

CHAPTER SEVEN: Rates

 FEDERAL CASH MANAGEMENT POLICY focuses primarily on two different types of interest rates. These rates are (1) the Current Value of Funds Rate (CVFR) and (2) the Prompt Payment Rate.

- (1) The CVFR is the average investment rate for the Treasury Tax and Loan accounts expressed as an annual rate and published by the Treasury in the Federal Register each year by October 31, to be effective January 1. The rate is subject to quarterly revisions if the annual average (on a moving basis) changes by 2 percent. It reflects the Government's return on funds temporarily invested. The CVFR is used to:
- Assess interest charges for outstanding debts owed to the Federal Government under Section 11 of the Debt Collection Act of 1982, Public Law 97-365, 96 Stat. 1749, 1755 (October 25, 1982).
 - Evaluate the cost effectiveness of a cash discount as a comparison point [see I Treasury Financial Manual (TFM) 6-8000 paragraphs on “Charges for Late Payments” and “Cash Discounts”]. A formula for determining whether a discount is economically justifiable is available on the Prompt Payment Web site at: www.fms.treas.gov/prompt/formulas.html.
 - Determine when Federal agencies should pay purchase card invoices when the card issuer offers a rebate [see 5 CFR (Code of Federal Regulations) Part 1315.8 of the Prompt Payment rule on “Rebates”]. A spreadsheet that automatically calculates the net savings to the Federal Government and determines whether the agency should pay early or on the Prompt Payment due date is available on the Prompt Payment Web site at: www.fms.treas.gov/prompt/rebate.html.
- (2) The Prompt Payment Rate is used for Federal interest payments made to the private sector when the Federal Government is delinquent in paying its obligations. This rate is published in the Federal Register near the end of June and December for application to delinquent payments arising during the succeeding 6-month period.