



Modification Subsidy Cost Analysis for Mass Workouts and Refis

PROBLEM STATEMENT

Legislative, regulatory, or contractual changes to RD credit programs — e.g., the March 2026 B&I Guarantee bump from 80% to 85% for sub-\$5M loans, the September 2024 Section 502 Guaranteed seven-year credit-reestablishment proposed rule, and the March 2026 LITE Delegated Authority Pilot — each require an FCRA modification subsidy cost calculation flowing through OMB CSC, the financing accounts, the apportionment chain, and the OMB Credit Supplement.

WHY IT MATTERS

Per OMB A-129, 'if loan assets are to be sold or are to be included in a prepayment program for programmatic or other reasons, then the subsidy estimate should include the effects of the loan asset sales,' and OMB A-11 §185 covers modifications of pre-1992 direct loans and loan guarantees in the Liquidating Account-1992 portfolios. A missed or miscalculated modification breaks cohort balances and triggers OIG/GAO finding risk.

HSG'S APPROACH

1. Stand up a modification analysis playbook mapping each statutory or regulatory change to affected programs, cohorts, and financing accounts with clear pre-1992 / post-1992 split.
2. Run CSC modification subsidy cost calculation under both budget and policy scenarios, with sensitivity analysis on default / prepay / recovery / severity assumptions.
3. Use HSG's HUD OAS / FHA modification analog work — every loan sale is an FCRA modification event — to anchor RD's playbook to a high-volume body of practice.
4. Wrap the modification memo in an auto-draft template with citations to A-11 §185, A-129, USSGL Credit Reform, and TFM Part 2 Chapter 4600.
5. Coordinate financing-account rebalancing journal entries with NFAOC and Treasury USSGL guidance.

EXPECTED DELIVERABLES

- Modification playbook keyed to RD program structure (RHS / RBCS / RUS)
- CSC modification subsidy cost workbook with sensitivity analysis
- Pre-1992 / post-1992 cohort impact matrix
- Auto-draft modification memorandum with full citation library
- Treasury / USSGL journal entry package for financing-account rebalancing

EXPECTED OUTCOME

Cut modification analysis turnaround from 8 weeks to 3 weeks per event and eliminate the rework loop with OMB on subsidy cost methodology.

ENGAGEMENT TEAM

PRIMARY LEAD

Jelani House

Engagement Manager · Business Development Lead · AI Lead · FCRA & Budget Execution Lead

CONTRIBUTORS

Brad Dillman

Senior Quantitative Modeler · Federal Credit-Reform Modeling Lead

Maurice W. House

Senior USDA Subject-Matter Advisor · Alternate PM