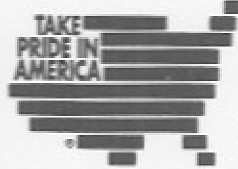
United States Department of the Interior



OFFICE OF THE SECRETARY
Washington, D.C. 20240

JAN 22 1993

FINANCIAL ADMINISTRATION MEMORANDUM NO. 93 - 004 (II.A.)

To: Bureau Assistant Directors, Administration
Director, Office of Administrative Services
Bureau Finance Officers
Chief, Division of Fiscal Services

From: Chief, Division of Financial Administration
Office of Financial Management

Subject: Limitation on Expenditures for Presidential Appointees' Offices

Attached is a copy of pages 3026 and 3027, **Federal Register**, Volume 58, No. 4, dated Thursday, January 7, 1993, which contain GSA Bulletin FPMR D-232, Public Buildings and Space. This Bulletin cancels GSA Bulletin FPMR D-222 and provides new guidelines limiting obligation and expenditure of funds for offices of Presidential Appointees to the Federal Government.

Funds in excess of $5,000.00 may not be obligated or expended to furnish or redecorate, or to purchase furniture or make improvements for Presidential appointees' offices. This limitation applies during the appointee's term of office, unless advance notification and approval is received from the House and Senate Committees on Appropriations.

Please direct any questions you may have on this subject to Mr. Lesley Oden of this Division on (202) 208-5223.

Stephen J. Varholy

Attachment

cc: Director, Office of Acquisition and Property Management, PAM
Director, Office of Small and Disadvantaged Business Utilization, PSD
Bureau Deputy Chief Financial Officers

Statement No. 76, the assets in the trust and the defeased debt are removed from the balance sheet and a gain or loss for the current period can be recognized. Commercial banks are not permitted to defease their debt obligations for reporting or supervisory purposes. Thus, banks may not remove assets or liabilities from their balance sheets or recognize resulting gains or losses. The banking agencies have not adopted FASB Statement No. 76 because of uncertainty regarding the irrevocable trusts established for defeasance purposes. Furthermore, defeasance would not relieve the bank of its contractual obligation to pay depositors or other creditors.

OTS practice is to follow FASB Statement No. 76.

Sales of Assets With Recourse

In accordance with FASB Statement No. 77, a transfer of receivables with recourse is recognized as a sale if: (1) The transferor surrenders control of the future economic benefits, (2) the transferor's obligation under the recourse provisions can be reasonably estimated, and (3) the transferee cannot require repurchase of the receivables except pursuant to the recourse provisions.

The practice of the three banking agencies is generally to permit commercial banks to report transfers of receivables with recourse as sales only when the transferring institution (1) retains no risk of loss from the assets transferred and (2) has no obligation for the payment of principal or interest on the assets transferred. As a result, virtually no transfers of assets with recourse can be reported as true sales. However, this rule does not apply to the transfer of 1- to 4-family or agricultural mortgage loans under certain government-sponsored programs (including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation). Transfers of mortgages under these programs are generally treated as sales for Call Report purposes.

Furthermore, private transfers of mortgages are also reported as sales if the transferring institution retains only an insignificant risk of loss on the assets transferred. However, the seller's obligation under recourse provisions related to sales of mortgage loans under the government programs is viewed as an off-balance sheet exposure. Thus, for risk-based capital purposes, capital is generally expected to be held for recourse obligations associated with such transactions.

The OTS policy is to follow FASB Statement No. 77. However, in the calculation of risk-based capital under the OTS guidelines, off-balance sheet recourse obligations generally are converted at 100 percent. This effectively negates the sale treatment recognized on a GAAP basis for risk-based capital purposes, but not for leverage capital purposes. Thus, by making this adjustment in the risk-based capital calculation, the differences between the OTS and the banking agencies for capital adequacy measurement purposes are substantially reduced.

During the past year, the three banking agencies and the OTS have continued to discuss the possibility of conforming the reporting practices of the banking agencies and the OTS in this area.

Specific Valuation Allowances for and Charge-offs of Troubled Loans

Currently, the OTS uses net realizable value (NRV) to determine the level of specific valuation allowances or charge-offs for troubled, collateral-dependent loans. Existing OTS policy requiring the use of NRV may be more or less stringent than that required by the banking agencies. The OTS has proposed a new policy for the classification and valuation of troubled collateral-dependent real estate loans that relies on the use of fair value rather than NRV of the collateral.

Push-Down Accounting

When a depository institution is acquired by a holding company in a purchase transaction, the holding company is required to revalue all of the assets and liabilities of the depository institution at fair value at the time of acquisition. When push-down accounting is applied, the same revaluation made by the parent holding company is made at the depository institution level.

The three banking agencies require push-down accounting when there is at least a 95 percent change in ownership. This approach is generally consistent with interpretation of the Securities and Exchange Commission.

The OTS requires push-down accounting when there is at least a 90 percent change in ownership.

Negative Goodwill

The three banking agencies require that negative goodwill be reported as a liability, and not be netted against goodwill assets. Such a policy ensures that all goodwill assets are deducted in regulatory capital calculations, consistent with the Basle Accord.

The OTS permits negative goodwill to offset goodwill assets reported in the financial statements.

Other Real Estate Owned—Other Than Primary Residences

The three banking agencies require that receivables resulting from sales of OREO that cannot be accounted for under the full accrual method be reported as OREO when the buyer's initial investment is less than 10 percent.

The OTS follows GAAP which does not provide explicit guidance on this issue. Thus, GAAP may permit the receivable to be reported as a loan when the buyer's initial investment is less than 10 percent.

Board of Governors of the Federal Reserve System, December 31, 1992.

William W. Wiles,

Secretary of the Board.

[FR Doc. 93–273 Filed 1–6–93; 8:45 am]

BILLING CODE 6210–01–M

GENERAL SERVICES ADMINISTRATION

[GSA Bulletin FPMR D–232]

Public Buildings and Space

December 11, 1992.

To: Heads of Federal agencies.

Subject: Limitation on expenditures for Presidential appointees' offices.

1. *Purpose.* This bulletin cancels GSA Bulletin FPMR D–222 and informs agencies and departments of new guidelines limiting the obligation and expenditure of monies used for offices of Presidential appointees to the Federal Government.

2. *Expiration date.* This bulletin contains information of a continuing nature and will remain in effect until canceled.

3. *Background.* GSA Bulletin FPMR–222, February 16, 1990, informed agencies that the Joint Resolutions making continuing appropriations each year prohibited agencies and departments from spending or obligating more than $5,000 to furnish or redecorate, or to purchase furniture or make improvements for Presidential appointees' offices. This limitation applied during the appointee's term of office. Advance notification and express approval by the House and Senate Committees on Appropriations were required where the expenditures exceeded the $5,000 limitation. The Treasury, Postal Service, and General Government Appropriations Act, 1993, Pub. L. No. 102–393, Sec. 618, 106 Stat. 1729 (1992) amended the previous