WASHINGTON STATE OFM

Office of Financial Management

STATEWIDE ACCOUNTING SERVICES

Higher Education Loans Reporting Guidance

The purpose of this document is to provide agencies with guidance on the proper accounting and reporting of Federal Student Loans for Institutions of Higher Education (IHE).

Federal Student Loans for Institutions of Higher Education

Per 2024 Compliance Supplement, the Student Financial Assistance Programs Cluster includes 11 loan and grant programs issued by Department of Education (DE) and Department of Health and Human Services (HHS).

Loans made from federal revolving loan programs are reported on the statewide Schedule of Expenditures of Federal Awards (SEFA) at the value of the federally guaranteed portions and the portion of loans disbursed during the year. Also included in SEFA are administrative costs recovered from the federal government under the student loan programs. The federal requirements are slightly different for loans when the institutions of higher education do not make the loan and therefore not subject to continuous compliance requirements.

The federally funded student loan programs reported on the statewide SEFA are primarily revolving loans based on description of the loan programs. The following table provides the details and whether the loan program is subject to continuous compliance requirements.

Federal Agency	ALN	Program	Description	Continuous Compliance
Revolving Loan Programs				
DE	84.038	Federal Perkins Loan Program (Perkins)*	Authority to issue new Perkins Loans ended after 2017. Institutions are required to continue servicing their Perkins Loan portfolio and administrative and reporting requirements remain until the institution has completed the liquidation process and program closeout. The guidelines at 2 CFR 200.502(b) must be used to calculate the value of federal awards expended under the Federal Perkins Loan Program each year.	Yes
HHS	93.264	Nursing Faculty Loan Program (NFLP)	Support the establishment and operation of a revolving institutional NFLP loan fund at nursing institutions to increase the number of qualified nursing faculty. The award to the institution, the Federal Capital Contribution (FCC) award, must be deposited into the NFLP loan fund and the institution is required to deposit the required Institutional Capital Contribution (ICC). The institution is fully responsible for administering the program. Loan activity will be conducted through the revolving loan fund which should continue to be disbursed (expended) through the current budget or project period.	Yes
HHS	93.342	Health Professions Student Loans (HPSL), including Primary Care Loans and Loans for Disadvantaged Students	Provide long-term low-interest loans to students who demonstrate the need for financial aid to pursue their course of study in the applicable healthcare fields at postsecondary educational institutions. Revolving loan funds are established and maintained at institutions through applications to participate in the programs. The funds are started with the FCC and a matching ICC. The institution is fully responsible for administering the program.	Yes
HHS	93.364	Nursing Student Loans		Yes
HHS	93.408 ARRA	Nursing Faculty Program*	Same as ALN 93.264 but funded under ARRA which had been phased out as a federal program that originates loans.	Yes
Direct Loan Program				
DE	84.268	Federal Direct Student Loans (Direct Loans)	Direct subsidized and unsubsidized loans are made by the Secretary of Education to eligible students for the cost of attending postsecondary educational institutions. The student's eligibility information is determined by completing the FAFSA and is used by the institution to originate a student's Direct Loan.	No

** These programs have been phased out as a federal program that originates loans. A sizeable loan portfolio still exists, and certain schools may have currently enrolled students with active federal loans.*

I. Reporting Guidance for revolving loans with significant continuing compliance requirements (all except 84.268):

(1) Calculating federal expenditures

The AICPA Audit Guide and Uniform Guidance provide that for loans with continuing compliance requirements, the value of Federal awards expended and reported on the SEFA would be:

Balance new loans made during the fiscal year [§200.502(b)(1)]
+ Outstanding Balance of loans from previous years [§200.502(b)(2)]
+ Any Federal interest subsidy* or administrative cost allowance [§200.502(b)(3)]
= Loan program expenditures

*Interest subsidy refers to interest paid by the government on behalf of the borrower.

Note: Other regular programmatic expenditures, if any, administered through the program (non-loan activities) using the same ALN should be added to the loan program expenditures to report as total federal expenditures for the ALN on the SEFA.

(2) Recording and reporting revolving loans

New loans made during the fiscal year by agencies are reported as increases in loans receivable and decreases in cash on the balance sheet, but do not flow through to the operating statement.

Administrative costs (indirect) recovered from the federal government are reported as federal revenue on the operating statement. Follow this guidance for recording in AFRS and Disclosure Forms:

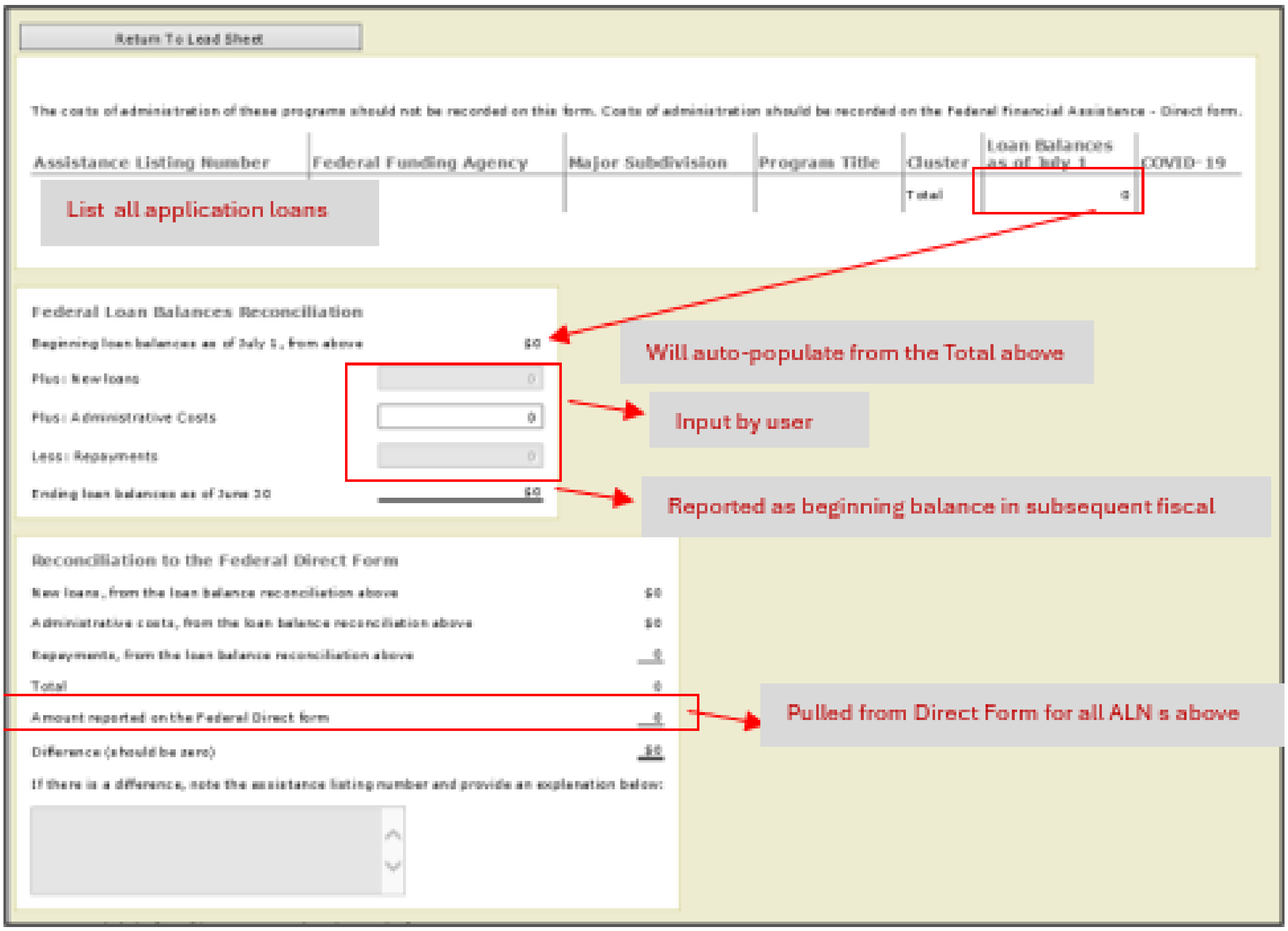
<table>
<tr><th></th><th>AFRS</th><th colspan="2">DISCLOSURE FORM (SEFA)</th><th>Variance on DF</th></tr>
<tr><td>Revenues:</td><td>The interest received from students (as well as federal interest subsidy if any) should be recorded as federal revenue or program income Revenue Source codes 0384 or 0409.

If an administrative cost subsidy is received, it should be recorded using Revenue Source code 0384.</td><td colspan="2">Report the interests received from students (as well as any federal interest subsidy and administrative cost allowance) on the Direct Disclosure Form. Do not report revenues to match loan disbursements to students.</td><td>If using Revenue Source code 0384, there should be no variance on the disclosure form.

If using Revenue Source code 0409, there will be an allowable variance on the disclosure form because the disclosure form reconciliation only includes federal revenues (revenue sources 03xx).</td></tr>
<tr><td rowspan="2">Expenditures</td><td rowspan="2">No expenditure should be recorded in AFRS.</td><td>Direct Form</td><td>Loan Disclosure Form</td><td rowspan="2">There should be a variance in expenditures equal to the total revolving loan expenditures reported on the Direct Disclosure form because no expenditures are recorded in AFRS.</td></tr>
<tr><td>Report the total current year disbursements made to students plus any federal interest subsidy and administrative</td><td>Report the total outstanding loan balance from the previous year on the Disclosure Form, example below.</td></tr>
</table>

		cost allowance received.		

Below is the *Federal Loan Balance Disclosure Form* with notes (in red) explaining how the fields are populated.



II. Reporting Guidance for recording and reporting direct student loan (ALN 84.268)

The Federal requirements are different for loans made to students of Institution of Higher Education (IHE), but the IHE does not make the loan, as follows:

Per 2 CFR 200.502(c) Loan and loan guarantees (loans) at IHEs.
When loans are made to students of an IHE but the IHE does not make the loans, then only the value of loans made during the audit period must be considered Federal awards expended in that audit period. The balance of loans for previous audit periods is not included as Federal awards expended because the lender accounts for the prior balances.

Follow this guidance for AFRS and Disclosure Form:

<table>
<tr><th></th><th>AFRS</th><th colspan="2">DISCLOSURE FORM (SEFA)</th><th>Variance on DF</th></tr>
<tr><td>Revenues:</td><td>No revenue should be recorded in AFRS. The loan is not considered revenue for the institutions since the loan is being made to the students and the students repay the federal government directly.</td><td colspan="2">Nothing should be reported on the Direct Disclosure Form.</td><td>There should be no variance on the disclosure form because revenues are not recorded in AFRS and not reported on the Direct Disclosure form.</td></tr>
<tr><td rowspan="2">Expenditures</td><td rowspan="2">No expenditure should be recorded in AFRS.</td><td>Direct Form</td><td>Loan Disclosure Form</td><td rowspan="2">There should be a variance for expenditures equal to the value of the student loans made during the fiscal year because no expenditures are recorded in AFRS and the current year loans disbursed are reported on the Direct Disclosure form</td></tr>
<tr><td>The value of the loans made to students during the fiscal year should be reported as expenditure on the Direct Disclosure Form.</td><td>N/A - The outstanding loan balance should not be reported on the Loan Disclosure Form.</td></tr>
</table>

APPENDIX

The Uniform Guidance outlines the requirements for reporting federal expenditures, including federal loans on the Schedule of Expenditures of Federal Awards(SEFA). OFM uses the federal disclosure forms to collect the necessary information from agencies in order prepare the SEFA.

Per §200.510 (b)(5), loan or loan guarantee programs described in § 200.502(b) are required to identify in the notes to the schedule the balances outstanding at the end of the audit period. This requirement is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

The federal disclosure forms at year end include a *Federal Loan Balances Form* for agencies to complete as applicable. This form has primarily been used by IHEs who provide student loans.

The accompanying notes to the SEFA provide supplemental information which are intended to disclose information in understanding the unique federal requirements of certain grant programs. The information reported by agency on the Loan disclosure form is used to populate the Note H Disclosure for Outstanding Loan Balances. The actual loan expenditures for the fiscal year are disclosed here, as well as showing the ending loan balances to be used for subsequent year's reporting.

Federal Guidance for valuation of Federal Loans

Uniform Guidance 2 CFR 200.502 – Basis for determining Federal awards expended
(b) Loan and loan guarantees (loans). Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs:

(1) Value of new loans made or received during the audit period; plus

(2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus

(3) Any interest subsidy, cash, or administrative cost allowance received.

(c) Loan and loan guarantees (loans) at Institutions of Higher Education (IHE). When loans are made to students of an IHE, but the IHE itself does not have continuing compliance requirements for the loans, then only the value of loans made during the audit period are considered Federal awards expended in that audit period. The balance of loans for previous audit periods is not included as Federal awards expended because the lender accounts for the prior balances.

(d) *Prior loan and loan guarantees (loans)*. Loans, the proceeds of which were received and expended in prior years, are not considered Federal awards expended under this part when Federal statutes, regulations, and the terms and conditions of Federal awards pertaining to such loans impose no continuing compliance requirements other than to repay the loans.

Determination of SEFA Expenditures for federal programs with Loan and Loan Guarantees

When determining when federal awards are expended for Loan and loan guarantees, we look at when the loan proceeds are used by the nonfederal entity.

Agencies should determine if loan and loan guarantee program(s) include significant continuing compliance requirements. Not all ongoing requirements are considered significant continuing compliance requirements. If determined so, the agency should include the beginning balance of loans receivable from previous fiscal years when determining expenditures for the program/cluster.

Per AICPA Single Audit Guide, 7.20,
"The Uniform Guidance does not specifically define the term continuing compliance requirements. Therefore, determining whether a loan has continuing compliance requirements is an important consideration when determining federal awards expended and preparing the schedule of expenditures of federal awards." It is helpful to consult with Federal grantors, review OMB Compliance Supplement for the program, and understand the Terms and conditions of federal awards or subawards.