OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

Rural Development's Financial Statements for Fiscal Years 2021 and 2020

Audit Report 85401-0012-11

November 2021

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OIG audited the consolidated financial statements of Rural Development for fiscal years 2021 and 2020.

OBJECTIVE

The objectives of our audits were to review Rural Development's financial statements for fiscal years 2021 and 2020. Specifically, to determine whether (1) the financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) Rural Development met the internal control objectives over financial reporting; (3) the agency complied with applicable laws and regulations; and (4) information presented was materially consistent with the financial statements.

REVIEWED

We conducted our audits on information relevant to the audit objectives as obtained through systems or from officials and personnel located at Rural Development offices in St. Louis, Missouri; Washington, D.C; and field offices.

RECOMMENDS

We recommend Rural Development design and implement effective controls to ensure the accurate recording of Multi-Family Housing accruals when manual intervention to the Automated Multi-Family Housing Accounting System is required. We also recommend Rural Development implement effective controls to ensure recorded obligations are properly approved and implement continuous review and monitoring controls for assessing the accuracy and validity of the unliquidated obligations, to include timely reviewing and deobligating unsupported obligations.

WHAT OIG FOUND

Rural Development received an unmodified opinion from the Office of Inspector General's audits of Rural Development's consolidated financial statements. We determined that the agency's financial statements present fairly Rural Development's financial position as of September 30, 2021 and 2020, in all material respects, and were prepared in accordance with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements.

Our consideration of Rural Development's internal control over financial reporting identified two significant deficiencies and our consideration of compliance with laws and regulations noted no instances of noncompliance.

USDA OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture

DATE: November 9, 2021

AUDIT NUMBER: 85401-0012-11

TO: Xochitl Torres Small
Under Secretary
for Rural Development

ATTN: Tony Bainbridge
Chief Financial Officer
Rural Development

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Rural Development's Financial Statements for Fiscal Years 2021 and 2020

This report presents the results of our audits of Rural Development's financial statements for the fiscal years ending September 30, 2021, and 2020. This report contains an unmodified opinion on the financial statements, as well as the results of our assessments of Rural Development's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety in Exhibit A.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (http://www.usda.gov/oig) in the near future.

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Independent Auditor's Report

Xochitl Torres Small
Under Secretary
for Rural Development

The Department of Agriculture's Office of Inspector General audited the consolidated financial statements of Rural Development for fiscal years 2021 and 2020. We also considered Rural Development's internal control over financial reporting and tested Rural Development's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct effect on the determination of material financial statement amounts and disclosures on these consolidated financial statements.

Exhibit A presents Rural Development's response in its entirety.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rural Development, which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of net cost and changes in net position; and the combined statements of budgetary resources for the fiscal years then ended and the related notes to the financial statements (hereinafter referred to as the "consolidated financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the U.S.; and the Office of Management and Budget (OMB) Bulletin 21-04, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin 21-04 require that we plan and perform audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Development, as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the financial statements to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites has not been subjected to any of our auditing procedures and, accordingly, we do not express an opinion or provide any assurance on it.

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the FASAB require that the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Although such information is not a part of the basic consolidated financial statements, FASAB considers this information to be an essential part of financial reporting for placing the basic consolidated financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Table of Contents, and Required Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2021, we considered Rural Development's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Development's internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Development's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Rural Development's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

OMB Bulletin 21-04 requires us to describe significant deficiencies and material weaknesses identified during our audit, and in the event that no material weaknesses were identified, to so report. We did not identify any deficiencies in internal control that were considered to be material weaknesses during our audit.

In our fiscal year 2021 audit, we noted two deficiencies involving internal control that we consider significant deficiencies. Specifically, we identified weaknesses in Rural Development's controls over its Multi-Family Housing accrual process and over its unliquidated obligation review process. These significant deficiencies are discussed in Section 1 of this report.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether Rural Development's consolidated financial statements as of and for the year ended September 30, 2021 are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and Governmentwide policy requirements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosure in the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We also performed tests of Rural Development's compliance with certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which Rural Development's financial management systems did not substantially comply with FFMIA.

Management's Responsibility for Internal Control and Compliance

Rural Development's management is responsible for (1) evaluating the effectiveness of internal control based on criteria established under FMFIA, (2) providing a statement of assurance on the overall effectiveness of internal control, (3) ensuring Rural Development's financial management systems are in substantial compliance with FFMIA requirements, and (4) ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control and compliance to plan the audit, (2) testing whether Rural Development's financial management systems substantially comply with FFMIA requirements referred to above, and (3) testing compliance with certain provisions of laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the consolidated financial statements.

We did not evaluate all internal controls relevant to operating objectives as broadly established by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

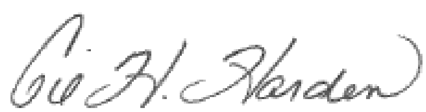
We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Rural Development. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the consolidated financial statements that we deemed applicable to Rural Development's financial statements for the fiscal year ended September 30, 2021. We caution that noncompliance may occur and not be detected by these tests.

Management's Response

Management's response to the report is presented in Exhibit A. We did not audit Rural Development's response and, accordingly, we express no opinion on it.

Purpose of the Report on Internal Control Over Financial Reporting and the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the "Report on Internal Control Over Financial Reporting" and the "Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements" sections of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Development's internal control or on compliance. These reports are an integral part of an audit performed in accordance with government auditing standards in considering Rural Development's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.



Gil H. Harden
Assistant Inspector General for Audit
Washington, D.C.
November 8, 2021

Findings and Recommendations

Section 1: Significant Deficiencies in Internal Control Over Financial Reporting

Finding 1: Improvement Needed in the Multi-Family Housing Accrual Process

Rural Development does not have appropriate controls in place to implement new manual processes to ensure yearend Multi-Family Housing (MFH) accruals are recorded correctly. During fiscal year 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)[1] allowed MFH borrowers to defer loan payments for a total of 3 months. If a payment was applied to a borrower account during the deferral period, the Automated Multi-Family Housing Accounting System (AMAS) [2] would generate payment records up to 50 years into the future. The "future pay" records accrue interest and interest credit for payment assistance. When the deferral period began to end, the CARES Act deferrals were still active in Rural Development's AMAS, which continued to apply any payments received as "future pay" as opposed to current payments. As a temporary solution, Rural Development officials manually placed a suspend code on borrowers' accounts, stopping the payments from being applied to those accounts. After the temporary solution was implemented, some of the funding for borrower accounts was low on rental assistance so Rural Development officials temporarily removed the suspend code to process rental assistance payments as needed. However, while processing the rental assistance, payments were also applied to some borrowers' accounts, and the system applied the payment and future paid those accounts out to a maturity date up to 50 years. This action erroneously generated interest accruals for interest not yet due and the associated credits for payment assistance on those accounts.

Because Rural Development does not have controls in place to ensure the accuracy of the MFH yearend accruals in instances where agency personnel need to manually intervene in the system, the general ledger accrual was overstated at yearend and the MFH interest was overstated in Rural Development's financial statements as of September 30, 2020. The following financial statements and balances for fiscal year 2020 were affected by this accrual.

Balance Sheet:[3]
$190 million understatement of "Loans Receivable, Net"
$445 million overstatement of "Resources Payable to Treasury"
$635 million understatement of "Other Liabilities with the Public"

[1] Enacted on March 27, 2020, as Public Law 116-136.
[2] AMAS is the primary financing accounting system for housing projects and family units financed through the Multi-Family Housing (MFH) Loan Program.
[3] Three balance sheet footnotes were also affected.

Statement of Net Cost:[4]
$445 million understatement of "Other Gross Costs"

Statement of Changes in Net Position:
$445 million overstatement of "Cumulative Results of Operations—Other"
$445 million understatement of "Net Cost of Operations"

When the necessary automation was implemented within AMAS, Rural Development reprocessed this activity, reversing this accrual in the beginning of fiscal year 2021, therefore, it did not impact the agency's fiscal year 2021 financial statements.

According to the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*,[5] "[m]anagement designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses."

Additionally, OMB's Circular No. A-123, *Management's Responsibility for Internal Control*, states that "[m]anagement is responsible for, establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations."[6]

In order to reduce the risk of future improperly recorded MFH interest accruals, it is essential that Rural Development designs and implements effective controls over manual processes.

Recommendation 1

Design and implement effective controls to ensure the accurate recording of MFH accruals when manual intervention to AMAS is required.

[4] One statement of net cost footnote was also affected.
[5] GAO-14-704G, *Standards for Internal Control in the Federal Government*, issued September 2014.
[6] Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control,* issued December 2004.

Finding 2: Controls Over Unliquidated Obligations Need to be Strengthened

Rural Development did not have effective controls to ensure the validity, completeness, and accuracy of its unliquidated obligations in the agency's financial statements. Specifically, internal controls did not effectively ensure whether the recording of obligations was valid and accurate. Additionally, internal controls were not effective to ensure any invalid, unliquidated obligations were deobligated timely.

Our review of unliquidated obligations disclosed one obligation recorded in fiscal year 2020 without documented approval, which resulted in a projected misstatement of more than $281 million in the fiscal year 2021 financial statements. Further, during our review, we identified an additional $83 million in potential overstatements of obligations, which consisted of:

- $9.5 million in known overstatements from the 37 obligations marked as "Deobligated" or "Deobligation in Process" on the March 31, 2021, certification report;
- $1.3 million in known overstatements from the 7 obligations that exceeded their last date for advance; and
- $72.2 million in potential overstatements from the 99 obligations marked as "Research Required" that, as of September 30, 2021, were of unknown determination and not supported as valid.

According to GAO's *Standards for Internal Control in the Federal Government*, control activities include the accurate and timely recording of transactions: "[t]ransactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Additionally, Departmental Regulation 2230-1, *Reviews of Unliquidated Obligations*[7], requires that each agency and staff office's quarterly review and certify the validity of obligated balances. This regulation also requires that appropriate agency and staff office designated personnel must cancel or adjust unliquidated obligations in the financial management system within 15 business days of receiving written notification from program and procurement personnel.

Without effective controls designed at an appropriate level of precision to ensure the validity of obligations, Rural Development may not adequately prevent or timely detect and correct misstatements. Additionally, invalid obligations improperly restrict the availability of funding and increase Rural Development's risk of misstating obligations in its financial statements.

[7] Departmental Regulation 2230-1, *Reviews of Unliquidated Obligations*, issued October 2020.

Recommendation 2

Implement effective controls to ensure obligations are properly approved. In addition, implement effective continuous review and monitoring controls for assessing the accuracy and validity of unliquidated obligations, to include timely reviewing and deobligating unsupported obligations.

Abbreviations

AMAS......................... Automated Multi-Family Housing Accounting System
CARES Act................. Coronavirus Aid, Relief, and Economic Security Act
FASAB........................ Federal Accounting Standards Advisory Board
FFMIA .... Federal Financial Management Improvement Act of 1996
FMFIA .... Federal Managers' Financial Integrity Act of 1982
GAO............................ Government Accountability Office
MFH............................ Multi-Family Housing
OMB .... Office of Management and Budget
U.S. .... United States of America

Rural Development's Response to Audit Report

United States Department of Agriculture

Rural Development Business Center

Chief Financial Officer

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St. Louis Mo 63120

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November 8, 2021

TO: Gil Harden
Assistant Inspector General for Audit
Office of Inspector General
United States Department of Agriculture

FROM: Xochitl Torres Small
Under Secretary
Rural Development

Xochitl Torres Small
Digitally signed by Xochitl Torres Small
Date: 2021.11.05 08:20:25 -04'00'

Tony Bainbridge
Chief Financial Officer

Tony Bainbridge
Digitally signed by ANTHONY BAINBRIDGE
Date: 2021.11.03 14:02:11 -05'00'

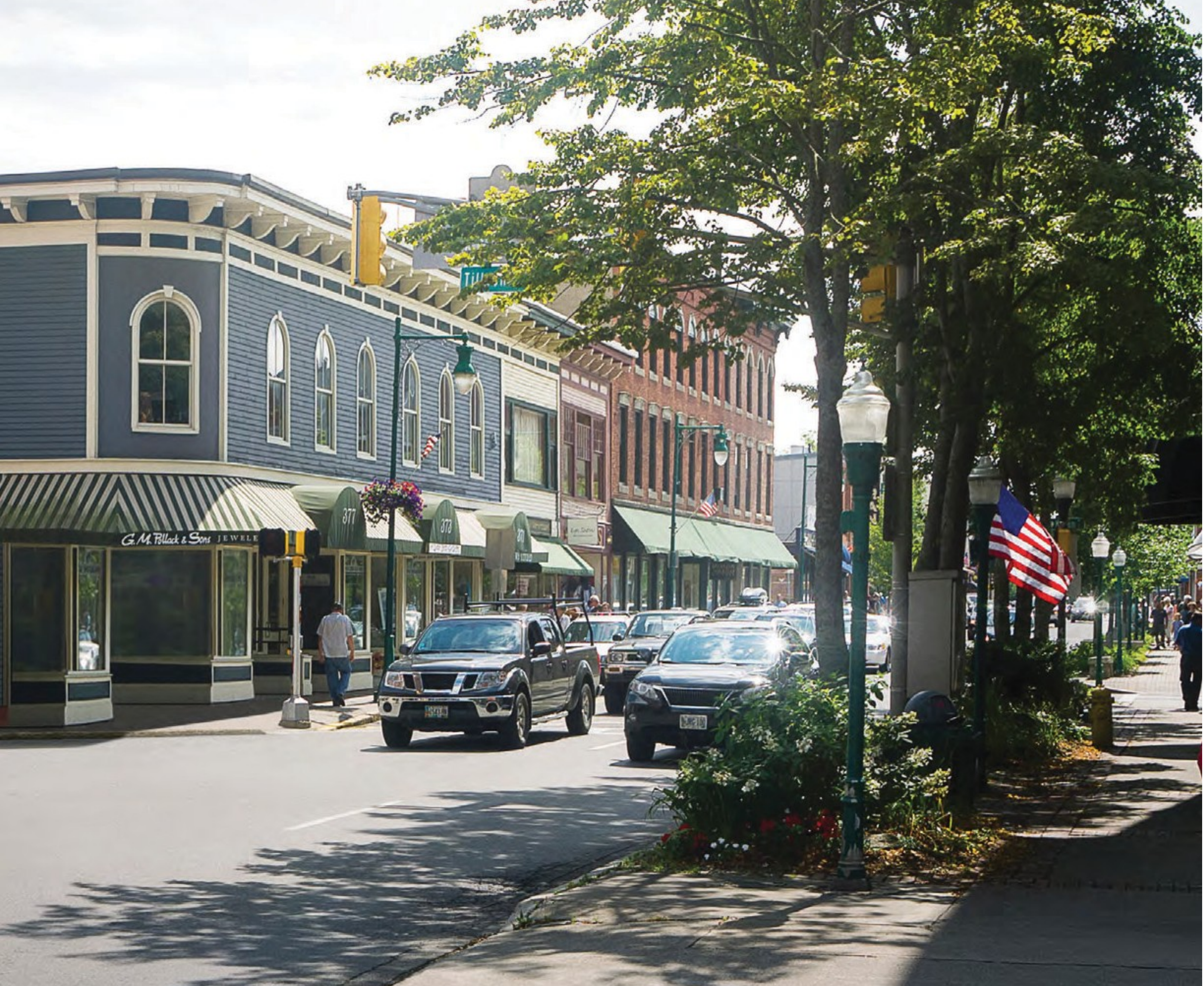
SUBJECT: Response to Audit Report on
Rural Development's Fiscal Years 2021 and 2020
Financial Statements

We have reviewed the Office of Inspector General Report on the Rural Development Fiscal Years 2021 and 2020 Financial Statements, Report on Internal Control Structure Over Financial Reporting, and the Report on Compliance with Laws and Regulations and concur with the findings in the report. We will continue with actions planned and in progress to address the issues.

I would like to thank your office for its continuing professionalism in conducting the audit.

Rural Development's
Fiscal Years 2021 And 2020
Consolidated Financial Statements
Prepared By Rural Development

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE



FINANCIAL STATEMENTS

Fiscal Years 2021 and 2020

This Management Discussion and Analysis, in conjunction with the accompanying financial statements, footnotes, and supplemental information, reflects the activities of the Rural Development mission area of the United States Department of Agriculture.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2021, AND 2020

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Rural Development

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This Management's Discussion and Analysis (MD&A), in conjunction with the accompanying consolidated financial statements, footnotes, and supplemental information, reflects the activities of the Rural Development mission area of the United States Department of Agriculture (USDA).

Mission Statement

Rural Development is committed to helping improve the economy and quality of life in all of rural America through financial assistance programs that support and advance inclusive prosperity across rural America. Rural Development's unique mission, programs, and set of economic and development tools help finance the building of critical community facilities, including schools, libraries, hospitals, and public safety buildings; the modernization and expansion of electricity and broadband connectivity; distance learning and telemedicine equipment that connects underserved communities with educational opportunities and health professionals; and the development of clean, renwable energy and biobased manufacturing. RD is well positioned to be a driving force for racial and spatial equity – reaching underserved communities and ensuring that rural communities have the same tools, resources, and access as urban communities.

Strategic Goals

Ensure Rural Development programs are delivered efficiently, effectively, with integrity and a focus on customer service, facilitating rural prosperity, and economic development.

Organizational Structure

Rural Development's mission area is composed of Rural Utilities Service (RUS), Rural Business-Cooperative Service (RBS), and Rural Housing Service (RHS). Rural Development is uniquely positioned to support the rural economy by delivering programs across rural America through a network of field offices, State offices, and a National Office. The Innovation Center provides leadership over regulatory development, data and analytics, and strategic partnerships. Rural Development agencies and programs are also supported by the Business Center, whose organizations provide financial, information technology, procurement, human resources, procurement, civil rights, and enterprise support.

Rural Development Programs Performance

Rural Development programs provide financial support to individuals and enterprises in rural America. The table below reflects a decrease in total loan portfolio from $220.3 billion at the end of FY 2020 to $219.5 billion at the end of FY 2021. The direct portfolio increased from $98.1 billion to $100.3 billion while the guaranteed portfolio decreased from $122.2 billion to $119.2 billion.

Total Loan Portfolio as of September 30, 2021
Fiscal Years 2019 Through 2021
(Dollars in Billions)

	FY 2021	FY 2020	FY 2019
Direct Loans			
Water & Environmental	$13.0	$13.4	$13.1
Electric	50.0	47.2	44.0
Telecommunications	2.4	2.6	2.9
Business Programs	0.8	0.8	0.8
Single Family Housing	13.2	13.6	13.6
Multi-Family Housing	9.8	9.9	10.0
Community Facilities	11.1	10.6	9.8
Total Direct	**100.3**	**98.1**	**94.2**
Guaranteed Loans			
Water & Environmental	$0.1	$0.1	$0.1
Electric	0.2	0.2	0.2
Business Programs	6.9	5.9	5.8
Single/Multi-Family Housing	111.0	115.0	111.6
Community Facilities	1.0	1.0	1.0
Total Guaranteed	**119.2**	**122.2**	**118.7**
Total Loan Portfolio	**219.5**	**$220.3**	**$212.9**

Rural Development grant programs are not reflected in the portfolio table above.

Rural Development Programs

Rural Development programs facilitate rural prosperity and economic development in rural America. Utilities programs provide capital for electric, telecommunications (including broadband, distance learning, and telemedicine) and water and environmental projects. These programs leverage federal funds with private capital to invest in rural infrastructure, technology and development of human resources.

Business and Cooperative programs provide capital for building energy efficient and competitive businesses and sustainable cooperatives that can prosper in the global marketplace. In partnership with the private sector and community-based organizations, these programs deliver loans, loan guarantees, grant programs, and technical assistance to support rural businesses, and provide job training in rural areas through capital, training, education, and entrepreneurial skills in rural communities, agricultural markets and the bio-based economy.

Housing and Community Facilities (CF) programs ensure rural families have access to safe, well-built, affordable homes and support an infrastructure needed to make rural communities attractive to small business owners, employees and families. Housing and CF programs provide loans, grants and rental assistance (RA) to rural low and very low-income residents for housing, and funding to support rural infrastructure and community services development. These programs are essential to rural America.

The following chart shows key performance indicators, targets and results for Rural Development.

RURAL DEVELOPMENT PERFORMANCE SCORECARD FOR FY 2021

	FY 2021 Target	FY 2021 Actual	Results
Telecommunications Loans and Grants Number of borrowers'/grantees' subscribers receiving new and/or improved telecommunication services (thousands)	162	50.5	Unmet
Community Facilities (CF) Percent of customers who are provided access to new and/or improved essential community facilities / health facilities	3%	9.1%	Met
Distressed Communities RD funds (overall) that are being invested in distressed communities (%)	14%	12.3%	Unmet
Leverage RD commercial/infrastructure investments that leverage non-federal funding (%)	80%	91%	Met

Rural Development did not meet its subscriber target for Telecommunications. The Funding Opportunity Notice for ReConnect Round 3 was not released during FY 2021 limiting the number of e-connectivity projects funded this fiscal year and reducing the projected number of subscribers.

The Distressed Communities target was unmet. The size of the Single Family Housing (SFH) Guaranteed program reduced distressed community investment averages for Rural Development as a whole. Rural Development does not have the ability to target where guaranteed obligations are made since this is controlled by the private sector. COVID-19 increased the vulnerability of distressed communities, and Rural Development has made an effort to focus on finding new ways to engage and conduct outreach under COVID-19.

Future Opportunities and Challenges

Opportunities

Rural Development (RD) and its programs are uniquely positioned to help improve the economy and quality of life in rural America. RD programs offer loans, grants, and loan guarantees to help create jobs and support economic development and essential services. RD programs support rural housing, health care services, and essential water, electric, and communications infrastructure, and promote economic development by supporting loans to businesses through banks, credit unions, and community-managed lending pools. Throughout the Coronavirus (COVID-19) pandemic, RD continued operations and quickly responded to the changing needs of our customers.

As a result of the COVID-19 pandemic, RD changed its mode of operations to ensure the health and safety of RD's employees and customers, limiting travel and transitioning most employees to 100 percent telework. RD staff used existing technology for improved communication, pivoted to online outreach, facilitated webinars in place of in-person meetings, and continued to deliver the RD programs, approving loans and loan guarantees and awarding grant funding. Despite these challenges, RD processed over 99 thousand loan servicing requests and continues to consult with borrowers in good faith to alleviate defaults.

The Innovation Center's Data Analytics Division created the COVID-19 Economic Risk Assessment as part of RD's data-driven approach to identify how RD resources and services can help provide immediate relief to communities being affected by the pandemic and support economic recovery in rural America. This dashboard enables RD leadership to more effectively reach customers in vulnerable communities.

Challenges

Although RD continues to deliver on its programs to rural America, it faces several key risks going forward, including staffing levels and technology. Over the last several years there has been a significant increase in the obligated dollars being delivered each year, and an associated increase in the loan portfolio that must be serviced and managed expertly to ensure the best financial interest of the taxpayers and the Government. In addition, the loan portfolio has grown in complexity over the years because of new program types and variations, and because of new loan restructuring options made available as a response to COVID-19, whose effects will continue in 2023.

RD is at historically low staffing levels in comparison to the RD wide loan portfolio. With an increase in workload and servicing expectations RD may be unable to meet mission responsibilities and customer expectations if it does not improve its automated loan and accounting systems and allocate staff to meet highest priority needs. Increased staffing resources would allow RD to meet the growing priorities in critical areas that have a direct effect on the agency's ability to be sustainable, relevant, and results-oriented in delivering much-needed programs and services across rural America. To ensure that RD will be able to deliver on this proposal, RD is taking steps to enhance its HR capacity through targeted hiring and contract support actions that will significantly improve RD's ability to recruit, on-board, and retain new staff. Current staffing strategies involve analyzing timekeeping records reflecting the various programs and activities of RD staff to determine the staffing levels necessary to support the program delivery.

RD programs may not have the technical capabilities needed to deliver appropriate products and services to their customers if IT systems do not align with business needs. This could lead to declining customer experiences and overall diminished capacity to deliver the RD mission. Planned IT modernization projects are designed to move the agency to a more bank-like environment where applicants can apply for services online, eliminating the paper application process, borrowers can access their loan information directly and funding requests are streamlined thus reducing manual processes.

RD Priorities Framework

Rural Development has developed a framework for implementing key Biden-Harris Administration priorities that directly align with the Agency's mission. These priorities will be incorporated into the work of the Agency and its partners to incentivize strategic engagement and investment that will:

- Help address climate change;
- Combat the COVID-19 pandemic; and,
- Advance equity in rural America.

The framework sets standard language and metrics for each key priority to ensure consistency across RD.

Three Key Priorities

RD will continue to deliver its full suite of programs as authorized, and also seek to support and promote actions and investments to:

1. Assist rural communities to recover economically from the impacts of the COVID-19 pandemic, particularly disadvantaged communities.
2. Ensure all rural residents have equitable access to RD programs and benefit from RD funded projects.
3. Reduce climate pollution and increase resilience to the impacts of climate change through economic support for rural communities.

RD's plan is to elevate the key priorities in the following ways:

1. General Promotion: all upcoming Rural Development funding notices will include new language to encourage applicants to consider projects that will advance the three key priorities.
2. Priority Points: Rural Development will award discretionary priority points under several programs to projects that support one more of the three key priorities. These priority points will be incorporated into funding announcements and published in the Federal Register.
3. Transparency: Rural Development launched a new public webpage to outline the three key priorities for potential applicants. This page gives potential applicants an opportunity to see if their rural area meets the metric to receive priority points. It also provides information on metrics and data sources, and links to Funding Notices that will offer priority points.

RD Equity Project

RD has created strategic investment tools and methodology to initiate projects around various Agency priorities. The first such project will be focused on equity.

RD plans to leverage our extensive field network, data and strategic investments resources to initiate the RD Equity Project. Through this multi-phase effort RD staff and partners will Engage, Assist and Invest in socially vulnerable and distressed communities, by connecting with these communities, identifying barriers to access or use of RD programs and developing objectives, strategies, and action plans to assist them where possible.

In Phase 1 each State Office will engage with communities meeting metrics to document their needs and barriers to participation in RD programs.

Justice40 Initiative

Through the Justice40 Initiative Federal agencies identify programs that make covered investment benefits in one or more of seven areas, including Climate Change, Clean Energy and Energy Efficiency, Affordable and Sustainable Housing, and Critical Clean Water and Waste Infrastructure. The goal is to secure environmental justice and spur economic opportunity for disadvantaged communities that have been historically marginalized and overburdened by pollution and underinvestment in housing, transportation, water and wastewater infrastructure, and health by ensuring that 40 percent of the overall benefits of the covered programs accrue to disadvantaged communities. RD has a workgroup identifying the covered programs and the benefits they provide using outcome measures.

Initially, 21 pilot programs government-wide were selected by OMB, including the Rural Energy for America Program (REAP), to undertake an initial implementation of the Justice40 initiative to maximize the benefits that are directed to disadvantaged communities. Initial steps include creating a stakeholder engagement plan and an implementation plan, including identifying potential barriers or constraints to maximizing benefits, and the opportunities or resource needs that may address those barriers.

Climate Change Risks

Climate change-induced severe weather events pose a serious financial risk to Rural Development's existing portfolio of loans and loan guarantees because of the increased risk of physical damage to the properties and because of the potential economic disruptions that may negatively affect borrowers' ability to repay their loans. In addition, these weather events may require that Rural Development revise some of its underwriting standards to ensure the financial integrity of future loans and loan guarantees while continuing to support affordable housing in rural areas.

Rural Development is collaborating on a workgroup with the Office of Management and Budget (OMB), the Department of Housing and Urban Development (HUD), and the Department of Veterans Affairs (VA) to identify and quantify the financial risks associated with climate change, and to determine risk mitigation strategies for the loan programs. The OMB-sponsored workgroup is initially focusing on single-family guaranteed loan programs because they are a common program across the three departments, with the goal of applying the lessons learned across the entire range of loan programs.

OneRD Guarantee Program

USDA has removed unnecessary regulations to increase private investment in rural businesses and economic development projects and to improve customer service within four flagship loan guarantee programs. The Agency implemented a standard set of requirements, processes and forms for these programs. The programs are:

- Water and Waste Disposal Guaranteed Loan Program
- Community Facilities Guaranteed Loan Program,
- Business and Industry Loan Guarantee Program, and the
- Rural Energy for America Guaranteed Loan Program.

The OneRD Guarantee regulation was published on July 14, 2020 and the new rules went into effect on October 1, 2020. In addition to creating a new, single regulation for OneRD Guarantee, the Agency created a customer web site, tools, guides and training to create understanding of the new rules for these guarantee programs and to encourage participation. Customer input has been a core component of the development of the rules, processes and procedures under OneRD. Customer engagement continues on a regular basis with regularly scheduled Lender Office Hours and quarterly Lender Feedback Forums.

Demand for the program has increased since the launch of OneRD, particularly for Business and Industry Guarantees. As of July 27, 2021, three hundred and three guarantees totaling $1.6 billion have been approved.

Rural Housing Insurance Fund

Both single family housing direct and guaranteed loan programs will contribute to environmental justice by providing affordable housing in distressed and coal-based energy communities.

- Single Family Housing Direct Loans
  In 2020, this program supplied over 5,800 direct loans totaling more than $1 billion to rural families; of which, 387 loans totaling over 50.6 million were in persistent poverty areas focused primarily in the Southeastern US. The $1.5 billion requested in the 2022 budget will help to support around 8,500 loans.

- Single Family Housing Guaranteed Loan Program (SFHGLP)
  The program provides low- and moderate-income rural families access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. Without the USDA loan guarantee, lenders will not extend mortgage credit and tens of thousands of credit-worthy low- and moderate-income rural Americans who cannot meet down payment requirements will not have homeownership opportunities in 2022.

  The 2022 Budget provides the first requested increase for USDA's SFHGLP since 2011. The requested increase would support the additional demand for the program and provide an opportunity for additional support. With a total of $30 billion in lending capacity, the program would increase guaranteed loans to over 173,000 loans.

Distance Learning and Telecommunications (DLTB)

The Distance Learning and Telemedicine and Broadband (DLTB) programs support USDA Strategic Goal 4: Facilitate rural prosperity and economic development. DLTB supports the Administration's position on providing environmental justice for disadvantage and coal-based energy communities by providing economic opportunities.

- Distance Learning and Telemedicine (DLT)
  DLT grants help rural communities acquire the technology and training necessary to connect educational and medical professionals with students, teachers, and patients in rural areas. The program helps rural residents tap into the enormous potential of modern telecommunications and the Internet for education and health care, two of the keys to economic and community development. Examples of significant projects include:
    - Distance Learning projects that can help address the Nation's need for additional science, technology, engineering, and mathematics (STEM) educational resources.
    - Telemedicine projects that can help address the Nation's opioid epidemic.

  Over the last ten years, RD has obligated $368 million through 995 DLT grants throughout the Nation. In that time, the top three funded states have been Oklahoma with $43.7 million, followed by Mississippi with $25.8 million, and Georgia with $20.7 million. DLT funding helps rural communities use the unique capabilities of telecommunications to connect to each other and to the world, overcoming the effects of remoteness and low population density.

- Broadband
  The mission of the Agency's Rural Utilities Service (RUS) is to enhance the quality of life and improve economic opportunity in rural communities by providing financing for the basic infrastructure of modern life. This infrastructure includes water and waste systems, electricity, and telecommunications, including Broadband. Broadband loans, first authorized in the 2002

Farm Bill, provide funding for the cost of constructing, improving, and acquiring facilities and equipment for broadband service in rural communities of 20,000 inhabitants or less.

Over the last ten years the telecommunications program has obligated over $2.1 billion through 185 direct telecommunication loans to telecommunication companies and cooperatives primarily in the Midwest and south census areas of the nation. In that time, the top three funded states have been North Dakota with $230.1 million, followed by South Dakota with $173.6 million, and Iowa with $168.8 billion. These investments ensure that rural areas have access to affordable and reliable telecommunication services comparable to those available throughout the rest of the United States. Continuation of the program is critical because:

- Millions of Americans in rural areas have limited or no access to broadband and this program provides a funding resource that is often not available from the private sector; and,
- This program plays an essential role in providing financing for broadband-capable telecommunications projects that improve or extend telecommunications services thereby driving economic development and job creation in rural America.

Business and Industry (B&I)

USDA has invested $811 million through the Business and Industry Guarantee Loan Program since the start of the current fiscal year. This assistance has helped businesses create or save more than 6,000 jobs in rural areas.

Investments under the B&I program are 36 percent higher than they were this time last year. Applications have increased by 44 percent. These increases are due in part to a series of program improvements USDA adopted under the new OneRD Guarantee Loan Initiative. This initiative increased the USDA loan guarantee to 80 percent for investments greater than $5 million. The previous guarantee percentages were 70 percent for loans less than $10 million and 60 percent for loans greater than $10 million. This improvement has made the program more attractive to capital-intensive businesses such as manufacturing companies.

USDA also invested $380 million in rural businesses through the Business and Industry CARES Act Program, which was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This assistance has helped 95 rural businesses create or save more than 6,000 jobs in rural areas.

These investments are helping rural businesses and workers in Alaska, Alabama, Arkansas, Arizona, California, Colorado, Delaware, Florida, Hawaii, Georgia, Iowa, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Montana, Mississippi, North Carolina, North Dakota, Nebraska, New Jersey, New York, Nevada, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, Wisconsin, West Virginia, Wyoming, Guam and the Virgin Islands.

American Rescue Plan – Emergency Rural Health Care Grants

USDA Rural Development (RD) issued a news release on August 12, 2021 to solicit applications for up to $500 million in emergency rural health care grants authorized under the American Rescue Plan Act of 2021 (a Notice of Funding Availability was published in the Federal Register on the same day). The grants will help rural hospitals and local communities broaden access to COVID-19 vaccines, health care services and food assistance. They will be administered through the Rural Housing Service's Community Facilities Program.

There will be two types of grants: Recovery Grants and Impact Grants. USDA is making available $350 million in Recovery Grants to support immediate health care relief in rural areas. The Department also is making available $125 million in Impact Grants for large-scale projects to support long-term sustainability and access to rural health care.

Financial Highlights

Fiscal Year Ending September 30th (Dollars in Millions)	**FY 2021**	**FY 2020**
Total Assets	$117,181	$114,310
Total Liabilities	$108,301	$108,760
Total Net Position	$8,880	$5,550
Total Net Cost of Operations	$1,302	$3,329
Total Budgetary Resources	$35,923	$42,011

Rural Development had total assets of $117,181 million at the end of FY 2021, up from $114,310 million, which increased overall assets by $2,871 million. The increase is attributable mainly to Loans Receivable, Net increase of $2,447 million. The additional increase is attributable to a slight increase in Fund Balance with Treasury for FY 2021.

Total Liabilities of $108,301 million in FY 2021 decreased from $108,760 million in FY 2020, a decrease of $459 million. The decrease was caused by loan guarantee liability changing from a positive liability to an overall negative liability for FY 2021. This was due to large swings in the single-family housing guaranteed program overall reestimates. In addition, advances from others and deferred revenue also changed significantly due to the end of the FY 2020 CARES Act Multi-Family Housing deferrals, thus reversing accrued amounts for payment assistance. The decreases were offset by increases in overall debt.

Total Net Position increased $3,330 million in FY 2021 compared to FY 2020. The change in the Net Position is caused by an increase in total unexpended appropriations remaining to still be expended in future years at the end of FY 2021, as compared to FY 2020. The additional change is attributable mainly to a increase in the overall cumulative results of operations from FY 2020.

Total Net Cost of Operations decreased $2,027 million in FY 2021 from FY 2020. The decrease is associated primarily to large changes in loan cost subsidies for FY 2021 compared to FY 2020.

Total Budgetary Resources decreased by $6,088 million. The decreases in budgetary accounts were $3,677 million and $2,411 million in the non-budgetary accounts. The decrease in the budgetary accounts was attributable to funds associated with the Cushion of Credit program being spent instead of deposited in that account during FY 2020. This resulted in the lower unobligated balance being reported in FY 2021. The decrease in the non-budgetary accounts were associated with a decrease in borrowing authority, spending authority and unobligated balances from prior years.

COVID-19

In March 2021, the American Rescue Plan Act of 2021 (Public Law 117-2) was passed by the United States Congress in response to the continuing disruptions caused by the COVID-19 pandemic. The law addresses the effect of the outbreak on the economy, public health, state and local governments, individuals and businesses, providing supplemental appropriations for FY 2021 for Federal agencies. Rural Development received supplemental appropriations for the following programs:

- Local Agriculture Market Resource Program Grants, supplemental appropriation $38 million.
- Emergency Grant Relief for Biofuel Producers, supplemental appropriation $700 million.
- Community Facility Grant Emergency Pilot Program, supplemental appropriation $500 million.
- Rural Housing Rental Assistance Grants Program, supplemental appropriation $100 million.
- Single Family Section 502 and 504 Direct Program Subsidy, supplemental appropriation $39 million.

Principal Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations pursuant to the requirements of 31 U.S.C. 3515 (b). The statements are prepared from the records of Federal entities in accordance with Federal Generally Accepted Accounting Principles (GAAP) and the formats prescribed by Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Entity's Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA). The purpose of the FMFIA is to promote the development of systematic and proactive measures to ensure management accountability for the effectiveness and efficiency of program and business operations.

Rural Development Management has conducted its annual evaluations of internal controls, enterprise risk, and financial systems pursuant to Section 2 and Section 4 of the FMFIA, Section 803(a) of the Federal Financial Management Improvement Act (FFMIA), and in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, for the period ended September 30, 2021. RD's ERM framework includes a risk taxonomy which provides a consistent structure for identifying, classifying, and addressing risks across the diverse mission of RD. Based on the results of the evaluations, Rural Development provides reasonable assurance that the overall system of internal controls is operating effectively.

Section 2 of the FMFIA focuses on the assessment of the adequacy of management controls to manage the risk associated with a given program or operation and to provide reasonable assurance that obligations/costs comply with applicable laws and regulations; that Federal assets are safeguarded against fraud, waste and mismanagement; and that transactions are properly recorded and accounted for.

A material weakness identifies an instance in which the management controls are not sufficient to provide the level of assurance required by Section 2 and requires major milestones for corrective action.

In FY 2021, there were no new material weaknesses.

Section 4 of the FMFIA relates to the review of financial accounting systems to ensure conformance with certain principles, standards, and other Federal requirements. A financial system nonconformance is an instance in which the financial system does not conform to the requirements of Section 4. A nonconformance also requires major milestones for corrective action.

In FY 2021, there were no new non-conformances and no new consolidated non-conformances identified.

Federal Financial Management Improvement Act (FFMIA). The purpose of the FFMIA is to promote management's compliance with Federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U. S. Standard General Ledger (USSGL) at the transaction level. Financial management systems include both financial and financially related (or mixed) systems.

The current Rural Development loan and grant accounting and servicing systems, in addition to their front-end applications, contain functionality and/or information for loan and grant applications, loan and grant characteristics, borrower and grantee statistical information, obligation and disbursement requests, borrower unpaid balances, borrower history related to repayments, payment logic, edits and servicing transactions to conform to agency regulations, program performance, and credit reform loan indicators. There are five major loan and grant accounting and servicing systems currently in use by Rural Development that service all Rural Development programs, and one fund control system that manages all allotments, obligations, and disbursements; and currently functions as described below. RD is developing a modernization roadmap that includes planned disposition of certain systems as noted in their descriptions.

Program Loan Accounting System (PLAS) - The PLAS system supports multiple functional areas for Rural Development direct loan and grant programs – WEP, CF Programs and Business Programs (BP) – and the Farm Loan Programs (FLP) of the Farm Services Agency. Efforts are underway to document PLAS functionality leading to the eventual retirement of this outdated system.

Automated Multi-Family Accounting System (AMAS) - The AMAS system is used to support direct loans and grants for the Rural Development MFH programs, including the RA programs. Efforts are underway to document AMAS functionality leading to the eventual retirement of this outdated system.

Guaranteed Loan System (GLS) - The GLS system is used to support guaranteed loans for Rural Development and FLP programs. Additionally, the GLS system is used to support the applications related to some direct loans and grants for Rural Development BP and CF Programs. The GLS system provides a front-end interface with Rural Development guaranteed lenders and underwriting systems.

Commercial Loan Servicing System (CLSS) - The CLSS system supports the Electric, Telecommunications and some WEP, CF and BP direct loan and grant programs. RD systems are being reviewed and requirements documented to replace outdated RD systems to include PLAS, AMAS, and eventually CLSS.

LoanServ – The LoanServ system services direct loans for Rural Development SFH programs, including collecting and disbursing borrower escrow payments.

Program Funds Control System (PFCS) - The fund control system used by Rural Development and FLP to manage funds control of allotments, obligations, and disbursements. All loan and grant accounting and servicing systems interface with PFCS.

Rural Development is in the process of analyzing and transforming how financial and accounting processes can properly communicate with the USDA core Financial Management Modernization Initiative (FMMI) financial system. This includes analysis of business requirements to design and implement a new platform to transition loan servicing data to a new system, providing functionality for management control reporting, improved process flows, data warehouse extracts and Business Intelligence Reporting, and select interface staging.

Rural Development continues to evaluate the integration and modernization of the current systems to modernize the technological platforms on which systems and applications are built. The major drivers behind modernization are to automate technology gaps where processes are being performed manually, eliminate duplication where multiple systems perform similar functions, and reduce the risk and the cost of reliance on antiquated technology. Modernization will result in improved efficiency and streamlined business processes.

Rural Development management evaluated its financial management systems under FFMIA for the period ended September 30, 2021. Based on the results of its evaluation, Rural Development is in substantial compliance with the Federal Financial Management Systems Requirements, Applicable Federal Accounting Standards, and the Standard General Ledger at the transaction level.

Compliance with Laws and Regulations. Rural Development reports no new non-compliances during FY 2021.

Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) requires that executive agencies identify programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments, and submit those estimates to Congress. A program with significant improper payments (referred to as a high-priority program) has both a 1.5 percent improper payment rate and at least $10 million in improper payments, or exceeds $100 million dollars in improper payments. Rural Development does not report any program meeting the high-priority threshold.

Agencies are required to establish a recovery audit program or provide a justification that a recovery audit program would not be cost effective for each program that expends $1 million or more annually. For Rural Development, 32 programs received OMB waivers from conducting recovery audit due to cost effectiveness, two programs are in the process of receiving waivers, and four programs developed internal recovery audit programs. These internal recovery audit programs identify and recover improper payments. Activities include data mining-initiated reviews, limited scope reviews, special investigations, eligibility verification, agency wide audits, and internal control reviews. Management has reviewed all applicable programs and activities to identify any area that may be susceptible to significant improper payments and no deficiencies were identified.

Agency information and resources can found at www.paymentaccuracy.gov.

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2021 AND 2020
(In Millions)

	2021	2020
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 20,254	$ 19,825
Accounts Receivable, Net (Note 5)	0	0
Loans Receivable, Net	0	0
Other Assets	0	0
Total Intragovernmental	20,254	19,825
With the Public		
Cash and Other Monetary Assets (Note 4)	51	46
Loans Receivable, Net (Note 6)	96,849	94,402
General Property, Plant and Equipment, Net (Note 7)	27	37
Other Assets	0	0
Total With the Public	96,927	94,485
Total Assets	**117,181**	**114,310**
Liabilities (Note 8):		
Intragovernmental:		
Accounts Payable (Note 10)	22	14
Debt (Note 9)	100,912	99,190
Advances from Others and Deferred Revenue	0	0
Other Liabilities		
Resources Payable to Treasury	5,891	6,944
Downward Reestimates Payable to Treasury General Fund	1,886	1,811
Other Liabilities (Note 10)	12	10
Total Intragovernmental	108,723	107,969
With the Public		
Accounts Payable	70	52
Federal Employee and Veteran Benefits Payable (Note 8)	68	66
Loan Guarantee Liability (Note 6)	(781)	1,118
Advances from Others and Deferred Revenue	(10)	(651)
Other Liabilities (Note 10)	231	206
Total With the Public	(422)	791
Total Liabilities	**108,301**	**108,760**
Commitments and Contingencies (Note 11)		
Net Position:		
Unexpended Appropriations	8,535	6,557
Cumulative Results of Operations	345	(1,007)
Total Net Position	**8,880**	**5,550**
Total Liabilities and Net Position	**$ 117,181**	**$ 114,310**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF NET COST
FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020
(In Millions)

	2021	2020
Gross Costs (Note 12)		
Borrowing Interest Expense	$ 3,195	$ 3,338
Grants	2,283	2,014
Loan Cost Subsidies	(2,313)	920
Other	1,437	658
Total Gross Costs	**4,602**	**6,930**
Less Earned Revenues (Note 12)	3,300	3,601
Net Cost of Operations	**$ 1,302**	**$ 3,329**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020
(In Millions)

		2021		2020
Unexpended Appropriations:				
Beginning Balances	$	6,557	$	5,743
Adjustments:				
Changes in Accounting Principle		0		0
Corrections of Errors		0		0
Beginning Balances, as Adjusted	$	6,557	$	5,743
Appropriations Received		6,996		6,044
Appropriations Transferred In/Out		1		(12)
Other Adjustments		(161)		(19)
Appropriations Used		(4,858)		(5,199)
Total Unexpended Appropriations	$	**8,535**	$	**6,557**
Cumulative Results of Operations:				
Beginning Balances	$	(1,007)	$	(73)
Adjustments:				
Changes in Accounting Principle		0		0
Corrections of Errors		0		0
Beginning Balances, as Adjusted	**$**	(1,007)	**$**	(73)
Other Adjustments		(4)		(9)
Appropriations Used		4,858		5,199
Nonexchange Revenue		0		0
Transfers In/Out Without Reimbursement		79		204
Imputed Financing (Note 13)		81		40
Other Financing Sources		(2,360)		(3,039)
Net Cost of Operations		(1,302)		(3,329)
Cumulative Results of Operations	**$**	**345**	$	**(1,007)**
Net Position	**$**	**8,880**	**$**	**5,550**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020
(In Millions)

	2021		2020	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 3,837	$ 9,461	$ 8,200	$ 8,997
Recoveries of Prior Year Unpaid Obligations	333	766	143	746
Other Changes in Unobligated Balance	(307)	(5,950)	(240)	(4,121)
Unobligated Balance from Prior Year Budget Authority, Net	3,863	4,277	8,103	5,622
Appropriations	6,922	0	6,232	1
Borrowing Authority (Notes 14 and 15)	0	10,853	0	11,209
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	691	9,317	818	10,026
Total Budgetary Resources	**$ 11,476**	**$ 24,447**	**$ 15,153**	**$ 26,858**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	$ 6,920	$ 15,940	$ 11,316	$ 17,397
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	4,411	8,260	2,580	9,258
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	72	247	1,187	203
Unexpired Unobligated Balance, End of Year	4,483	8,507	3,767	9,461
Expired Unobligated Balance, End of Year	73	0	70	0
Total Unobligated Balance, End of Year	4,556	8,507	3,837	9,461
Total Budgetary Resources	**$ 11,476**	**$ 24,447**	**$ 15,153**	**$ 26,858**
Outlays, Net				
Outlays, Net (total)	4,848	0	8,351	0
Distributed Offsetting Receipts	(2,844)	0	(1,924)	0
Agency Outlays, Net	**$ 2,004**	**$ 0**	**$ 6,427**	**$ 0**
Disbursements, Net		**$ 2,852**		**$ 1,153**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

RURAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2021, AND 2020 (In Millions)

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Rural Development prepares financial statements to report the financial position and results of operations of the United States Department of Agriculture (USDA) Rural Development mission area. In accordance with the Office of Management and Budget (OMB) *Circular A-136, Financial Reporting Requirements,* Rural Development ensures the information within these financial statements conform to Generally Accepted Accounting Principles (GAAP) for federal entities and Statements of Federal Financial Accounting Standards (SFFAS).

The amounts in the FY 2020 column of the financial statements have been reclassified due to evolving changes in the OMB Circular A-136, Financial Reporting Requirements guidance. This reclassification will facilitate a meaningful comparison between FY 2021 and FY 2020. Footnotes have also been reclassified and additional information has been added to the applicable changes in guidance or presentation preferences.

Rural Development for presentation purposes has reclassified Note 10 Other Liabilities for FY 2020. The changes made were due to adaptation of the new Balance Sheet format for FY 2021. To stay consistent and ensure meaningful presentation the note was reclassified to be comparable to the Balance Sheet and in line with FY 2021 presentation.

Pursuant to SFFAS 56, *Classified Activities*, accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Reporting Entity

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354, was signed into law and permitted the reorganization of the Department of Agriculture. This law reaffirmed Rural Development's statutory authority. Rural Development improves the economy and quality of life in rural America by providing funding for rural housing programs, rural utilities programs, and rural business programs within the USDA. Rural Development's mission offers loans, grants, and loan guarantees to support economic development and essential services such as housing, health care, first responder services and equipment, water, and electric and communications infrastructure.

NOTE 1: Continued

Rural Development List of Major Programs

Rural Housing and Community Facilities Programs

- Single Family Housing Direct Loans & Loan Guarantees (including Mutual Self-Help Loans)
- Single Family Housing Repair Loans & Grants
- Mutual Self-Help Housing Technical Assistance Grants
- Rural Rental Housing Direct Loans & Loan Guarantees
- Housing Preservation Grants
- Farm Labor Housing Loans & Grants
- Community Facilities Direct Loans, Loan Guarantees & Grants
- Rural Community Development Initiative Grants

Rural Business and Cooperative Programs

- Business and Industry Loan Guarantees
- Business and Industry CARES Act Guaranteed Loans & Grants
- Rural Business Development Grants
- Rural Business Investment Loans & Grants
- Intermediary Relending Program Loans
- Rural Microentrepreneur Assistance Loans & Grants
- Rural Economic Development Loans & Grants
- Rural Cooperative Development Grants
- Socially Disadvantaged Groups Grants
- Delta Health Care Services Grants
- Value Added Producer Grants
- Rural Energy for America Program Loan Guarantees & Grants
- Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program Loan Guarantees
- Repowering Assistance Program
- Advanced Biofuel Payment Program
- Strategic Economic and Community Development

Rural Utilities Programs

- Water and Environmental Disposal Direct Loans, Loan Guarantees & Grants
- Solid Waste Management Grants
- Water and Waste Disposal Technical Assistance & Training Grants
- Circuit Rider Loans & Grants
- Rural Broadband Access Direct Loans and Loan Guarantees
- Electric and Telecommunications Infrastructure Direct Loans & Loan Guarantees
- Energy Efficiency & Conservation Loans
- Rural Energy Savings Loans & Grants
- Special Evaluation Assistance for Rural Communities and Households
- Distance Learning and Telemedicine Grants
- Community Connect and ReConnect Grants and Loans
- High Energy Cost Grants
- Distributed Generation Energy Project Financing
- Energy Resource Conservation
- Emergency Community Water Assistance Grants

NOTE 1: Continued

Basis of Accounting and Presentation

The accounting principles and standards applied in preparing the financial statements are in accordance with guidance from the Federal Accounting Standards Advisory Board (FASAB), the Director of OMB and Comptroller General, which constitute generally accepted accounting principles for the Federal Government and its component entities. Additionally, Rural Development applies guidelines from the Federal Credit Reform Act of 1990 (Credit Reform) contained in the Omnibus Budget Reconciliation Act of 1990.

Rural Development utilizes cash, accrual, and budgetary accounting basis while preparing the financial statements. The cash accounting basis recognizes Pre-Credit Reform and Credit Reform non-federal transactions, except for the accrual of interest related to borrower loans. Under the cash method, Rural Development recognizes revenues when cash is received and expenses when they are paid. Federal transactions utilize the accrual accounting basis. Budgetary accounting is also necessary to facilitate compliance with legal constraints and controls over the use of federal funds. Rural Development eliminates all significant interfund and intrafund balances and transactions in the consolidation of all financial statements with the exception of the Statement of Budgetary Resources, which is presented on a combined basis.

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary assets are not assets of Rural Development and, as such, are not recognized on the Balance Sheet (**Note 22**).

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Rural Development's largest estimates are a result of the Federal Credit Reform Act requirements. Actual results may differ from those estimates.

Revenue and Other Financing Sources

Revolving/Credit Funds:

Beginning in FY 1992, the Federal Credit Reform Act of 1990, as amended, contained in the Omnibus Budget Reconciliation Act of 1990, provided Credit Reform procedures that affected the financing of the revolving funds. Under Credit Reform, Rural Development receives an appropriation in the year the loan is made to cover the subsidy cost of providing the loan. The subsidy cost is defined as the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. Consequently, the implementation of Credit Reform has resulted in authorized appropriations, which provide for estimated future losses, as opposed to appropriations, which provided for reimbursement of past losses actually sustained prior to FY 1992. In addition to subsidy appropriations, the other sources of funding for the revolving funds include borrowings from Treasury and borrower loan repayments.

NOTE 1: Continued

General Funds

Rural Development receives appropriations from Congress on both an annual and multi-year basis to fund certain general funds and other expenses such as personnel, compensation, fringe benefits, rent, communication, utilities, other administrative expenses, and capital expenditures. The current budgetary process does not distinguish between capital and operating expenditures. For budgetary purposes, Rural Development recognizes both as a use of budgetary resources. For financial reporting purposes under accrual accounting, operating expenses are recognized in the current reporting period. Expenditures for capital and other long-term assets are capitalized and are not recognized as expenses until they are consumed during normal operations. Rural Development records appropriations for general fund activities as a financing source when expended. Unexpended appropriations are recorded as Net Position.

Fund Balance with Treasury

Treasury processes all receipts and disbursements and maintains the appropriate governmental bank accounts.

Lending Activities

Rural Development utilizes appropriations and borrowing authority to make direct loans. These loans represent actual cash disbursements to borrowers which require repayment.

Other lending activities include the guarantee of loans for Single Family Housing, Multi-Family Housing, Community, Business, and Utility programs. The term “guarantee” means “to guarantee the repayment of all or a part of the principal or interest on any debt obligation to eligible borrowers originated, held, and serviced by a private financial agency or other lender approved by the Secretary of Agriculture.”

Guaranteed lenders may sell guaranteed loans in the secondary market to an institution referred to as a holder. If the holder does not receive payment, Rural Development may purchase the loan. These loans are reported as direct loans by Rural Development.

Loans Receivable, Net and Loan Guarantee Liabilities

Rural Development establishes a loan receivable after funds have been disbursed. They are carried at their principal amount outstanding **(Note 6)** and accrue interest based on the contractual interest rate. When a loan becomes non-performing (in excess of 90 days delinquent or when borrowers enter into troubled debt restructuring arrangements), all interest previously accrued on the loan is reversed for financial reporting purposes, and interest income on the non-performing loan is then recognized only to the extent of the collections received. Rural Development reclassifies non-performing loans as performing and accrues interest when they become current or less than 90 days delinquent. In addition, interest income recognition subsequent to troubled debt restructuring arrangements is generally limited to net present value of the adjusted future cash flows.

In an effort to more accurately portray the actual value of assets, Rural Development adopts the USDA policy of writing off, for financial reporting purposes, all loans that are two years or more delinquent. Present value and net realizable value are used to value the remaining interest and principal. **Note 6** provides additional information on the methods used for direct and guaranteed loans.

NOTE 1: Continued

General Property, Plant, and Equipment, Net

General Services Administration (GSA) provides the land, buildings, and equipment in the current operating environment. GSA charges a Standard Level User Charge that approximates the commercial rental rates for similar properties. Under Credit Reform, all equipment purchases are made through the Salaries and Expense Fund.

Rural Development accounts for the cost of internal use software in accordance with SFFAS No. 10, Accounting for Internal Use Software. SFFAS No. 10 requires the capitalization of the cost of internal use software whether it is commercial off-the-shelf, contractor-developed, or internally developed which solely meets internal or operational needs. As defined in SFFAS No. 6, Accounting for Property, Plant, and Equipment, Rural Development classifies internal use software as General Property, Plant, and Equipment. The threshold for equipment is $25 thousand and internal use software is $100 thousand. See **Note 7** for further information.

Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid as the result of a transaction or event that has already occurred. However, no liability can be paid absent budget authority. Where an appropriation has not been enacted, liabilities are considered not covered by budgetary resources. There is no certainty that appropriations will be enacted.

Borrowings and Interest Payable to Treasury

Borrowings payable to Treasury result from the Secretary of Agriculture's authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations. These funds make periodic principal and interest payments to Treasury in accordance with established agreements.

Pension and Other Employee Benefits

Rural Development recognizes pension and other employee benefits (primarily health care benefits) expense at the time employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. Rural Development recognizes an imputed cost for the difference between the expense and contributions made by and for employees.

Resources Payable to Treasury

Rural Development's Resources Payable to Treasury represent the Pre-Credit Reform fund's assets in excess of the fund's liabilities. Rural Development returns funds to Treasury after liquidating all the liabilities of these Pre-Credit Reform funds.

NOTE 1: Continued

Downward Reestimates Payable to Treasury General Fund

Rural Development records the liability for downward reestimates in accordance with the Treasury General Fund Receipt (GFR) Account Guide, most notably the section, which illustrates the accounting and reporting requirements for Non-Custodial Statement collections applicable to collections of downward reestimates of subsidy expense. As direct and/or guaranteed loan financing accounts collect more subsidy than necessary, to fund future net cash outflows, the applicable financing account must transfer the excess subsidy, with interest, to a designated Treasury GFR Account. As this transfer does not occur until the following year, these excess funds are included in the Fund Balance with Treasury and are considered non-entity assets.

Contingencies

Rural Development's mission area is a party in various legal actions and claims through the normal course of its operations. In the opinion of management and the USDA Office of the General Counsel, the ultimate resolution of these legal actions and claims will not materially affect the financial position or results of operations **(Note 11)**.

Unexpended Appropriations

Unexpended appropriations include the undelivered orders and unobligated balances of the general funds and the program accounts, which receive Congressional appropriations through the budgetary process. As appropriated funds incur obligations, Rural Development records the obligated amount as an undelivered order **(Note 19)**. An expenditure or an obligation cancellation reduces an undelivered order. Rural Development treats appropriated funds, which are not obligated, as unobligated amounts. At the end of the fiscal year, certain multi-year appropriations, which have unobligated balances, remain available for obligation in future periods. Rural Development returns unobligated appropriations to Treasury when their period of availability cancels.

Intragovernmental Financial Activities

Rural Development's mission area is an integral part of the operations of the USDA and may be subject to financial and managerial decisions and legislative requirements, which are beyond the control of the Agency's management. Consequently, day-to-day operations may not be conducted as they would if Rural Development was a separate and independent entity.

USDA provides mission areas with an allocation of departmental non-reimbursed appropriated costs to include in their financial statements. These costs affect the Statement of Net Cost and Statement of Changes in Net Position.

Rural Development does not stipulate that the financial statements report the mission area's proportionate share of the Federal deficit or of public borrowing, including interest. Financing for budget appropriations could derive from tax revenues or public borrowing or both. The ultimate source of this financing, whether from tax revenues or public borrowing, has not been specifically allocated to Rural Development.

NOTE 1: Continued

Allocation Transfers

Rural Development is a party to allocation transfers with other federal agencies as both a transferring entity and a receiving entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account is created in the U.S. Treasury as a subset for tracking and reporting purposes. This account credits all allocation transfers of balances, and charges subsequent obligations and outlays incurred by the child entity as they execute the delegated activity on behalf of the parent entity. All financial activity related to allocation transfers appears in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. Rural Development allocates funds as the parent to the Small Business Administration and Department of Housing and Urban Development. Rural Development receives allocation transfers as the child from the Economic Development Administration, Appalachian Regional Commission, and Delta Regional Authority.

Other Disclosures

In FY 2020, a $635 million overstatement of an accrual in the Multi-Family Housing program occurred. During FY 2020 the Coronavirus Aid, Relief, and Economic Security Act (Cares Act) allowed for Multi-Family Housing borrowers to defer their loan payments for a total of 3 months. As deferrals scheduled to end, the system did not have an automated process to end the deferrals and process payments. A manual process was put in place to process payments and issue rental assistance; thereby maintaining the program mission until the deferral status could be removed in FY 2021. As a result, the system generated interest accruals for interest not yet due and the associated credits for payment assistance, which resulted in an overstated general ledger accrual.

The Balance Sheet and Statement of Net Cost were affected; however, the error was deemed immaterial to the Rural Development Financial Statements and no adjustments were recorded. Below summarizes the impacts to the FY 2020 financial statements had the activity been recorded.

Balance Sheet

	As Published	New Amount
Loans Receivable and Related Foreclosed Property, Net	$94,402	$94,593
Total Assets	**$114,310**	**$114,501**
Resources Payable to Treasury	$6,944	$6,499
Advances from Others and Deferred Revenue	($651)	($16)
Total Liabilities	**$108,760**	**$108,951**

NOTE 1: Continued

Statement of Net Cost

	As Published	New Amount
Other	$658	$1,103
Total Gross Costs	**$6,930**	**$7,375**
Net Cost of Operations	**$3,329**	**$3,774**

NOTE 2: NON-ENTITY ASSETS

Non-Entity Assets represent assets that are “NOT FOR USE” by Rural Development.

	FY 2021	FY 2020
Intragovernmental		
Fund Balance with Treasury	$ 0	$ 0
Total Intragovernmental	**0**	**0**
Cash and Other Monetary Assets	**51**	**46**
Total Non-Entity Assets	**51**	**46**
Total Entity Assets	117,130	114,264
Total Assets	**$ 117,181**	**$ 114,310**

NOTE 3: FUND BALANCE WITH TREASURY

Fund Balance with Treasury represents the undisbursed account balances with Treasury as reported in the mission area's records.

The line titled Unavailable consists of restricted funds which are limited in their future use and are not apportioned for current use. These amounts represent the expired authority in annual year grant and program accounts (annual years prior to FY 2021) and are only available for prior year upward obligations. After the fifth year of expiration, Rural Development returns all funds to Treasury except those entities having extended authority to disburse. For FY's 2021 and 2020, there were approximately $57 million and $122 million in expired funds, respectively.

Total unobligated balances and obligated balances not yet disbursed do not agree with the corresponding fund balance with Treasury amounts presented below because Rural Development borrows funds from Treasury at the time certain obligations are disbursed. Borrowing authority not yet converted to fund balance represents unobligated and obligated amounts recorded at fiscal yearend, which will be funded by future borrowings.

	FY 2021	FY 2020
Status of Fund Balance with Treasury (FBWT)		
Unobligated Balance:		
Available	$ 12,670	$ 11,838
Unavailable	393	1,460
Obligated Balance Not Yet Disbursed	33,594	31,810
Borrowing Authority Not Yet Converted to Fund Balance	(26,387)	(25,261)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(18)	(22)
Temporary Reduction of New Budget Authority	0	0
Appropriation Purpose Fulfilled - Balance Not Available	2	1
Non-Budgetary Fund Balance with Treasury	0	(1)
Total	**$ 20,254**	**$ 19,825**

NOTE 4: CASH AND OTHER MONETARY ASSETS

Cash is comprised of funds related to the operation of the Rural Housing Escrow Program on deposit with Bank of America as of September 30, 2021.

	FY 2021	FY 2020
Cash and Other Monetary Assets		
Cash	$ 51	$ 46
Foreign Currency	0	0
Other Monetary Assets	0	0
Total Cash and Other Monetary Assets	**$ 51**	**$ 46**

NOTE 5: ACCOUNTS RECEIVABLE (A/R), NET

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
FY 2021			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	0	0	0
Total Intragovernmental Accounts Receivable	**$ 0**	**$ 0**	**$ 0**
With the Public			
Audit Receivable	18	(18)	0
Total Accounts Receivable	**$ 18**	**$ (18)**	**$ 0**
FY 2020			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	0	0	0
Total Intragovernmental Accounts Receivable	**$ 0**	**$ 0**	**$ 0**
With the Public			
Audit Receivable	20	(20)	0
Total Accounts Receivable	**$ 20**	**$ (20)**	**$ 0**

Criminal Restitution

The outstanding balance for criminal restitution was $3 million for FY 2021 and $3 million for FY 2020.

NOTE 6: LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

Discussion of Credit Programs and Characteristics

Rural Development offers both direct and guaranteed loans administered through the Rural Housing Service, Rural Utilities Service and Rural Business-Cooperative Service. Each agency has unique missions to bring prosperity and opportunity to rural areas. The direct program has $96,849 million in outstanding credit program net receivables, and the guaranteed program has an outstanding guarantee of $119,201 million with a liability of $(781) million, as of September 30, 2021.

Each year, Rural Development programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing, business, and utilities. To leverage the impact of its programs, Rural Development is working with state, local, and Indian tribal governments, as well as private and non-profit organizations and user-owned cooperatives. Rural Development is able to provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements, and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

Rural Development programs facilitate rural prosperity and economic development in rural America. Utilities programs provide capital for electric, telecommunications (including broadband, distance learning, and telemedicine) and water and environmental projects. These programs leverage federal funds with private capital to invest in rural infrastructure, technology and development of human resources.

Business and Cooperative programs provide capital for building energy efficient and competitive businesses and sustainable cooperatives that can prosper in the global marketplace. In partnership with the private sector and community-based organizations, these programs deliver loans, loan guarantees, grants, and technical assistance to support rural businesses, and provide job training in rural areas through capital, training, education, and entrepreneurial skills in rural communities, agricultural markets and the bio-based economy.

Housing and Community Facilities (CF) programs ensure rural families have access to safe, well-built, affordable homes and support an infrastructure needed to make rural communities attractive to small business owners, employees and families. Housing and CF programs provide loans, grants and rental assistance (RA) to rural low and very low-income residents for housing, and funding to support rural infrastructure and community services development. These programs are essential to rural America.

NOTE 6: Continued

Loan Program Characteristics

PROGRAM CHARACTERISTICS – DIRECT		
MAJOR PROGRAMS	**OBJECTIVE**	**TERMS/CONDITIONS**
Single Family Housing Loans (including Mutual Self-Help Loans)	Safe, well-built, affordable homes for very-low and low-income rural Americans.	Up to 100% of market value or cost. Loan term of 33/38 years. Applicant may be eligible for payment assistance (subsidy) on the loan.
Single Family Housing Repair Loans	To help very-low-income applicants remove health and safety hazards or repair their homes.	Loans up to $20,000 up to 20 years at 1%.
Rural Rental (Multi-Family) Housing Loans	Safe, well-built, affordable rental housing for very-low-income individuals and families.	Up to 100% of total development cost (non-profits); 97% (for-profit); 95% (for-profits with Low-Income Housing Tax Credits). 30-year term with up to 50-year amortization.
Community Facility Loans	Improve, develop, or finance essential community facilities for rural communities.	Up to 100% of Market value. Term is for useful life of the facility or equipment, the State statue, or 40 years.
Farm Labor Housing Loans	Safe, well-built affordable rental housing for farmworkers.	Up to 102% of total development cost. Up to 33 years to repay at 1% interest.
Rural Economic Development Loans	Finance economic development and job creation in rural areas.	Intermediary makes loans to for-profit or non-profit businesses and public bodies. Loans are 0% for 10 years.
Intermediary Relending Program Loans	Establish revolving funds for business facilities and community development projects.	The intermediary makes loans to business from its revolving loan fund on terms consistent with security offered. Intermediary pays 1% for 30 years.
Rural Microentrepreneur Assistance Program	Establish revolving funds to target assistance to small rural enterprises.	Maximum term is 20 years with a 2-year payment deferral.
Water and Environmental Loan	Provide infrastructure for rural areas.	Repayment period is a maximum of 40 years.
Electric Loans including Rural Energy Savings Program	Helps rural communities obtain affordable, high quality electric. Helps rural families and small businesses achieve cost savings through loans to qualified consumers to implement durable cost – effective energy efficiency measures.	Up to 20 years at 0% interest, up to 3% interest for relending to qualified end-users/consumers for up to 10 years; up to 4% of the loan total may be used for startup costs.
Telecommunication and Broadband Loans	Financing for construction, maintenance, improvement, and expansion of telephone service and broadband in rural areas.	Cost of money loans at fixed U.S. Treasury rate. Hardship Loans may be available at fixed interest rate for up to 20 years.

NOTE 6: Continued

PROGRAM CHARACTERISTICS – GUARANTEED		
MAJOR PROGRAMS	**OBJECTIVE**	**TERMS/CONDITIONS**
Single Family Housing Loan Guarantees	To assist low-to moderate-income applicants/household buy their homes by guaranteeing loans made by private lenders.	30-year fixed. The interest rate is negotiated between lender and borrower. Loans up to 100% of market value plus the amount of the up-front guarantee fee being financed.
Rural Rental (Multi-Family) Housing Loan Guarantees	Guarantees on loans to build or preserve affordable rental housing for very-low to moderate income tenants	At least 25-year term with fixed interest rate. Loan guarantees on up to 90% of the principal.
Community Facilities Loan Guarantees	Improve, develop, or finance essential community facilities for rural communities.	Up to 100% of market value. Term is for useful life of the facility or equipment, the State statue, or 40 years. Maximum grant 75% of project cost.
Business and Industry Loan Guarantees	Create jobs/stimulate rural economics by providing financial backing for rural business.	Lender and borrower negotiate terms. Up to 30 years for real estate, 15 years for machinery and equipment, and 7 years for working capital.
Business and Industry Loan Guarantees CARES Act	Provides working capital to help rural businesses prevent, prepare for, or respond to the effects of the coronavirus pandemic.	Lender and borrower negotiate terms. Loan Guarantee is 90%. Up to 10 years loan term at which point the loan must be repaid. Interest payments can be deferred the first year. Principal payments can be deferred up to 3 years.
Rural Energy for America Program (REAP) Loan Guarantees	Provide assistance for energy efficiency improvements or to purchase a renewable energy system for operations.	Loan guarantees up to 75% of project cost not to exceed $25 million.
Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program Loan Guarantees	Loan guarantees to develop and construct commercial–scale biorefineries or retrofit facilities using eligible technology for the development of advanced biofuels.	90% (maximum) guarantee on loans up to $125 million; 80% (maximum) guarantee on loans less than $150 million; 70% (maximum) guarantee on loans of $150 million but less than $200 million; 60% (maximum) guarantee on loans of $200 million up to $250 million.
Water and Environmental Loan Guarantees	Provide infrastructure for rural areas.	Eligible lenders obtain up to 90% guarantee on loans they make and service.
Electric and Telecommunication Loan Guarantees	Help rural communities obtain affordable, high-quality electric and telecommunications services.	Maximum 35-year term 100% guaranteed

NOTE 6: Continued

Other Information Related to Credit Programs

A financial statement adjustment of $1,098 million was recorded to Allowance for Subsidy as part of an upward adjustment to the FY 2021 reestimates in the Rural Electric and Telecommunications Program and Financing account. In FY 2021, the technical reestimate calculation using the approved model was $(255) million and by recording this accrual the Allowance for Subsidy would have been significantly understated. As a result, RD's management decided to adjust the FY 2021 reestimate for financial statement reporting.

The Agency processed a significant amount of Federal Financing Bank loan prepayments in FY 2020 and FY 2019 as part of the changes enacted in the 2018 Agriculture Improvement Act. The increases in prepayments for the two years impacted the approved model for reestimates.

Foreclosed Property and Loans Acquired
Property is acquired largely through foreclosure and voluntary conveyance. Rural Development records the market value of acquired properties associated with loans at the time of acquisition. The projected future cash flows associated with acquired properties are used in determining the related allowance (at present value).

For FY's 2021 and 2020, Rural Housing Program properties consist primarily of 1,095 and 1,267 rural single-family dwellings, respectively. The average holding period for single family housing properties in inventory was 16 months for FY 2021 and 16 months for FY 2020. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY's 2021 and 2020 was 11,792 and 15,065, respectively. Rural Development also allows leasing certain properties to eligible individuals.

Non-Performing Loans
Rural Development's loan interest income on non-performing receivables is calculated but the recognition of revenue is deferred. Non-performing receivables are defined as receivables that are in arrears by 90 or more days.

Interest Credit
Approximately $13,548 million and $14,328 million of the Rural Housing borrowers' unpaid loan principal, as of September 30, 2021 and 2020, respectively, received interest credit (payment assistance). If those loans receiving interest credit had interest accrued at the full-unreduced rate, interest income would have been approximately $604 million and $666 million for FY's 2021 and 2020, respectively.

Also, at the end of FY's 2021 and 2020, the Rural Development housing portfolio contained approximately 53,656 and 48,280 restructured loans, respectively. The outstanding unpaid principal balance was $3,407 million in FY 2021 and $2,584 million in FY 2020.

NOTE 6: Continued

Modifications
A modification is any government action, different from actions in the baseline assumption, that affects the subsidy cost, such as a change in the terms of the loan contract. This includes the sale of loan assets and any action resulting from new legislation. Modifications may also occur from the exercise of administrative discretion under existing law that directly or indirectly alters the estimated cost of outstanding direct loans or loan guarantees. The cost of a modification is the difference between the net present value of the cash flows before and after the modification.

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, and continued through FY 2021. In this program, Rural Development provided restructured loans and grants to development owners to revitalize multi-family housing development projects in order to extend their affordable use without displacing tenants due to increased rent.

In FY 2020, Rural Development in consultation with the Office of Management Budget (OMB) and the United States Department of Agriculture Office of the General Counsel (OGC) developed an administrative solution that allowed a pro-rata share of the modification cost in the Rural Utilities Service Financing Account to be provided to the Federal Financing Bank (FFB) per the 2018 Agriculture Improvement Act Section 6503(D). As part of the administrative solution Rural Development provided FFB with a lump sum, one-time payment of $733 million of the modification cost for prepayments from the Cushion of Credit.

Subsidy Rates and Reestimates
The Federal Credit Reform Act of 1990, as amended, and OMB Circular A-11 govern the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the government for direct loans or loan guarantees is referred to as “subsidy cost.” Under the Act, subsidy costs for all loans obligated post-1991 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are estimated annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows. Reestimates are revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance and/or estimated changes in future cash flows of the cohort. A cohort refers to the fiscal year of obligation for direct loan obligations, or loan guarantee commitments of a specific program. In FY’s 2021 and 2020, reestimates using projected fiscal year activity were recorded in the current fiscal year.

In FY’s 2021 and 2020, Rural Development guaranteed loan programs recorded prior year actual budgetary reestimates and current year activity projected reestimates for material programs. Defaults, fees, and other collections are considered significant assumptions within the guaranteed housing and business and industry program estimates.

Based on a sensitivity analysis conducted for each program, the difference between the budgeted and actual interest for both borrower and Treasury remain the key components of the subsidy formulation and reestimate rates of Rural Development direct programs. Rural Development uses the government-wide interest rate projections provided by OMB within its calculations and analysis. However, for FY 2020 Rural Development used economic data from the Congressional Budget Office (CBO) and Moody’s state level Housing Price Index (HPI) for the Guaranteed Single-Family Housing program in the calculations and analysis as the government-wide interest rate projections

NOTE 6: Continued

were not available. For FY 2021 Rural Development used the government-wide interest rate projections provided by OMB.

Rural Development's cash flow models are tailored for specific programs based on unique program characteristics. Specific models developed and utilized include an econometric model for Guaranteed Single Family Housing and Guaranteed Business and Industry, and historical weighted average models for Direct Single-Family Housing, Multi-Family Housing, Guaranteed Electric Underwriters, Electric Modifications, and a direct loan historical model that covers the remaining portfolio with similar characteristics.

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 with or without interest.

Valuation Methodology for Direct Loans and Loan Guarantees
For direct loans made pre-1992, Rural Development uses the Net Realizable Value methodology to value the remaining interest and principal portfolio. The Net Realizable Value methodology uses the average rate of the last five years of write-offs to determine the value of the remaining interest and principal portfolio. Direct loans and loan guarantees made post-1991 are governed by the Federal Credit Reform Act of 1990, as amended. The Act requires agencies to estimate the cost of direct loans and loan guarantees at net present value of future cash flows.

Additionally, the net present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees are recognized as a cost in the year the direct loan or guaranteed loan is disbursed.

DIRECT LOANS

Direct Loan Obligations

Direct loan obligations are binding agreements by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. **Table 1** illustrates the overall composition of the Rural Development loan portfolio by mission area and loan program for FY 2021 and FY 2020. Loans Receivable, Net and Guarantee Liabilities, Net balances at the end of FY 2021 was $96,849 million compared to $94,402 million at the end of FY 2020. Defaulted Guaranteed Loans were $209 million in FY 2021 as compared to $224 million in FY 2020.

The Omnibus Budget Act of 1987, Section 313, authorized the accumulation of Cushion of Credit (CoC) in the Revolving Fund. Borrowers may make advance payments up to their liquidating and financing total Rural Utilities Service debt. To accurately represent the value of Electric and Telecommunication assets, Rural Development reports the CoC amounts as a separate line item in **Table 1**, under the Direct Loans Receivables Section.

NOTE 6: Continued

TABLE 1: LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

FY 2021	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [1]	Value of Assets
Direct Loans					
Obligated Pre-1992					
Housing	$ 5,332	$ 695	$ 8	$ (627)	$ 5,408
Community Facility	6	0	0	0	6
Electric	1,805	2	0	(1,427)	380
Telecommunication	28	0	0	0	28
Water and Environmental	167	2	0	0	169
Intermediary Relending	1	0	0	0	1
Pre-1992 Total	**7,339**	**699**	**8**	**(2,054)**	**5,992**
Obligated Post-1991					
Housing	17,509	434	63	(1,756)	16,250
Community Facility	11,151	106	0	(188)	11,069
Electric	49,235	30	0	(1,171)	48,094
Telecommunication	2,567	1	0	40	2,608
Water and Environmental	12,897	87	0	429	13,413
Intermediary Relending	321	2	0	(63)	260
Business and Industry	44	0	0	(6)	38
Economic Development	201	0	0	(17)	184
Post-1991 Total	**93,925**	**660**	**63**	**(2,732)**	**91,916**
Cushion of Credit Advance Payments	(1,268)	0	0	0	(1,268)
Total Direct Loans Receivable	**99,996**	**1,359**	**71**	**(4,786)**	**96,640**
Defaulted Guaranteed Loans					
Post-1991					
Housing	174	0	0	(137)	37
Community Facility	8	0	0	0	8
Business and Industry	217	0	0	(53)	164
Total Defaulted Guaranteed Loans	**$ 399**	**$ 0**	**$ 0**	**$ (190)**	**$ 209**
Total Loans Receivable, Net and Loan Guarantee Liabilities					**$ 96,849**

[1] The allowance for Direct Loans Obligated pre-1992 are valued at Net Realizable value, while Direct Loans Obligated post-1991 and Defaulted Guaranteed Loans are valued at Net Present value.

NOTE 6: Continued

TABLE 1: LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

FY 2020	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [2]	Value of Assets
Direct Loans					
Obligated Pre-1992					
Housing	$ 5,610	$ 763	$ 6	$ (613)	$ 5,766
Community Facility	8	0	0	0	8
Electric	1,854	2	0	(1,427)	429
Telecommunication	40	0	0	0	40
Water and Environmental	203	2	0	0	205
Intermediary Relending	2	0	0	0	2
Pre-1992 Total	**7,717**	**767**	**6**	**(2,040)**	**6,450**
Obligated Post-1991					
Housing	17,803	465	77	(2,302)	16,043
Community Facility	10,536	73	0	(120)	10,489
Electric	47,010	27	0	(1,169)	45,868
Telecommunication	2,735	1	0	10	2,746
Water and Environmental	13,204	88	0	590	13,882
Intermediary Relending	342	2	0	(70)	274
Business and Industry	46	0	0	(6)	40
Economic Development	200	0	0	(16)	184
Post-1991 Total	**91,876**	**656**	**77**	**(3,083)**	**89,526**
Cushion of Credit Advance Payments	(1,798)	0	0	0	(1,798)
Total Direct Loans Receivable	**97,795**	**1,423**	**83**	**(5,123)**	**94,178**
Defaulted Guaranteed Loans					
Post-1991					
Housing	126	0	0	(94)	32
Community Facility	8	0	0	0	8
Business and Industry	227	0	0	(43)	184
Total Defaulted Guaranteed Loans	**$ 361**	**$ 0**	**$ 0**	**$ (137)**	**$ 224**
Total Loans Receivable, Net and Loan Guarantee Liabilities					**$ 94,402**

[2] The allowance for Direct Loans Obligated pre-1992 are valued at Net Realizable value, while Direct Loans Obligated post-1991 and Defaulted Guaranteed Loans are valued at Net Present value.

NOTE 6: Continued

Subsidy Cost Allowance

The net present value of direct loans obligated post-1991 comprises the outstanding balance of the loans adjusted by the allowance for subsidy for these loans. **Table 2** shows the reconciliation of subsidy cost allowance balances from FY 2021 to FY 2020. The subsidy cost allowance in FY 2021 was $2,922 million compared to $3,220 million in FY 2020, a decrease of $298 million.

TABLE 2: SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES (POST-1991 DIRECT LOANS)

Beginning Balance, Changes, and Ending Balance	FY 2021	FY 2020
Beginning Balance of the Subsidy Cost Allowance	$ 3,220	$ 3,583
Add subsidy expense for direct loans disbursed during the year by component:		
Interest rate differential costs	(190)	(158)
Default costs (net of recoveries)	109	111
Fees and other collections	(18)	(49)
Other subsidy costs	(39)	(63)
Total of the above subsidy expense components	(138)	(159)
Adjustments:		
Loan modifications	3	7
Fees received	75	77
Loans written off	(170)	(107)
Subsidy allowance amortization	(345)	145
Other	795	(359)
Ending balance of the subsidy cost allowance before reestimates	**3,440**	**3,187**
Add or subtract reestimates by component:		
Interest rate reestimates	(250)	(26)
Technical/default reestimates	(268)	59
Total of the above reestimate components	(518)	33
Ending Balance of the Subsidy Cost Allowance	**$ 2,922**	**$ 3,220**

NOTE 6: Continued

Direct Loan Subsidy Expense

Direct loan subsidy expense is a component of the subsidy cost allowance. The total direct loan subsidy expense for FY 2021 is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. **Table 3**, illustrates the composition of total subsidy expense, including reestimates, for FY's 2021 and 2020 by program. Total direct loan subsidy expense in FY 2021 was $(653) million compared to $(119) million in FY 2020, a decrease of $534 million. Reestimate variances are discussed in the Analysis of Direct Loans.

TABLE 3: DIRECT LOAN SUBSIDY BY PROGRAM AND COMPONENT

	Subsidy Expense for New Direct Loans Disbursed					Modifications and Reestimates				
	Interest Differential	Defaults	Fees and Other Collections	Other	Total	Total Modifications	Interest Rate	Technical/ Default	Total	GRAND TOTAL
FY 2021										
Housing	$ 31	$ 47	$ 0	$ 3	$ 81	$ 3	$ (92)	$ (111)	$ (203)	$ **(119)**
Community Facility	(138)	45	0	14	(79)	0	168	(44)	124	**45**
Electric	(147)	7	(18)	(17)	(175)	0	(348)	(278)	(626)	**(801)**
Telecommunications	1	9	0	(1)	9	0	(3)	(32)	(35)	**(26)**
Water & Environmental	54	1	0	(38)	17	0	28	198	226	**243**
Intermediary Relending	3	0	0	0	3	0	(2)	0	(2)	**1**
Business and Industry	0	0	0	0	0	0	0	0	0	**0**
Economic Development	6	0	0	0	6	0	(1)	(1)	(2)	**4**
Total Subsidy Expense, Direct	**$ (190)**	**$ 109**	**$ (18)**	**$ (39)**	**$ (138)**	**$ 3**	**$ (250)**	**$ (268)**	**$ (518)**	**$ (653)**
FY 2020										
Housing	$ 67	$ 52	$ 0	$ 5	$ 124	$ 7	$ (71)	$ (67)	$ (138)	$ **(7)**
Community Facility	(134)	42	0	6	(86)	0	152	(275)	(123)	**(209)**
Electric	(172)	14	(49)	(25)	(232)	0	(126)	1,307	1,181	**949**
Telecommunications	0	2	0	(2)	0	0	(29)	10	(19)	**(19)**
Water & Environmental	70	1	0	(47)	24	0	50	(917)	(867)	**(843)**
Intermediary Relending	4	0	0	0	4	0	(2)	1	(1)	**3**
Business and Industry	1	0	0	0	1	0	0	1	1	**2**
Economic Development	6	0	0	0	6	0	0	(1)	(1)	**5**
Total Subsidy Expense, Direct	**$ (158)**	**$ 111**	**$ (49)**	**$ (63)**	**$ (159)**	**$ 7**	**$ (26)**	**$ 59**	**$ 33**	**$ (119)**

NOTE 6: Continued

Direct Loans Disbursed

Volume distribution between programs is shown in **Table 4.** Direct loans disbursed in FY 2021 was $7,709 million compared to $9,191 million in FY 2020, a decrease of $(1,482) million.

TABLE 4: TOTAL AMOUNT OF DIRECT LOANS DISBURSED (POST-1991)

	FY 2021	FY 2020	FY 2021 Over/Under FY 2020
Housing	$ 1,086	$ 1,255	$ (169)
Community Facility	1,259	1,278	(19)
Electric	4,082	5,177	(1,095)
Telecommunications	206	150	56
Water and Environmental	1,022	1,271	(249)
Intermediary Relending	12	16	(4)
Business and Industry	2	5	(3)
Economic Development	40	39	1
Total Direct Loans Disbursed	**$ 7,709**	**$ 9,191**	**$ (1,482)**

NOTE 6: Continued

Subsidy Rates for Direct Loans

Subsidy rates are used to compute each year's subsidy expense. **Table 5** has the direct loan subsidy rates for FY 2021 as provided in the Federal Credit Supplement to the Budget of the U.S. Government. The subsidy rates disclosed in **Table 5** pertain only to the FY 2021 cohort. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 5: SUBSIDY RATES FOR DIRECT LOANS (PERCENTAGE)

FY 2021	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	0.53	5.16	0.00	-0.15	5.54
Section 504 Housing Repair	10.39	-0.02	0.00	-2.46	7.91
Single Family Housing Credit Sales	-7.38	2.18	0.00	2.74	-2.46
Section 514 Farm Labor Housing	18.33	0.23	0.00	-0.37	18.19
Section 515 Multi-Family Housing	16.88	1.27	0.00	-1.43	16.72
Section 523 Self-Help Housing Land Development	0.46	4.84	0.00	0.08	5.38
Section 524 Site Development	0.43	5.92	0.00	0.75	7.10
Multi-Family Housing Credit Sales			Not Funded		
Multi-Family Housing Relending			Not Funded		
Multi-Family Housing Revitalization Second	45.67	0.60	0.00	0.01	46.28
Multi-Family Revitalization Zero	40.96	0.52	0.00	-0.22	41.26
Community Facilities	-13.65	4.92	0.00	2.17	-6.56
Community Facilities Relending			Not Funded		
Distance Learning and Telemedicine			Not Funded		
Broadband Treasury Rate	0.01	17.16	0.00	-0.32	16.85
Water and Environmental	0.66	0.12	0.00	-2.31	-1.53
Electric Hardship			Not Funded		
FFB Electric	-4.56	0.01	0.00	-0.42	-4.97
Telephone Hardship			Not Funded		
Treasury Telecommunications	0.02	0.71	0.00	-0.07	0.66
FFB Telecommunications	-1.12	0.17	0.00	-2.24	-3.19
Intermediary Relending Program	15.17	1.64	0.00	-1.25	15.56
Rural Economic Development	9.84	0.01	0.00	-0.30	9.55
Rural Microenterprise	1.07	2.07	0.00	0.00	3.14
Electric Underwriting	0.00	1.38	-1.95	0.00	-0.57
Reconnect Direct Loans	3.11	24.72	0.00	-0.36	27.47
Reconnect Grant Assisted Loans	0.00	24.72	0.00	-0.09	24.63
Rural Energy Savings Program	9.42	1.23	0.00	-0.40	10.25

NOTE 6: Continued

Analysis of Direct Loans

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

RURAL HOUSING PROGRAMS

The Direct Community Facility program has an overall upward reestimate of $124 million. The upward reestimate was primarily due to updated interest rates. For the majority of the years, the interest rate decreased which caused an overall increase in subsidy rates. When subsidy rates increase, the net present value of the cash flows decrease resulting in an upward reestimate.

The Direct Single-Family Housing program has a downward reestimate of $(203) million. The key drivers of the downward impact were the updated recapture recoveries, lag on foreclosure, actual full payoff prepayments, and updated disbursements from FY2020. The forecasted recapture recoveries and prepayments increased, which resulted in a downward impact on the total reestimate amount. The Single Effective Rate (SER) also decreased, causing the reestimate rate to decrease. As the SER decreases, the net present value of the cash flows increases as they are being discounted at a lower rate, thereby reducing the subsidy rate.

RURAL UTILITIES PROGRAMS

The Direct Electric Program had an overall downward reestimate of $(626) million which is comprised of a $(255) million downward reestimate in the FFB program, a $(424) million in the FFB Underwriter program, and a $45 million upward reestimate in the FFB Note Extension program. One of the main drivers of the downward reestimates in all Direct Electric Programs was the increase in the undiscounted prepayments curves, which are based on actual prepayments and are used to project future cashflows. The downward reestimate was also caused by the updated Single Effective Rates which primarily decreased. As the SER decreases, the cost of borrowing for the Agency decreases as well, causing a downward reestimate as the net present value of cash flows increases due to lower discount rate. Another contributing factor to the overall downward reestimate was updates the contingency fee percentages, as well as an increase in forecasted variable interest rates from the Office of Management and Budget (OMB) Presidential Economic Assumptions (PEA), which increased interest revenue.

The Direct Water and Waste Disposal program had an overall upward reestimate of $226 million. The upward reestimate was primarily attributed to the Miscellaneous Inflows curves decreasing which are based on actual data and are used to project future cashflows from Miscellaneous Inflows. The Miscellaneous Inflows represent non-routine cash transactions such as consolidations. Another contributing factor to the overall upward reestimate was the decrease in interest rates that were lower than the rates the government uses when they borrow from Treasury.

NOTE 6: Continued

GUARANTEED LOANS

Rural Development offers guaranteed loan products, which are administered in coordination with conventional agricultural lenders, for up to 90 percent of the principal loan amount, with the exception of the Electric Guarantees, which are guaranteed at 100 percent. Borrowers interested in guaranteed loans must apply through a conventional lender, which arranges for the guarantee with the Agency. Guaranteed loans are disclosed on the balance sheet in two ways: estimated losses on loan credit guarantees, which are valued and carried as a liability; and guaranteed loans purchased from third party holders, which are carried at net present value in loans receivable and related foreclosed property, net.

Loan Guarantees Outstanding

Guaranteed loans outstanding at the end of FY 2021 decreased compared to the FY 2020 portfolio. **Table 6** shows the outstanding balances by loan program. At the end of FY 2021 and FY 2020, there were $134,127 million and $137,379 million in outstanding principal (face value) and $119,201 million and $122,200 million in outstanding principal (guaranteed), respectively.

TABLE 6: GUARANTEED LOANS OUTSTANDING

		Post-1991 Outstanding Principal Face Value		Post-1991 Outstanding Principal Guaranteed
FY 2021				
Housing	$	123,431	$	111,052
Community Facility		1,172		1,039
Electric		139		139
Water and Environmental		108		95
Business and Industry		9,277		6,876
Total Guaranteed Loans Outstanding	**$**	**134,127**	**$**	**119,201**
FY 2020				
Housing	$	127,859	$	115,036
Community Facility		1,165		1,035
Electric		147		147
Water and Environmental		94		83
Business and Industry		8,114		5,899
Total Guaranteed Loans Outstanding	**$**	**137,379**	**$**	**122,200**

NOTE 6: Continued

Liability for Loan Guarantees

Liability for loan guarantees consists of net cash flows (outflows less inflows) paid or to be paid by the entity as a result of the loan guarantees. **Table 6a** shows the loan guarantee liability. **Table 6b** shows the liability reconciliation for post-1991 guarantees. In FY 2021, the total liabilities decreased by $(1,899) million compared to FY 2020.

TABLE 6a: LIABILITY FOR LOAN GUARANTEES

		Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value
FY 2021		
Liability for Loan Guarantees		
Housing	$	(1,144)
Community Facility		30
Electric		0
Water and Environmental		1
Business and Industry		332
Total Liabilities for Loan Guarantees	**$**	**(781)**
FY 2020		
Liability for Loan Guarantees		
Housing	$	679
Community Facility		43
Electric		0
Water and Environmental		1
Business and Industry		395
Total Liabilities for Loan Guarantees	**$**	**1,118**

NOTE 6: Continued

The Agency continued to process claim payments to lenders in FY 2021 related to the Guaranteed Single-Family Housing Program, although the program experienced a small decrease for FY 2021 as compared to FY 2020.

TABLE 6b: SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY (POST-1991)

Beginning Balance, Changes, and Ending Balance	**FY 2021**	**FY 2020**
Beginning Balance of the Loan Guarantee Liability	$ 1,118	$ 210
Claim payments to lenders	(160)	(410)
Fees received	731	681
Interest supplements paid	(8)	(8)
Loans acquired	29	44
Interest revenue on uninvested funds	0	0
Interest Expense on entity borrowings	0	0
Subsidy expense	80	32
Negative subsidy payments	(171)	(133)
Upward reestimates	15	828
Downward reestimates	(2,322)	(47)
Loan guarantee modifications	0	0
Other	(93)	(79)
Ending Balance of the Loan Guarantee Liabilities	**(781)**	**1,118**

NOTE 6: Continued

Guaranteed Loan Subsidy Expense

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year and the interest rate and technical reestimates to existing loans. **Table 7** illustrates the breakdown of total subsidy expense for FY 2021 and FY 2020 by loan program. Total guaranteed loan subsidy expense in FY 2021 was $(2,398) million compared to $680 million in FY 2020, a decrease of $(3,078) million.

TABLE 7: GUARANTEED LOAN SUBSIDY EXPENSE BY PROGRAM AND COMPONENT

	Subsidy Expense for New Guaranteed Loans Disbursed					Modifications and Reestimates				
	Interest Supplement	Defaults	Fees and Other Collections	Other	Total	Total Modification	Interest Rate	Technical	Total	GRAND TOTAL
FY 2021										
Housing	$ 0	$ 862	(1,033) $	0	$ (171)	$ 0	$ 14	$ (2,124)	$ (2,110)	$ (2,281)
Community Facility	0	4	(3)	0	1	0	0	(12)	(12)	(11)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	183	(104)	0	79	0	1	(186)	(185)	(106)
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 1,049**	**$ (1,140)**	**$ 0**	**$ (91)**	**$ 0**	**$ 15**	**$ (2,322)**	**$ (2,307)**	**$ (2,398)**
FY 2020										
Housing	$ 0	$ 726	$ (859)	$ 0	$ (133)	$ 0	$ (18)	$ 827	$ 809	$ 676
Community Facility	0	2	0	0	2	0	0	(11)	(11)	(9)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	75	(45)	0	30	0	1	(18)	(17)	13
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 803**	**$ (904)**	**$ 0**	**$ (101)**	**$ 0**	**$ (17)**	**$ 798**	**$ 781**	**$ 680**

NOTE 6: Continued

Guaranteed Loans Disbursed

Guaranteed loan volume face value increased to $26,532 million in FY 2021 from $23,409 million in FY 2020. The housing loan and business and industry programs experienced the largest increase.

TABLE 8: GUARANTEED LOANS DISBURSED (POST-1991)

	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
FY 2021		
Housing	$ 23,875	$ 21,488
Community Facility	105	93
Water and Environmental	20	18
Business and Industry	2,532	1,931
Total Guaranteed Loans Disbursed	**$ 26,532**	**$ 23,530**
FY 2020		
Housing	$ 22,102	$ 19,892
Community Facility	53	47
Water and Environmental	20	17
Business and Industry	1,234	942
Total Guaranteed Loans Disbursed	**$ 23,409**	**$ 20,898**

Subsidy Rates for Loan Guarantees

Subsidy rates are used to compute each year's subsidy expense. The subsidy rates disclosed in **Table 9** pertain only to the FY 2021 cohort as provided in the Federal Credit Supplement to the Budget of the U.S. Government. These rates cannot be applied to the guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 9: SUBSIDY RATES FOR LOAN GUARANTEES (PERCENTAGE)

FY 2021	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	3.65	-4.35	0.00	-0.70
Section 538 Multi-Family Housing	3.34	-8.29	0.00	-4.95
Community Facilities	3.79	-4.15	0.00	-0.36
Business and Industry	5.96	-4.82	0.00	1.14
Business and Industry CARES Act	6.29	-3.79	0.00	2.50
Water and Environmental	1.00	-0.88	0.00	0.12
Renewable Energy	4.35	-2.39	0.00	1.96
Biorefinery (Section 9003 Loan Guarantees)	21.93	-5.83	0.06	16.16

NOTE 6: Continued

Administrative Expenses

Consistent with the Federal Credit Reform Act of 1990, as amended, subsidy cash flows exclude direct federal administrative expenses. Administrative expenses are shown in **Table 10**.

TABLE 10 ADMINISTRATIVE EXPENSES	FY 2021	FY 2020
Direct Loan Programs	201	182
Total	**$ 201**	**$ 182**
Guaranteed Loan Programs	458	445
Total	**$ 458**	**$ 445**

NOTE 6: Continued

Analysis of Guaranteed Loans

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

RURAL HOUSING PROGRAMS

The Guaranteed Single-Family Housing Section 502 Program had an overall downward reestimate of $(2,110) million. The total downward reestimate is the result of a downward reestimate of $(1,955) million in the Blended component of the program and a downward reestimate of $(140) million in the Purchase component. The majority of the total reestimate is explained by the Blended component's change, which is attributed to the downward reestimates for cohorts 2016 through 2021. The large downward reestimate for these years is attributed to a decrease in forecasted default claims. These changes were driven by the updated borrower source data which created an improved macroeconomic outlook. The improved outlook is a result of a decrease in loss settlements paid due to the moratoriums that have been given to borrowers during the COVID Pandemic.

RURAL BUSINESS SERVICES

The Guaranteed Business and Industry program had an overall downward reestimate of $(185) million. The majority of this downward reestimate is attributed to the assumption changes related to the annual and upfront fees. The projected receipt of additional annual and upfront fees drives the decrease in reestimated subsidy rate and causes a downward reestimate. In addition, the reestimated subsidy rate decreased in FY 2018 due to the forecasted decrease in actual default claims.

NOTE 7: GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

This equipment generally represents computer hardware, software, and other office equipment used in the Rural Development mission area's network of offices. Refer to **Note 1** for further information on General Property, Plant and Equipment, Net.

CLASSES	Cost	Accumulated Depreciation	Book Value	Estimated Useful Life[3]	Method of Depreciation[4]	Capitalization Threshold
FY 2021						
Personal Property						
Equipment	$ 5	$ (4)	$ 1	5-20	SL	$ 25,000
Internal Use Software	219	(194)	25	5-8	SL	$ 100,000
Internal Use Software in Development	1	0	1		SL	$ 100,000
Total	**$ 225**	**$ (198)**	**$ 27**			

Net Property Plant and Equipment	
Balance Beginning of Year	**$ 37**
Capitalized Acquisitions	8
Disposition/Revaluations	(3)
Depreciation Expense	(15)
Balance at the End of Year	**27**

CLASSES	Cost	Accumulated Depreciation	Book Value	Estimated Useful Life[3]	Method of Depreciation[4]	Capitalization Threshold
FY 2020						
Personal Property						
Equipment	$ 5	$ (3)	$ 2	5-20	SL	$ 25,000
Internal Use Software	212	(180)	32	5-8	SL	$ 100,000
Internal Use Software in Development	3	0	3		SL	$ 100,000
Total	**$ 220**	**$ (183)**	**$ 37**			

Net Property Plant and Equipment	
Balance Beginning of Year	$ **41**
Capitalized Acquisitions	4
Disposition/Revaluations	0
Depreciation Expense	(8)
Balance at the End of Year	**37**

[3] Range of Service Life [4] SL - Straight Line

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2021	FY 2020
Intragovernmental		
Unfunded Federal Employees Compensation Act (FECA) Liability	$ 6	$ 5
Total Intragovernmental	**6**	**5**
With the Public		
Federal Employee and Veteran Benefits Payable	68	66
Contingent Liability	65	65
Other Liability	76	71
Total With the Public	**209**	**202**
Total Liabilities Not Covered by Budgetary Resources[6]	**215**	**207**
Total Liabilities Covered by Budgetary Resources	108,097	109,205
Total Liabilities Not Requiring Budgetary Resources[7]	(11)	(652)
Total Liabilities	**$ 108,301**	**$ 108,760**

[6] Liabilities not covered by budgetary resources represent liabilities for which Congressional action is required before budgetary resources can be provided.
[7] Liabilities not requiring budgetary resources represent liabilities for clearing accounts and liabilities for non-fiduciary deposit funds for which Congressional action is not required.

NOTE 9: DEBT

	Beginning Balance	Net Borrowing	Ending Balance
FY 2021			
Other Debt			
Debt to Treasury	$ 52,511	$ (371)	$ 52,140
Debt to the Federal Financing Bank	46,679	2,093	48,772
Total Other Debt	**$ 99,190**	**1,722**	**100,912**
Total Debt	**$ 99,190**	**1,722**	**100,912**
FY 2020			
Other Debt			
Debt to Treasury	$ 51,306	$ 1,206	$ 52,512
Debt to the Federal Financing Bank	46,314	364	46,678
Total Other Debt	**$ 97,620**	**1,570**	**99,190**
Total Debt	**$ 97,620**	**1,570**	**99,190**

NOTE 9: Continued

	FY 2021	FY 2020
Classification of Debt		
Intragovernmental Debt	$ 100,912	$ 99,190
Debt Held by the Public	0	0
Total Debt	**$ 100,912**	**$ 99,190**

Borrowing from the Federal Financing Bank (FFB) is either in the form of Certificates of Beneficial Ownership (CBO) or loans executed directly between the borrower and FFB with Rural Development unconditionally guaranteeing repayment. Rural Development generally secures CBO's outstanding with FFB by unpaid loan principal balances. CBO's outstanding are related to Pre-Credit Reform loans and are no longer used for program financing. FFB CBO's are repaid as they mature and are not related to any particular group of loans. The last outstanding CBO was repaid as of September 30, 2021.

Rural Development repays borrowings made to finance loans directly between the borrower and FFB. These borrowings mature as the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations in which an FFB-funded loan is restructured and the terms of the loan are modified.

Supplemental Information Associated with Debt

	FY 2021	FY 2020
Interest Payable, Federal		
Federal Financing Bank	$ 30	$ 26
Total	**$ 30**	**$ 26**

These interest payable amounts associated with borrowings from Treasury and the FFB are included in the table at the beginning of this note. Interest payments are due to FFB on September 30 each year.

	FY 2021	FY 2020
Interest Expense, Federal		
Federal Financing Bank	$ 1,389	$ 1,462
Treasury	1,806	1,876
Total	**$ 3,195**	**$ 3,338**

NOTE 10: OTHER LIABILITIES

	FY 2021			FY 2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Intragovernmental						
Other Accrued Liabilities	$ 21	$ 0	$ 21	$ 14	$ 0	$ 14
Employer Contributions & Payroll Taxes Payable	7	0	7	6	0	6
Unfunded FECA Liability	3	3	6	2	3	5
Liability for Deposit Fund & Suspense Accounts	0	0	0	(1)	0	(1)
Other Liabilities	0	0	0	0	0	0
Total Intragovernmental	**$ 31**	**$ 3**	**$ 34**	**$ 21**	**$ 3**	**$ 24**
With the Public						
Other Accrued Liabilities	64	0	64	49	0	49
Accrued Funded Payroll & Leave	26	0	26	21	0	21
Unfunded Annual Leave	0	0	0	0	0	0
Liability for Advances & Prepayments	0	0	0	0	0	0
Liability for Deposit Fund & Suspense Accounts	0	0	0	0	0	0
Contingent Liabilities	65	0	65	65	0	65
Other Liabilities	51	25	76	46	25	71
Total With the Public	**$ 206**	**$ 25**	**$ 231**	**$ 181**	**$ 25**	**$ 206**
Total Other Liabilities	**$ 237**	**$ 28**	**$ 265**	**$ 202**	**$ 28**	**$ 230**

These liabilities are or will be covered by Budgetary Resources.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Commitments

Rural Development has commitments under cancelable leases for office space. GSA leases the majority of buildings in which Rural Development operates. GSA charges rent which is intended to approximate commercial rental rates.

As related to commitments to extend loan guarantees as of September 30, 2021, and 2020, there were approximately $4,878 million and $5,401 million, respectively.

Contingencies

Rural Development is subject to various claims and contingencies related to lawsuits. Rural Development does not accrue amounts in the financial statements for claims where the amount or probability of judgment is uncertain.

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2021			
Legal Contingencies			
Probable	$ 65	$ 65	$ 65
Reasonably Possible	$ 0	$ 0	$ 0
FY 2020			
Legal Contingencies			
Probable	$ 65	$ 65	$ 65
Reasonably Possible	$ 0	$ 0	$ 0

The following contingency-related lawsuits are reportable for the fiscal year ending on September 30, 2021:

Rural Development is actively involved in restructuring negotiations.

Multiple breach of contract cases regarding Housing Section 515 loan prepayments were deemed probable in FY 2014. As of September 2021, the Office of the General Counsel has made the determination that a $65 million unfavorable outcome is probable. This amount has been accrued to the financial statements beginning with FY 2014.

NOTE 12: SUPPORTING SCHEDULE FOR STATEMENT OF NET COST

	Mortgage Credit	Housing Assistance	Area & Regional Development	Energy Supply & Conservation	Consolidated Total
FY 2021					
Gross Costs:					
Borrowing Interest Expense	$ 675	$ 19	$ 873	$ 1,628	$ 3,195
Grants	1	1,459	823		2,283
Loan Cost Subsidies	(2,390)	(10)	116	(29)	(2,313)
Other	1,046	30	136	225	1,437
Total Gross Costs	**(668)**	**1,498**	**1,948**	**1,824**	**4,602**
Less:					
Earned Revenues	679	20	903	1,698	3,300
Net Cost of Operations	**$ (1,347)**	**$ 1,478**	**$ 1,045**	**$ 126**	**$ 1,302**
FY 2020					
Gross Costs:					
Borrowing Interest Expense	$ 718	$ 20	$ 873	$ 1,727	$ 3,338
Grants	6	1,254	754	0	2,014
Loan Cost Subsidies	658	12	(1,071)	1,321	920
Other	17	30	121	490	658
Total Gross Cost	**1,399**	**1,316**	**677**	**3,538**	**6,930**
Less:					
Earned Revenues	732	20	900	1,949	3,601
Net Cost of Operations	**$ 667**	**$ 1,296**	**$ (223)**	**$ 1,589**	**$ 3,329**

NOTE 12: Continued

Other Disclosures

FUNCTION LEVEL TITLE	SUBFUNCTION LEVEL TITLE	BUDGET SUBFUNCTION CODE	ACTIVITY INCLUDED IN FINANCIAL STATEMENTS (where applicable)	LOAN/GRANT PROGRAMS INCLUDED IN BUDGET SUBFUNCTION CODE
Commerce & Housing	Mortgage Credit	371	Rural Housing Programs	• Single Family Housing (Direct & Guaranteed) • Multi-Family Housing (Direct & Guaranteed)
Income Security	Housing Assistance	604	Rural Housing Programs	• Domestic Farm Labor Grants • Very Low-Income Housing Repair • Construction Defects • Rental Assistance Program • Other Housing Grants
Community & Regional Development	Community Development Area & Regional Development Disaster Relief and Insurance	451 452 453	Rural Housing Programs Rural Business Programs Rural Utilities Programs	• Rural Community Facility (Direct & Guaranteed) • Rural Business & Industry (Direct & Guaranteed) • Rural Economic Development (Loans & Grants) • Rural Energy for America Program • Disaster Assistance Fund • Healthy Food Initiative • Energy Assistance Payments • Intermediary Relending • Rural Water and Environmental (Direct & Guaranteed) • Distance Learning & Telemedicine • Broadband
Energy	Energy Supply & Conservation	271 272	Rural Utilities Programs	• Rural Electric & Telecommunications
Agriculture	Agricultural Research & Services	352	Rural Business Programs	• Research Loan

USDA and the individual agencies preparing their own financial statements are required to prepare the Statement of Net Cost at the subfunction level. The Statement of Net Cost, as prepared by Treasury, shows these activities at their function level.

NOTE 12: Continued

Credit Reform

The amount of subsidy expense on direct loans made post-1991 equal the present value of estimated cash outflows over the life of the loan less the present value of cash inflows, discounted at the interest rate of marketable Treasury securities within a similar maturity term. A major component of subsidy expense is the interest subsidy cost/interest differential. This is defined as the excess of the amount of direct loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury rate. One of the components of interest subsidy cost/interest differential is interest revenue. This interest revenue is earned from both federal and non-federal sources. For further discussions of revenue and present value refer to **Notes 1** and **6**.

Exchange Transactions with Non-Federal Sources

When a new direct loan program becomes a reality, the applicable public law normally addresses the interest rates to be charged to borrowers. Public laws can be specific, state a minimum and/or maximum rate, or be in general terms. The following general discussion about borrower interest rates is in relation to loan programs within each of our mission areas.

Rural Housing Programs

The two largest loan programs (Single Family Housing and Rural Rental Housing) have a statutory basis for rates that are not less than the current average market yield on outstanding U.S. marketable obligations of comparable maturities. These rates have been determined to be the 25-year Treasury rates.

Rural Business-Cooperative Program

The main loan program (Business and Industry) has a statutory basis for a rate which is not less than the Treasury rate determined by considering: (1) Current average market yield on outstanding U.S. marketable obligations of comparable maturities; (2) Comparable private market rates; and (3) Cost of Secretary of Agriculture's insurance plus an additional charge to cover losses.

Rural Utilities Program

Water and Environmental loans have a statutory basis for rates, which have a range between less than or equal to five percent, to not greater than the current market yield for outstanding municipal obligations of comparable maturities adjusted to the nearest eighth of one percent. Telecommunication cost-of-money loans have a statutory basis for rates equal to the current cost-of-money to the Federal Government for loans of a similar maturity, but not to exceed seven percent. Electric municipal loans have a statutory basis for rates equal to the current market yield on outstanding municipal obligations, subject to a seven percent maximum, with remaining periods to maturity similar to the term selected by the applicant. Telecommunication and Electric hardship loans have a statutory basis for a rate of five percent. The rate on Telecommunication and Electric loans purchased by the Federal Financing Bank shall be the rate applicable to similar loans being made or purchased by the Federal Financing Bank.

NOTE 12: Continued

Exchange Transactions with Federal Sources

Rural Development is unable to recoup all the costs associated with its loan making and loan servicing activities. The main reason is that the costs associated with borrowings from Treasury exceed the interest income received from borrowers plus any interest income earned from Treasury.

NOTE 13: INTER-ENTITY COSTS

Pursuant to SFFAS 4, Managerial Cost Accounting Standards and Concepts, as amended, paragraph 113A, Rural Development is providing a disclosure with regards to imputed inter-entity costs.

Rural Development receives goods and services from other federal entities at no cost or at a cost less than the full cost. Consistent with accounting standards, certain costs of the Office of Personnel Management (OPM) and Department of Treasury Judgment Fund that are not fully reimbursed by Rural Development are recognized as imputed costs on the Statement of Net Cost and are offset by imputed revenue on the Statement of Changes in Net Position. The imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified in this disclosure are not included in our financial statements.

NOTE 14: AVAILABLE BORROWING AUTHORITY, END OF PERIOD

As of September 30, 2021, and 2020, the amount of available borrowing authority was $26,387 million and $25,261 million, respectively.

NOTE 15: TERMS OF BORROWING AUTHORITY USED

Requirements for Repayments of Borrowings

Rural Development repays borrowings on SF 1151, Nonexpenditure Transfer Authorization, as maturity dates become due. For liquidating accounts, maturity dates are one working day prior to the anniversary date of the note. For financing accounts, maturity dates are based on the period of time used in the subsidy calculation, not the contractual term of the Agency's loans to borrowers. This period of time used in the subsidy calculation will normally be longer than the contractual term of the Agency's loans to borrowers.

Financing Sources for Repayments of Borrowings

Rural Development utilizes reestimates, cash flows, liquidating account appropriations, and residual unobligated balances to repay Treasury borrowings.

NOTE 15: Continued

Other Terms of Borrowing Authority Used

In general, borrowings are for periods between one year and approximately fifty years depending upon the loan program/cohort. Interest rates on borrowings in the liquidating accounts were assigned on the basis of the Treasury rate in effect at the time of the borrowing. Interest rates on borrowings in the financing accounts are assigned on the basis of the Treasury rate in effect during the period of loan disbursements. Rural Development disburses some individual loans over several quarters or years.

Consequently, several interest rates can be applicable to an individual loan. Thus, a single weighted average interest rate is maintained for each cohort and is adjusted each year until the disbursements for the cohort have been made. Each year, the current average annual interest rate is weighted by current year disbursements and merged with prior year weighted averages to calculate a new weighted average.

The enactment of the 2018 Agriculture Improvement Act had provided the borrowers the opportunity to prepay outstanding loans using the Cushion of Credit balances without penalty, through September 30, 2020. Many borrowers made prepayments on their loans, thus, reducing outstanding debt to Treasury.

NOTE 16: PERMANENT INDEFINITE APPROPRIATIONS

Existence, Purpose, and Availability of Permanent Indefinite Appropriations

Permanent indefinite appropriations are mainly applicable to program accounts for reestimates related to upward adjustments of subsidy. Under unique situations, both liquidating and financing accounts may receive appropriations. These appropriations become available pursuant to standing provisions of law, without further action by Congress, after transmittal of the Budget for the year involved. However, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for the liquidating accounts, servicing actions, and subsidy reestimates for the program accounts.

The periods of availability for these appropriations are as follows: (1) Annual authority is available for obligation only during a specified year and expires at the end of that time; (2) Multi-year authority is available for obligation for a specified period of time in excess of one fiscal year; and (3) No-year authority remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are achieved.

Annual and multi-year authority expire for the purpose of incurring new obligations. However, the authority is available for adjustments to obligations and for disbursements that were incurred or made, but not recorded, during the period prior to expiration. Unless specifically authorized in law, the period that the expired authority is available for adjustments to obligations or for disbursements is five fiscal years (beginning with the first expired year). At the end of the fifth expired year, the authority is "cancelled." Thereafter, the authority is not available for any purpose.

NOTE 17: LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES

The availability or use of budget authority (i.e., unobligated balances) for obligation and expenditure are limited by purpose, amount, and time.

Purpose

Rural Development obligates and expends funds only for the purpose authorized in appropriation acts or other laws.

Amount

Obligations and expenditures may not exceed the amounts established by law. Rural Development classifies amounts available as either definite (i.e., not to exceed a specified amount) or indefinite (i.e., amount is determined by specified variable factors).

Time

The period of time during which budgetary resources may incur new obligations is different from the period of time during which the budgetary resources may be used to disburse funds.

The time limitations on the use of unobligated balances are the same as those previously discussed in the last two paragraphs of the Permanent Indefinite Appropriations footnote disclosure **(Note 16)**.

Any information about legal arrangements affecting the use of unobligated balances of budget authority will be specifically stated by program fiscal year in the appropriation language, or in the general provisions' section, at the end of the Appropriations Act.

NOTE 18: EXPLANATION OF DIFFERENCES BETWEEN THE COMBINED STATEMENT OF BUDGETARY RESOURCES (SBR) AND THE BUDGET OF THE UNITED STATES GOVERNMENT

The 2023 Budget of the United States Government, with the "Actual" columns completed for FY 2021, has not yet been published as of the date of these financial statements. The Budget is currently expected to be published and delivered to Congress in 2022. The Budget will be available from https://www.whitehouse.gov/omb/budget.

The 2022 Budget of the United States Government, with the "Actual" columns completed for FY 2020 was published in May of 2021 and reconciled to the SBR.

The reconciling items represent:

- Expired budgetary authority available for upward adjustments of obligations, which is excluded from the President's Budget "Actual" columns per OMB Circular No. A-11 but is included in the SBR.

NOTE 18: Continued

- In FY 2020, Alternative Agricultural Research and Commercialization Corporation Revolving Fund (12X4144) was not included in the SBR but was included in the Budget.

- Amounts due to rounding.

Reconciliation Between FY 2020 Combined Statement of Budgetary Resources and the President's Budget

Applicable Line from SBR	Amount from SBR	Applicable Line from President's Budget	Amount from President's Budget	Legitimate Differences	Reporting Errors
Total Budgetary Resources (Line 1910)	$ 42,011	Total Budgetary Resources Available for Obligation	$ 41,942	$ 69 E 73 A 1 R (5)	None
New Obligations and Upward Adjustments (Line 2190)	$ 28,713	Total New Obligations	$ 28,711	$ 2 E 3 R (1)	None
Distributed Offsetting Receipts (Line 4200)	$ (1,924)	Treasury Combined Statement (Receipts by Department)	$ (1,924)	$ 0	None
Net Outlays (Line 4190)	$ 9,504	Outlays	$ 9,502	$ 2 R 2	None

Legend
E = Expired Budgetary Authority
R = Rounding
A = Adjustment

NOTE 19: UNDELIVERED ORDERS AT THE END OF THE PERIOD

	Undelivered Orders		
	Federal	Non Federal	Total
FY 2021			
Paid	$ 0	$ 0	$ 0
Unpaid	1,614	32,368	33,982
Total Undelivered Orders	**$ 1,614**	**$ 32,368**	**$ 33,982**
FY 2020			
Paid	$ 0	$ 0	$ 0
Unpaid	1,487	30,749	32,236
Total Undelivered Orders	**$ 1,487**	**$ 30,749**	**$ 32,236**

NOTE 20: INCIDENTAL CUSTODIAL COLLECTIONS

	FY 2021	FY 2020
Sources of Collections		
Recoveries and Refunds	$ 5	$ 4
Total Revenue Collected	**5**	**4**
Disposition of Collections		
Amount Transferred to Treasury Receipt Accounts	(5)	(4)
Total Disposition of Revenue	**(5)**	**(4)**
Net Custodial Activity	**$ 0**	**$ 0**

NOTE 21: RECONCILIATION OF NET COST TO NET OUTLAYS

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Budgetary accounting is used for planning and control purposes and relates to the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a proprietary picture of the government's financial operations and financial position. More specifically, the financial accounting includes information about costs arising from the consumption of assets and the incurrence of liabilities. To better understand these differences, the Reconciliation of Net Cost to Net Outlays provides information on the relationship between net outlays and accrual-based amounts used in financial accounting during the reporting period.

The Components of Net Cost of Operations need to be adjusted by:

- Components of net cost that are not part of net outlays; and
- Component of net outlays that are not part of net cost.

During FY 2021 and FY 2020 the Agency reported significant components of net operating cost not part of the budgetary outlays. Intergovernmental activity for Year End Credit Reform Subsidy reestimates for FY 2021 was $2,893 million and for FY 2020 $2,452 million. The increase of $441 million represents reestimate accruals that will not result in an outlay until FY 2022 from the budgetary accounts. The decrease in Accounts Receivable is also connected to reestimate accruals for downward reestimates that will result in an outlay in FY 2022 in the program accounts. The Loans Receivable decreased in FY 2021. This decrease was mostly attributable to the end of the Cushion of Credit account changes that expired in FY 2020. In FY 2020 the Cushion of Credit balances were used to repay loans without penalty which created the impression that there was an increase in overall loans receivable while most of the activity was attributable to the use of the Cushion of Credit balances.

In FY 2021 United States Department of Agriculture (USDA), OCFO made changes to the crosswalks for the Reconciliation of the Net Cost to Net Outlays footnote. Other Liabilities were impacted and Accounts Payable due to the movement of USSGL 2310 Liability for Advances and Prepayments from Accounts Payable line to Other Liabilities line. Transfers out (in) without Reimbursement for FY 2021, was impacted as the activity in USSGL 5775 Nonbudgetary Financing Sources Transferred In was excluded due to the fund type. Additionally, USSGL 5993 Offset to Non-Entity Collections is now being reported under the line Non-Entity Activity. Furthermore, Distributed Offsetting Receipts (SBR 4200) line only considers specific Treasury Account Symbols for reporting purposes on the note, therefore the line should not be compared to the SBR line 4200 in its totality.

NOTE 21: Continued

	FY 2021		FY 2020	
	Intergovernmental	**With the Public**	**Intergovernmental**	**With the Public**
Net Operating Cost (SNC)	**$ 313**	**$ 989**	**$ 278**	**$ 3,051**
Components of Net Operating Cost Not Part of Budgetary Outlays				
Property, plant and equipment depreciation	$ 0	$ (15)	$ 0	$ (8)
Property, plant and equipment disposal & reevaluation	0	(3)	0	0
Unrealized valuation loss/(gain) on investment	0	0	0	0
Year End Credit Reform Subsidy reestimates	2,893	0	2,452	0
Other	0	0	0	4
Increase/decrease in assets				
Accounts Receivable	(4)	0	529	0
Loans Receivable	0	72	0	3,352
Other Assets	0	5	0	0
Investments	0	0	0	0
Increase/decrease in liabilities not affecting Budget Outlays				
Accounts Payable	1,149	1	(1,180)	449
Salaries and Benefits	0	0	(2)	(5)
Insurance and Guarantee Program Liabilities	0	0	0	0
Environmental and disposal liabilities	0	0	0	0
Federal Employee and Veteran Benefits Payable	0	(2)	0	0
Other Liabilities	(1)	(476)	3	7
Credit Reform Subsidy reestimates	0	0	0	0
Contingent Liabilities	0	0	0	0
Other Liabilities	(1)	(476)	3	7
Financing Sources				
Imputed Financing	(81)	0	(40)	0
Total Components of Net Operating Cost Not Part of Budget Outlays	**3,956**	**(418)**	**1,762**	**3,799**
Components of the Budget Outlays That are Not Part of Net Operating Cost				
Acquisition of capital assets	0	8	0	0
Acquisition of inventory	0	0	0	0
Acquisition of other assets	0	0	0	0
Effect of prior year agencies credit reform subsidy reestimates	0	0	0	0
Financing Sources				
Transfers out (in) without reimbursement	0	0	(2,461)	0
Other	0	0	0	(2)
Total Components of Budgetary Outlays That Are Not Part of Net Operating Cost	**0**	**8**	**(2,461)**	**(2)**
Miscellaneous Items				
Distributed Offsetting Receipts (SBR 4200)	0	(5)	0	0
Custodial/Non-exchange revenue	0	0	0	0
Non-Entity Activity	(2,839)	0	0	0
Other Temporary Timing Differences	0	0	0	0
Appropriated Receipts for Trust/Special Funds	0	0	0	0
Total Other Reconciling Items	**(2,839)**	**(5)**	**0**	**0**
Net Outlays	**$ 1,430**	**$ 574**	**$ (421)**	**$ 6,848**
Related Amounts on the Statement of Budgetary Resources				
Budgetary Agency Outlays, Net (SBR 4210)		$ **2,004**		$ **6,427**
Difference		$ **0**		$ **0**

NOTE 22: FIDUCIARY ACTIVITY

Refer to **Note 1** regarding the implementation of SFFAS 31, Accounting for Fiduciary Activity.

Rural Housing Insurance Fund (RHIF) was established by Public Law 89-117 pursuant to section 517 of Title V of the Housing Act of 1949, which authorized Rural Development to collect escrow payments on behalf of new and existing Single-Family Housing borrowers. Other fiduciary activities by Rural Development include but are not limited to collections from borrowers, interest paid on escrow accounts, and payments to insurance agencies and taxing authorities.

Schedule of Fiduciary Activity for the Years Ended September 30, 2021 and 2020

	FY 2021	FY 2020
Fiduciary Net Assets, beginning of year	**$ 115**	**$ 123**
Contributions	476	461
Disbursements	474	469
Increase/Decrease in Fiduciary Fund Balances	**2**	**(8)**
Fiduciary Net Assets, end of year	**$ 117**	**$ 115**

Schedule of Fiduciary Net Assets for the Years Ended September 30, 2021 and 2020

	FY 2021	FY 2020
Cash and Cash Equivalents:		
Escrow Funds held at Treasury	$ 32	$ 30
Investments in Treasury Securities – Short Term	85	85
Investments in Treasury Securities – Long Term	0	0
Total Fiduciary Net Assets	**$ 117**	**$ 115**

NOTE 23: COVID-19 ACTIVITY

The Office of Management and Budget (OMB) Circular A-136 guidance for FY 2021 requires agencies with a significant amount of budgetary activity associated with responding to COVID-19 to disclose the additional supplemental appropriations and the financial statement impacts on the agency's financial information.

The tables on the next page summarize Rural Development's supplemental appropriations received as part of, Public Law 116-136 Coronavirus Aid, Relief, and Security Act (CARES Act), Public Law 116-260 Consolidated Appropriations Act of 2021, and Public Law 117-2 American Rescue Plan Act of 2021.

Distance Learning, Telemedicine and Broadband Program received a total of $125 million. The program provides distance learning and telemedicine in rural areas. As of September 30, 2021, $120 million was obligated and $4 million disbursed.

Rural Business Program received a total of $21 million for subsidy cost associated with guaranteed loans. The program provides capital, training, education, and entrepreneurial skills in rural areas. As of September 30, 2021, $521 million of guaranteed loans were obligated and guaranteed by Rural Development of which $427 million was disbursed by the lenders for FY 2021.

Rental Assistance Program received a total of $100 million in grant funding for individuals who have experienced income loss but are not receiving federal rental assistance. The entire amount was obligated as of September 30, 2021, with $17 million disbursed.

Rural Housing Insurance Fund Program Account received a total of $39 million. The funding in this account represents subsidy costs associated with section 502 and 504 for direct loan borrowers as part of relief measures. As of September 30, 2021, only $1 million has been obligated and disbursed.

Rural Community Facilities Program Account received a total of $500 million. The funding was made available for a pilot program for facilities that primarily serve rural areas. The purpose is to increase capacity of vaccine distribution, provide medical supplies to increase medical surge capacity, reimburse loss of revenue, increase telehealth capabilities, support staffing, construct structures to provide health services and engagement. As of September 30, 2021, $25 million has been obligated and disbursed of which $15 million was for administrative expenses and $10 million for technical assistance support.

Rural Cooperative Development Program received a total of $38 million. The funding is for the local agriculture market program due to impacts of COVID-19 on the local agriculture markets. As of September 30, 2021, $35 million has been obligated of which $3 million has been disbursed for administrative expenses.

Rural Development received $700 million from the Office of the Secretary of Agriculture. The funding is for payments to be made to producers of advanced biofuel, biomass-based diesel, cellulosic biofuel, conventional biofuel, or renewable fuel produced in the United States, for unexpected market losses. No funds have been disbursed or obligated.

NOTE 23: Continued

Treasury Account Symbol	Account Name		Unobligated Balance from Prior Year	Total Supplemental Current Year	Total Obligation	Total Amounts Remaining to be Obligated	Total Outlays
FY 2021							
12X1232	Distance Learning, Telemedicine and Broadband Program (Grant)	$	24	0	24	0	0
CARES Act							
12 20/21 1232	Distance Learning, Telemedicine and Broadband Program (Grant)	$	12	0	7	5	0
CARES Act							
12 20/21 1902	Rural Business Program Account (Subsidy)	$	13	0	13	0	16
CARES Act							
12 21/22 0137	Rental Assistance Program (Grant)	$	0	100	100	0	17
ARP Act							
12 21/23 2081	Rural Housing Insurance Fund Program Account (Subsidy)	$	0	39	1	38	1
ARP Act							
12 21/23 1951	Rural Community Facilities Program Account (Grant)	$	0	500	25	475	25
ARP Act							
12X1900	Rural Cooperative Development (Grant)	$	0	38	35	3	3
Consolidated Appropriations Act, 2021							
12X0115	Office of the Secretary (Grant)	$	0	700	0	700	0
Consolidated Appropriations Act, 2021							

NOTE 23: Continued

Treasury Account Symbol	Account Name		Total Appropriation	Total Obligation	Total Amounts Remaining to be Obligated	Total Outlays
FY 2020						
12X1232	Distance Learning, Telemedicine and Broadband Program (Grant)	$	25	1	24	1
CARES Act						
12 20/21 1232	Distance Learning, Telemedicine and Broadband Program (Grant)	$	100	88	12	3
CARES Act						
12 20/21 1902	Rural Business Program Account (Subsidy)	$	21	8	13	2
CARES Act						

NOTE 23: Continued

Account Name Treasury Account Symbol	Distance Learning, Telemedicine and Broadband Program 12X1232	Distance Learning, Telemedicine and Broadband Program 12 20/21 1232	Rural Business Program Account 12 20/21 1902	Rental Assistance Program 12 21/22 0137	Rural Housing Insurance Fund Program Account 12 21/23 2081	Rural Community Facilities Program Account 12 21/23 1951	Rural Cooperative Development Grants 12X1900	Office of the Secretary 12X0115
FY 2021								
Balance Sheet								
Intragovernmental								
Fund Balance with Treasury	24	97	3	83	38	475	35	700
Total Intragovernmental Assets	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Total Assets	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Unexpended Appropriations	24	97	3	83	38	475	35	700
Cumulative Results of Operation-All Other Funds	0	0	0	0	0	0	0	0
Total Net Position	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Total Liabilities and Net Position	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Statement of Net Cost								
Gross Program Costs	0	0	16	17	1	25	3	0
Net Cost of Operation	**$ 0**	**$ 0**	**$ 16**	**$ 17**	**$ 1**	**$ 25**	**$ 3**	**$ 0**
Statement of Changes in Net Position								
Unexpended Appropriations								
Beginning Balance	24	97	19	0	0	0	0	0
Appropriations Received	0	0	0	100	39	500	38	700
Appropriations Used	0	0	(16)	(17)	(1)	(25)	(3)	0
Net Change in Unexpended Appropriations	**0**	**0**	**(16)**	**83**	**38**	**475**	**35**	**700**
Total Unexpended Appropriations Ending Balance	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Cumulative Results of Operations								
Beginning Balance	0	0	0	0	0	0	0	0
Appropriations Used	0	0	16	17	1	25	3	0
Net Cost of Operations	0	0	(16)	(17)	(1)	(25)	(3)	0
Net Change and Cumulative Results of Operations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Results of Operation, Ending Balance	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Total Net Position	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**

NOTE 23: Continued

Account Name Treasury Account Symbol		Distance Learning, Telemedicine and Broadband Program 12X1232		Distance Learning, Telemedicine and Broadband Program 12 20/21 1232		Rural Business Program Account 12 20/21 1902
FY 2020						
Balance Sheet						
Intragovernmental						
Fund Balance with Treasury		24		97		19
Total Intragovernmental Assets	**$**	**24**	**$**	**97**	**$**	**19**
Total Assets	**$**	**24**	**$**	**97**	**$**	**19**
Unexpended Appropriations		24		97		19
Cumulative Results of Operation- All Other Funds		0		0		0
Total Net Position	**$**	**24**		**97**		**19**
Total Liabilities and Net Position	**$**	**24**	**$**	**97**	**$**	**19**
Statement of Net Cost						
Gross Program Costs		1		3		2
Net Cost of Operation	**$**	**1**	**$**	**3**	**$**	**2**
Statement of Changes in Net Position						
Unexpended Appropriations						
Beginning Balance		0		0		0
Appropriations Received		25		100		21
Appropriations Used		(1)		(3)		(2)
Net Change in Unexpended Appropriations		**24**		**97**		**19**
Total Unexpended Appropriations Ending Balance	**$**	**24**	**$**	**97**	**$**	**19**
Cumulative Results of Operations						
Beginning Balance		0		0		0
Appropriations Used		1		3		2
Net Cost of Operations		(1)		(3)		(2)
Net Change and Cumulative Results of Operations		**0**		**0**		**0**
Cumulative Results of Operation, Ending Balance	**$**	**0**	**$**	**0**	**$**	**0**
Total Net Position	**$**	**24**	**$**	**97**	**$**	**19**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Rural Community Advancement Programs	Rural Community Advancement Programs	Rural Community Advancement Programs	Rural Community Advancement Programs
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 392	$ 2,043	$ 490	$ 1,618
Recoveries of Prior Year Unpaid Obligations	98	390	74	412
Other Changes in Unobligated Balance	(15)	(2,124)	(23)	(1,665)
Unobligated Balance from Prior Year Budget Authority, Net	475	309	541	365
Appropriations	1,397	0	1,252	1
Borrowing Authority (Notes 14 and 15)	0	3,528	0	2,749
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	10	3,011	15	2,812
Total Budgetary Resources	**1,882**	**6,848**	**1,808**	**5,927**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,146	5,017	1,417	3,883
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	730	1,722	387	1,847
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	5	109	4	197
Unexpired Unobligated Balance, End of Year	735	1,831	391	2,044
Expired Unobligated Balance, End of Year	1	0	0	0
Total Unobligated Balance, End of Year	736	1,831	391	2,044
Total Budgetary Resources	**1,882**	**6,848**	**1,808**	**5,927**
Outlays, Net:				
Outlays, Net	807	0	1,073	0
Distributed Offsetting Receipts	(1,233)	0	(279)	0
Agency Outlays, Net	**$ (426)**	**$ 0**	**$ 794**	**$ 0**
Disbursements, Net		**$ 1,440**		**$ 1,018**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 1,877	$ 3,572	$ 5,652	$ 4,654
Recoveries of Prior Year Unpaid Obligations	0	140	3	193
Other Changes in Unobligated Balance	(188)	(1,043)	(43)	(821)
Unobligated Balance from Prior Year Budget Authority, Net	1,689	2,669	5,612	4,026
Appropriations	1,534	0	726	0
Borrowing Authority (Notes 14 and 15)	0	5,501	0	6,766
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	31	3,325	50	3,003
Total Budgetary Resources	**3,254**	**11,495**	**6,388**	**13,795**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	2,062	7,411	4,511	10,224
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	1,185	4,084	740	3,571
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	1,130	0
Unexpired Unobligated Balance, End of Year	1,185	4,084	1,870	3,571
Expired Unobligated Balance, End of Year	7	0	7	0
Total Unobligated Balance, End of Year	1,192	4,084	1,877	3,571
Total Budgetary Resources	**3,254**	**11,495**	**6,388**	**13,795**
Outlays, Net:				
Outlays, Net	1,989	0	4,387	0
Distributed Offsetting Receipts	(468)	0	(1,325)	0
Agency Outlays, Net	**$ 1,521**	**$ 0**	**$ 3,062**	**$ 0**
Disbursements, Net		**$ 1,162**		**$ 1,325**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Rural Telephone Bank Funds	**Rural Telephone Bank Funds**	**Rural Telephone Bank Funds**	**Rural Telephone Bank Funds**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 0	$ 15	$ 0	$ 27
Recoveries of Prior Year Unpaid Obligations	0	0	0	0
Other Changes in Unobligated Balance	0	(15)	0	(27)
Unobligated Balance from Prior Year Budget Authority, Net	0	0	0	0
Appropriations	2	0	3	0
Borrowing Authority (Notes 14 and 15)	0	16	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	22
Total Budgetary Resources	**2**	**16**	**3**	**22**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	2	5	3	7
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	0	11	0	9
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	6
Unexpired Unobligated Balance, End of Year	0	11	0	15
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	0	11	0	15
Total Budgetary Resources	**2**	**16**	**3**	**22**
Outlays, Net:				
Outlays, Net	2	0	3	0
Distributed Offsetting Receipts	(1)	0	(2)	0
Agency Outlays, Net	**$ 1**	**$ 0**	**$ 1**	**$ 0**
Disbursements, Net		**$ (12)**		**$ (18)**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 139	$ 3,455	$ 205	$ 2,232
Recoveries of Prior Year Unpaid Obligations	30	113	27	114
Other Changes in Unobligated Balance	(94)	(2,459)	(171)	(1,326)
Unobligated Balance from Prior Year Budget Authority, Net	75	1,109	61	1,020
Appropriations	630	0	1,754	0
Borrowing Authority (Notes 14 and 15)	0	1,666	0	1,332
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	72	2,766	108	3,824
Total Budgetary Resources	**777**	**5,541**	**1,923**	**6,176**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	608	3,280	1,784	2,721
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	144	2,259	116	3,455
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	2	0	0
Unexpired Unobligated Balance, End of Year	144	2,261	116	3,455
Expired Unobligated Balance, End of Year	25	0	23	0
Total Unobligated Balance, End of Year	169	2,261	139	3,455
Total Budgetary Resources	**777**	**5,541**	**1,923**	**6,176**
Outlays, Net:				
Outlays, Net	231	0	1,355	0
Distributed Offsetting Receipts	(1,056)	0	(257)	0
Agency Outlays, Net	**$ (825)**	**$ 0**	**$ 1,098**	**$ 0**
Disbursements, Net		**$ 296**		**$ (1,072)**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 62	$ 0	$ 58	$ 0
Recoveries of Prior Year Unpaid Obligations	3	0	3	0
Other Changes in Unobligated Balance	1	0	2	0
Unobligated Balance from Prior Year Budget Authority, Net	66	0	63	0
Appropriations	1,581	0	1,440	0
Borrowing Authority (Notes 14 and 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**1,647**	**0**	**1,503**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,570	0	1,441	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	62	0	49	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	62	0	49	0
Expired Unobligated Balance, End of Year	15	0	13	0
Total Unobligated Balance, End of Year	77	0	62	0
Total Budgetary Resources	**1,647**	**0**	**1,503**	**0**
Outlays, Net:				
Outlays, Net	1,388	0	1,207	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 1,388**	**$ 0**	**$ 1,207**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Grants	Rural Housing Grants	Rural Housing Grants	Rural Housing Grants
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 17	$ 0	$ 16	$ 0
Recoveries of Prior Year Unpaid Obligations	2	0	3	0
Other Changes in Unobligated Balance	0	0	0	0
Unobligated Balance from Prior Year Budget Authority, Net	19	0	19	0
Appropriations	79	0	78	0
Borrowing Authority (Notes 14 and 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**98**	**0**	**97**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	71	0	80	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	27	0	17	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	27	0	17	0
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	27	0	17	0
Total Budgetary Resources	**98**	**0**	**97**	**0**
Outlays, Net:				
Outlays, Net	67	0	69	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 67**	**$ 0**	**$ 69**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Salaries & Expense	**Salaries & Expense**	**Salaries & Expense**	**Salaries & Expense**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 45	$ 0	$ 31	$ 0
Recoveries of Prior Year Unpaid Obligations	11	0	11	0
Other Changes in Unobligated Balance	(7)	0	(3)	0
Unobligated Balance from Prior Year Budget Authority, Net	49	0	39	0
Appropriations	276	0	266	0
Borrowing Authority (Notes 14 and 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	508	0	487	0
Total Budgetary Resources	**833**	**0**	**792**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	757	0	747	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	60	0	28	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	60	0	28	0
Expired Unobligated Balance, End of Year	16	0	17	0
Total Unobligated Balance, End of Year	76	0	45	0
Total Budgetary Resources	**833**	**0**	**792**	**0**
Outlays, Net:				
Outlays, Net	227	0	259	0
Distributed Offsetting Receipts	(5)	0	(1)	0
Agency Outlays, Net	**$ 222**	**$ 0**	**$ 258**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Other	Other	Other	Other
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 1,305	$ 376	$ 1,748	$ 466
Recoveries of Prior Year Unpaid Obligations	189	123	22	27
Other Changes in Unobligated Balance	(4)	(309)	(2)	(282)
Unobligated Balance from Prior Year Budget Authority, Net	1,490	190	1,768	211
Appropriations	1,423	0	713	0
Borrowing Authority (Notes 14 and 15)	0	142	0	362
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	70	215	158	365
Total Budgetary Resources	**2,983**	**547**	**2,639**	**938**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	704	227	1,333	562
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	2,203	184	1,243	376
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	67	136	53	0
Unexpired Unobligated Balance, End of Year	2,270	320	1,296	376
Expired Unobligated Balance, End of Year	9	0	10	0
Total Unobligated Balance, End of Year	2,279	320	1,306	376
Total Budgetary Resources	**2,983**	**547**	**2,639**	**938**
Outlays, Net:				
Outlays, Net	137	0	(2)	0
Distributed Offsetting Receipts	(81)	0	(60)	0
Agency Outlays, Net	**$ 56**	**$ 0**	**$ (62)**	**$ 0**
Disbursements, Net		**$ (34)**		**$ (100)**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts	2020 Budgetary	2020 Non-Budgetary Credit Program Financing Accounts
	Total	Total	Total	Total
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 3,837	$ 9,461	$ 8,200	$ 8,997
Recoveries of Prior Year Unpaid Obligations	333	766	143	746
Other Changes in Unobligated Balance	(307)	(5,950)	(240)	(4,121)
Unobligated Balance from Prior Year Budget Authority, Net	3,863	4,277	8,103	5,622
Appropriations	6,922	0	6,232	1
Borrowing Authority (Notes 14 and 15)	0	10,853	0	11,209
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	691	9,317	818	10,026
Total Budgetary Resources	**11,476**	**24,447**	**15,153**	**26,858**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	6,920	15,940	11,316	17,397
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	4,411	8,260	2,580	9,258
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	72	247	1,187	203
Unexpired Unobligated Balance, End of Year	4,483	8,507	3,767	9,461
Expired Unobligated Balance, End of Year	73	0	70	0
Total Unobligated Balance, End of Year	4,556	8,507	3,837	9,461
Total Budgetary Resources	**11,476**	**24,447**	**15,153**	**26,858**
Outlays, Net				
Outlays, Net	4,848	0	8,351	0
Distributed Offsetting Receipts	(2,844)	0	(1,924)	0
Agency Outlays, Net	**$ 2,004**	**$ 0**	**$ 6,427**	**$ 0**
Disbursements, Net		**$ 2,852**		**$ 1,153**

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