculated at the current discount rate than at the discount rate at which the cohort pays or earns interest, a modification adjustment transfer appropriation is required.

Justification: To date, an appropriation for a Modification Adjustment Transfer is the ONLY time funds are appropriated to a financing account. A new account will highlight this extraordinary event.

**SAMPLE TRANSACTIONS
EXISTING ACCOUNTS V.S. PROPOSED NEW ACCOUNTS**

1. Account 2170 Subsidy Payable to Financing Account and Account 2179 Contra Liability for Subsidy Payable to Financing Account

A. RECORD SUBSIDY IN PROGRAM ACCOUNT. The agency entered into binding contracts for \$100,000 of direct loans. The OMB subsidy model indicated a 25% subsidy rate.

<u>Program Account</u>	
<u>Budgetary</u>	
4610 Allot - Realized Res	25,000
4801 Undeliv Orders - Unpaid	25,000
<u>Proprietary</u>	
<u>FY 1999 entry</u>	
1450 Prepaid Subsidy	25,000
2110 Subsidy Pay to Fin Acct	25,000
<u>FY 2000 entry</u>	
2179 Contra liability for Subsidy Pay to Fin Acct	25,000
2170 Subsidy Pay to Fin Acct	25,000

B. TRANSFER SUBSIDY TO FINANCING ACCOUNT. The subsidy was transferred from the program to the financing account at the time of loan disbursement.

<u>Program Account</u>	
<u>Budgetary</u>	
4801 Undel Orders - Unpaid	25,000
4902 Expended Auth - Paid	25,000
<u>Proprietary</u>	
<u>FY 1999 Entries</u>	
6100 Subsidy Exp	25,000
1450 Prepaid Subsidy	25,000
3100 Unexpended Approp	25,000
5700 Appropriations Used	25,000
2110 Subsidy Pay to Fin Acct	25,000
1010 Fund Bal w/ Treasury	25,000
<u>FY 2000 Entries</u>	
6100 Subsidy Exp	25,000
2179 Contra Liab for Subsidy Pay to Fin Acct	25,000
3100 Unexpended Approp	25,000
5700 Appropriations Used	25,000
2170 Subsidy Pay to Fin Acct	25,000
1010 Fund Bal w/ Treasury	25,000

2. Account 4125 Loan Modification Adjustment Transfer Appropriation

A. RECORD APPROPRIATION. An appropriation (permanent indefinite) warrant was received from the Treasury for the modification adjustment transfer as described in Circular A-11 (1998) Section 33.11(b).

<u>Financing Account</u>		
<u>Budgetary</u>		
<u>FY 1999 Entry</u>		
4119 Other Approps Realized	150	
4610 Allotments - Real Res		150
<u>FY 2000 Entry</u>		
4125 Loan Modification Adjustment Transfer		
Appropriation	150	
4610 Allotments - Real Res		150
<u>Proprietary</u>		
1010 Fund Bal w/ Treasury	150	
1399 Allow for Subsidy		
		1
		5