



Loan Asset Sale and Prepayment Program Subsidy Effects

PROBLEM STATEMENT

When RD considers (or executes) loan asset sales, prepayment programs, or portfolio dispositions to GSEs or private investors, the FCRA subsidy estimate must include the effects of those sales — but RD does not have an established asset-sale subsidy methodology, despite OMB A-129 explicitly requiring one when sales are programmatic.

WHY IT MATTERS

Loan asset sales and prepayment programs are an emerging budget-execution lever under structured-finance leadership and the broader deregulatory push. Without a defensible asset-sale subsidy framework, RD risks distorting cohort balances, mis-estimating financing-account interest, and exposing program-account justifications to OMB pushback.

HSG'S APPROACH

1. Bring HSG's HUD OAS / FHA loan-sale advisory bench (HSG: \$4.5M FHA loan-sale scope; Brad: \$17B HUD/FHA NPL pricing role at DebtX 2012-14) directly to bear on RD's question.
2. Build an RD-specific asset-sale subsidy framework handling pre-1992 Liquidating Account / post-1992 Direct Loan Financing Account split, with explicit treatment of General Fund Receipt Account series (27XX.001 / 27XX.003) and Special Fund Receipt Account series under USSGL Credit Reform Guidance.
3. Run scenario stress tests on default / prepay / recovery / severity assumptions, with vintage analysis layered on Treasury yield-curve discounting per OMB CSC.
4. Integrate the framework into the modification memo auto-draft so any future asset-sale event has a ready subsidy memorandum and journal-entry package.

EXPECTED DELIVERABLES

- RD asset-sale subsidy framework document
- Pre-1992 / post-1992 cohort impact methodology
- Scenario stress-test workbook with vintage analysis
- Treasury / USSGL journal-entry package template
- Two illustrative case studies (one direct-loan, one guaranteed) demonstrating the framework end-to-end

EXPECTED OUTCOME

Establish a defensible, OMB-recognized asset-sale subsidy methodology that gives RD optionality to execute portfolio dispositions without subsidy estimation surprises.

ENGAGEMENT TEAM

PRIMARY LEAD

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