CHAPTER 22

DIRECT LOANS AND LOAN GUARANTEES

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I. PURPOSE

This chapter establishes the Department of Energy (DOE) accounting policy and procedures for direct loans and loan guarantees for non-Federal borrowers.

II. APPLICABILITY

II.A. Departmental Applicability

The applicability of this chapter is specified in DOE Financial Management Handbook (FMH) Chapter 1, *Financial Management Handbook Overview*.

II.B. DOE Contractors

This chapter does not apply to contractors.

III. REQUIREMENTS

III.A. Federal Credit Reform Act

The policies and procedures for credit programs reflect the requirements of the *Federal Credit Reform Act of 1990* (FCRA), as amended. FCRA is found at Title V of the *Congressional Budget Act of 1974*, as amended by section 13201 of the *Omnibus Budget Reconciliation Act of 1990*, and by section 10117 of the *Balanced Budget Act of 1997*, and codified in Title 2, United States Code (USC), Section 661.

The major purposes of the Act are to:

- Measure more accurately the costs of credit programs.
- Place the cost of credit programs on a budgetary basis equivalent to other federal spending.
- Encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and
- Improve the allocation of resources among credit programs and between credit and other spending programs.

III.B. Accounting Standards

The accounting standards for direct and guaranteed loans concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

Although direct loans disbursed and outstanding are recognized as assets, and loan guarantees outstanding are recognized as liabilities, they are discussed in this section simultaneously as they are in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standard (SFFAS) 2, *Accounting for Direct Loans and Loan Guarantees*.

III.B.1. Post-1991 Direct Loans

Refers to direct loan obligations made on or after the beginning of FY 1992, i.e., after September 30, 1991, and the resulting direct loans. Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

III.B.2. Post-1991 Guarantees

Refers to loan guarantee commitments made on or after the beginning of FY 1992, i.e., after September 30, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed. One hundred percent guaranteed loans that are financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees.

III.B.3. Cohort

OMB Circular A-11 states that cohort means all direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year (except as provided below for loan guarantees that are modified). For direct loans and loan guarantees for which a subsidy appropriation is provided for one fiscal year, the cohort will be defined by that fiscal year. For direct loans and loan guarantees for which multi-year or no-year appropriations are provided, the cohort is defined by the year of obligation. Direct loans and loan guarantees that are made from supplemental appropriations will be recorded in the same cohort as those that are funded in annual appropriations acts.

These rules apply even if the direct loans or guaranteed loans are disbursed in subsequent years. “Self-pay” programs, defined as direct loan or loan guarantee programs for which no subsidy appropriation has been made, but for which the subsidy cost is paid by the borrower; shall assume that the cohort is the fiscal year in which the direct loan or the loan guarantee has been formally committed and the subsidy has been paid by the borrower.

Cohort accounting applies to post–1991 direct loans and loan guarantees and loan guarantees that have been modified. Post–1991 direct loans or loan guarantees remain with their original cohort throughout the life of the loans, even if they are modified. For purposes of budget presentation, cohorts will be aggregated. However, accounting and other records must be maintained separately for each cohort.

III.B.4. Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees

A subsidy expense is recognized for direct or guaranteed loans disbursed during a fiscal year. The amount of the subsidy expense equals the present value of estimated cash outflows over the life of the loans minus the present value of estimated cash inflows, discounted at the interest rate on marketable Treasury securities of similar maturity to the cash flows of the direct loan or loan guarantee for which the estimate is being made (hereinafter referred to as the applicable Treasury interest rate).

Implementation guidance for preparing, utilizing and reporting credit program subsidy costs are provided in *Preparing and Auditing Estimates for Direct Loans and Loan Guarantees*, Federal Financial Accounting and Auditing Technical Releases 3 and 6, published by the Accounting and Auditing Policy Committee (AAPC) sponsored by FASAB.

III.B.4.i. For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately among interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

III.B.4.ii. The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

III.B.4.iii. Guarantees of post–1991 loans that are financed by the FFB are treated as direct loans in the budget, but the intrabudgetary cash flows reflect elements of direct loans and loan guarantees. The direct loan financing account for these loans will collect and hold the subsidy payment from the program account. This balance, together with interest earnings, will be available to pay the FFB in the event of default by the non-Federal borrower.

III.B.4.iv. The default cost of direct loans or loan guarantees results from any anticipated deviation, other than prepayments by the borrowers, from the payments schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected payment delinquencies and omissions minus net recoveries.

Projected net recoveries include the amounts that would be collected from the borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

III.B.4.v. The present value of fees and other collections is recognized as a deduction from subsidy costs.

III.B.4.vi. Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms.

III.B.5. Subsidy Amortization and Reestimation

The subsidy cost allowance for direct loans is amortized by the interest method using the interest rate that was used to calculate the present value of the direct loans when the direct loans were disbursed, after adjusting for the interest rate reestimate. The amortized amount is recognized as an increase (i.e., when effective interest exceeds nominal interest) or decrease (i.e., when nominal interest exceeds effective interest) in interest income.

Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period times the stated interest rate. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) times the applicable Treasury interest rate.

III.B.5.i. Interest is accrued and compounded on the liability for loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities when the guaranteed loans were disbursed, after adjusting for the interest reestimate. The accrued interest is recognized as interest expense.

III.B.5.ii. Credit programs should reestimate the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees as required in SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*.

There are two kinds of reestimates: interest rate reestimates, and technical/default reestimates. Entities should measure and disclose each program's reestimates in these two components separately. An increase or decrease in the subsidy cost allowance or loan guarantee liability resulting from the reestimates is recognized as an increase or decrease in subsidy expense for the current reporting period.

- An interest rate reestimate is a reestimate due to a change in interest rates from the rates assumed in budget preparation and used in calculating the subsidy expense to the prevailing rates during the time periods in which the direct or guaranteed loans are disbursed. Credit programs may need to make an interest rate reestimate for cohorts from which direct or guaranteed loans are disbursed during the reporting year.

  If the assumed interest rates that were used in calculating the subsidy expense for those cohorts differ from the interest rates that are prevailing at the time of loan disbursement, an interest rate reestimate for those cohorts should be made as of the date of the financial statements.

- A technical/default reestimate is a reestimate due to changes in projected cash flows of outstanding direct loans and loan guarantees after reevaluating the underlying assumptions and other factors that affect cash flow projections as of the financial statement date, except for any effect of the interest rate reestimates explained above.

  In making technical/default reestimates, reporting entities should take into consideration all factors that may have affected various components of the projected cash flows, including defaults, delinquencies, recoveries, and prepayments. The technical/default reestimate should be made each year as of the date of the financial statements.

III.B.6. Criteria for Default Cost Estimates

The criteria for default cost estimates apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. The reestimates take into account the differences in past cash flows between the projected and realized amounts and changes in other factors that can be used to predict the future cash flows of each risk category.

III.B.6.i. In estimating default costs, the following risk factors are considered:

- Loan performance experience.
- Current and forecasted international, national, or regional economic conditions that may affect the performance of the loans.
- Financial and other relevant characteristics of borrowers.
- The value of collateral to loan balance.
- Changes in recoverable value of collateral; and
- Newly developed events that would affect the performance of the loan.

Improvements in methods to reestimate defaults also are considered.

III.B.6.ii. Each credit program shall use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts with significant amounts carry a high weight in risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

III.B.6.iii. The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a database shall be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

III.B.7. Revenues and Expenses

Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to Treasury is recognized as interest expense.

Costs for administering credit activities (such as salaries, legal fees, and office costs) that are incurred for credit policy evaluation; loan and loan guarantee origination; closing, servicing, monitoring, and maintaining accounting and computer systems; and other credit administrative purposes are recognized as administrative expenses. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

Costs should be recognized as directed in SFFAS 4, *Managerial Cost Accounting Standards and Concepts*. Fees should be assessed as directed in OMB Circular A-25, *Fees Assessed for Government Services*, revised.

III.B.8. Modification of Direct Loans and Loan Guarantees

The term "modification" means a federal government action, including new legislation or administrative action that directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

II.B.8.i. Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are considered reestimates, workouts as defined below, or are permitted under the terms of existing contracts.

III.B.8.ii. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered.

Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

III.B.8.iii. The term "modification" does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, and actions that are permitted within the existing contract terms.

Workouts are actions taken to maximize repayments of existing direct loans or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent reestimates.

III.B.9. Modification of Direct Loans

With respect to a direct or indirect modification of post-1991 direct loans, the cost of modification is the excess of the pre-modification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

III.B.9.i. When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan’s maturity. That amount is discounted at the original discount rate (the rate that originally was used to calculate the present value of the direct loan, when the direct loan was disbursed).

III.B.9.ii. The changes in the book value of post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification normally will differ due to the use of different discount rates or different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

III.B.10. Modification of Loan Guarantees

With respect to a direct or indirect modification of post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the pre-modification liability of those loan guarantees. The modification cost is recognized as modification expense when the loan guarantees are modified.

III.B.10.1. The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed).

III.B.10.2. The change in the amount of liability of post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

III.B.10.3. For those performing direct loans or loan guarantees that are part of a “self-pay” program and that are modified at the request of the borrower or upon mutual agreement of the borrower and the issuing/guaranteeing agency, any increase in subsidy amount shall be paid by the borrower.

III.B.10.4. For those direct loans or loan guarantees that are part of a “self-pay” program and that are modified as the result of a borrower default and a subsequent restructure of the loan or guarantee terms, any increase in subsidy as the result of a reestimate shall be paid utilizing funds from Treasury under the permanent and indefinite authority of the restructuring agency.

III.B.11. Sale of Loans

The sale of post-1991 direct loans is a direct modification.

III.B.11.1. The cost of modification is determined on the basis of the pre-modification value of the loans sold. If the pre-modification value of the loans sold exceeds the net proceeds from the sale, the excess is the cost of modification, which is recognized as modification expense.

III.B.11.2. For a loan sale with recourse, potential losses under the recourse or guarantee obligations are estimated, and the present value of the estimated losses from the recourse is recognized as subsidy expense and as a loan guarantee liability when the sale is made.

III.B.11.3. The book value loss (or gain) on a sale of direct loans equals the existing book value of the loans sold minus the net proceeds from the sale. Since the book value loss (or gain) and the cost of modification are calculated on different bases, they will normally differ. Any difference between the book value loss (or gain) and the cost of modification is recognized as a gain or loss.

For sales of post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

III.B.12. Reconciliation and Disclosure

SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*, requires a reconciliation and additional disclosures. Federal agencies are required 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.

Agencies should also:

III.B.12.1. Provide a description of the characteristics of the programs that they administer, and should disclose for each program:

- The total amount of direct or guaranteed loans disbursed for the current reporting year and the preceding reporting year,
- The subsidy expense by components recognized for the direct or guaranteed loans disbursed in those years, and
- The subsidy reestimates by components for those years.

III.B.12.2. 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.

III.B.12.3. 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, and

III.B.12.4. Events and changes in conditions that have occurred and are more likely than not to have a significant impact but the effects of which are not measurable at the reporting date.

III.B.13. Foreclosure of Post-1991 Direct Loans and Guaranteed Loans

When property is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as a compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at the present value of its estimated future net cash inflows discounted at the original discount rate.

III.B.14. Write-off of Direct Loans

When post-1991 direct loans are written off, the unpaid principal of each loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts shall have been reflected in the subsidy cost allowance through the subsidy cost estimate or re estimates. Therefore, the write-off would have no effect on expenses.

III.B.14.1. Credit Reform Fund Controls

For credit programs, systems for administrative control of funds are required to include the following features:

- Restrict both obligations and expenditures from each program account, financing account, and liquidating account to the lesser of:
  - The amounts available for administrative expenses, direct loan subsidies, direct loan levels, guaranteed loan levels, and any limitations specified in law; or
  - The amounts apportioned for the amounts specified above.
- Enable the fixing of responsibility for an obligation or expenditure exceeding the categories specified above.
- Simultaneously determine, at the obligation stage for direct loans and at the commitment stage for guaranteed loans, whether sufficient budget authority for the subsidy exists in the program account and whether a sufficient unused loan level limit exists in the financing account.

III.C. Recording Obligations, Disbursing Loans, and Re-estimating Subsidies

Obligation of a subsidy shall be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, section 185, *Federal Credit*.

For the Title XVII loan guarantee program and the Advance Technology Vehicles Manufacturing (ATVM) loan program, the conditional commitment typically represents a binding contract for DOE.[1]

Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of the subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed.

If at that time the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to FCRA Section 504(F). If the subsidy amount decreases, a payment shall be made to a receipt account.

III.D. Borrowing from Treasury

FCRA provides indefinite borrowing authority to financing accounts to fund the unsubsidized portion of direct loans and to satisfy obligations in the event the financing account’s resources are insufficient. For direct loan financing accounts, each loan disbursement is financed by the subsidy cost payment from the program account, fees where applicable, and borrowing from Treasury.

For loan guarantees, the financing account may borrow from Treasury when balances in the financing account are insufficient to pay claims. These borrowings generally occur on an as-needed basis.

If a direct loan or loan guarantee program or risk category generates negative subsidy cost, the financing account must borrow from Treasury to cover the payment to the negative subsidy receipt account.

All borrowing is dated October 1, regardless of whether it is the original amount borrowed at the beginning of the year or a supplementary amount borrowed later in the year. As a result of treating the entire amount as a single borrowing, interest expense is not affected by whether all borrowed funds were disbursed or whether the original borrowing had to be supplemented later in the year.

III.E. Computation of Interest Expense and Interest Income

[1] See section V.Q. of Chapter 5 of the Financial Management Handbook.

III.E.1. Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs

III.E.1.i. Interest expense in a direct loan program results from borrowing from the Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources - subsidy transfer and borrowing from the Treasury.

III.E.1.ii. A single borrowing from the Treasury may be made at the beginning of each fiscal year, separately for each cohort on the basis of the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the Treasury. (The undisbursed balance of Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the Treasury.

III.E.2. Frequency of Interest Computations

The OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that are currently disbursing shall be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by the OMB and Treasury. In those few programs that have a strong seasonal pattern, the OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

III.E.3. Weighted Average Interest Rate

FCRA provides that the interest rate for borrowing shall be assigned on the basis of the Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year, until 90 percent of the disbursements from the cohort have been made.

Each year the current year average annual interest rate is weighted by current year disbursements and merged with the prior year's weighted average to calculate a new weighted average. These computations are included in the OMB's electronic worksheets for calculating financing account interest. Those worksheets calculate interest expense for borrowing from Treasury and interest income from Treasury on uninvested funds in the financing account.

III.E.4. Procedures for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts

Detailed instructions for calculating interest due to and due from Treasury are provided in Volume 1, Part 2, Chapter 4600 of the TFM.

III.F. Reporting

DOE must produce external reports required by OMB and Treasury, including those associated with FCRA and the Chief Financial Officers Act of 1990. DOE must also conform to IRS reporting requirements for interest received and miscellaneous income. In addition, direct and guaranteed loans are reported on the DOE consolidated financial statements.

Reporting requirements, instructions, and background information are available on the Internet at web sites maintained by the Treasury, the OMB, the FASAB, the AAPC of the FASAB.

III.G. U.S. Government Standard General Ledger Accounts

The U.S. Government Standard General Ledger (USSGL) accounts and definitions established to account for direct and guaranteed loans are listed in TFM, Supplement No. S2, USSGL.

IV. RESPONSIBILITIES

IV.A. Chief Financial Officer

Oversees all financial management activities related to the Loan Programs as directed by DOE Order 520.1B, *Financial Management and Chief Financial Officer Responsibilities*.

IV.B. Director, Loan Programs Office

Operates the Loan Program in compliance with financial policy, procedures, and guidance promulgated by DOE as directed in this chapter.

V. REFERENCES

1. Debt Collection Improvement Act of 1996 (Public Law 104-134, chapter 10, section 31001) (DCIA).
2. Title XVII of the Energy Policy Act of 2005 (Public Law 109-58), as amended, and codified at 42 USC 16511-16516.
3. DOE's overall loan guarantee program regulations (10 CFR 609).
4. Relevant provisions contained in the Government Accountability Office (GAO) Accounting Principles, Standards, and Requirements.
5. OMB Circular A-11, *Preparation and Submission of Budget Estimates*, section 185, *Federal Credit.*
6. OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivable.*
7. FASAB SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*; SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*; and SFFAS 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2.*
8. Treasury Financial Manual (TFM), Chapter 4600, *Treasury Reporting Instructions for Credit Reform Legislation* (I TFM 2-4600).
9. Supplemental guidance set forth in the Treasury/Financial Management Service (FMS), *Managing Federal Receivables.*

VI. DEFINITIONS

VI.A. Direct Loan

A direct loan is a disbursement of funds by the government to a non-Federal borrower under a contract that requires the repayment of such funds within a certain time, with or without interest. The term includes the purchase of (or participation in) a loan made by another lender.

VI.B. Loan Guarantee

A loan guarantee is defined as any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

SUBJECT: **LIMITED CHANGE TO CHAPTER 22, *DIRECT LOANS AND LOAN GUARANTEES***

1. EXPLANATION OF CHANGES. Changes to Chapter 22 conform with requirements in Chapter 5. The chapter also adopts the current Financial Management Handbook template.

2. LOCATIONS OF CHANGES: Substantive limited changes made throughout the document are summarized at the beginning of the chart.

Page	Section	Section Title	Summary
22-13	III.C.	Recording Obligations, Disbursing Loans, and Re-estimating Subsidies	Limited change to the discussion on recording obligations to reference and conform with the edits to Chapter 5.