

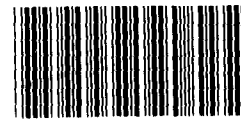
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
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STATEMENT OF
DENNIS J. DUQUETTE, SENIOR GROUP DIRECTOR
ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON MERCHANT MARINE
OF THE
HOUSE COMMITTEE ON MERCHANT MARINE AND FISHERIES
ON
FINANCIAL ASPECTS OF THE MARITIME ADMINISTRATION'S
TITLE XI FEDERAL SHIP FINANCING FUND

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to appear before you today to present financial information about the Maritime Administration's (MARAD) Title XI Federal Ship Financing Fund. With me is Charles W. Culkin, Jr., Project Manager, and Laura A. Fauser, Staff Member, from GAO's Accounting and Financial Management Division. As you requested, we have gathered information and summarized the financial aspects of the Fund, with special emphasis on its activities since 1981.



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SUMMARY

The Federal Ship Financing Program, which was created to encourage the construction of U.S. flag vessels through loan guarantees, had outstanding guarantees and commitments of \$6.8 billion on May 31, 1985. The program has experienced rapid growth over the last 13 years, along with a shift in emphasis from seagoing vessels to barges, tugs, drilling rigs, and other types of vessels. This growth followed 1970 and 1972 revisions to the Maritime Act. The Federal Ship Financing Fund's financial condition appeared to be stable until the last few years when the number and size of defaults began to rise dramatically. In fact, the Department of Transportation Inspector General reported to MARAD in July 1983, that the Title XI program was facing serious financial problems. Of about \$8 billion in outstanding loan guarantees and commitments at that time, at least \$900 million were to companies which had loan default risks significantly greater than other Title XI companies. The Inspector General reported that loan defaults could substantially exceed the \$200 million available in the Fund at that time.

Over the past 3 years, until May 31, 1985, the Fund suffered defaults of \$373.7 million in principal and accrued interest. Additional defaults of some \$88 million are expected by the end of this fiscal year, and \$300 to \$500 million by the end of fiscal year 1986. With liquid assets of only \$8 million

remaining at May 31, 1985, the Fund will be compelled to exercise its borrowing authority with the Treasury. On February 27, 1985, Treasury approved a loan to the Fund for the additional cash needed to continue program operations. The ability of the Fund to repay such borrowings is highly questionable. The primary sources of liquid assets are guarantee fees, which have been shrinking due to a drop in vessel construction, and cash from the liquidation of vessels acquired from defaulted loans, which must be sold in a depressed market.

From our reading of the Fund's financial statements, we note that allowances for probable losses have not been established for advances to financially troubled vessel owners, nor has a liability been recognized for probable losses on outstanding loan guarantees. These practices do not conform to the Comptroller General's principles and standards of accounting for federal agencies--title 2--that require the recognition, in an entity's financial statements, of reasonable and probable losses on guarantees, loans, and other assets. Had such amounts been calculated and reported in the Fund's financial statements, a clearer picture of the deteriorating financial position would have been surfaced to the Congress sooner.

GAC WORK

We gathered the financial information included here at MARAD's headquarters. We interviewed MARAD officials responsible for the Title XI program and reviewed the Federal Ship

Financing Fund's financial statements and other supporting schedules for fiscal years 1973 through 1984, and interim financial information as of May 31, 1985. Also, we gathered other statistical data relating to the Title XI program covering fiscal years 1955 through 1984, and as of May 31, 1985. The information contained in the accompanying schedules, charts, and graphs was taken from MARAD's books and records, and we have not verified it.

THE SHIP FINANCING PROGRAM

The Federal Ship Financing Program, which is administered by the Department of Transportation's Maritime Administration, was established by Title XI of the Merchant Marine Act of 1936, as amended. Prior to 1972, Title XI was a program designed to insure vessel construction loans or mortgage agreements against default. The Federal Ship Financing Act of 1972 was enacted to improve the effectiveness of the program and attract more private debt capital for vessel construction. Under the 1972 Act, guarantees backed by the full faith and credit of the United States are issued to U.S. citizen shipowners for financing or refinancing the construction of U.S. flag vessels. The program enables eligible vessel owners to obtain long-term financing from financial intermediaries at interest rates available to large and financially strong corporations.

The act limits Title XI loan guarantees to 87.5 percent of the cost of vessels constructed or reconstructed without a

construction differential subsidy (CDS), or to 75 percent of the cost of vessels constructed with CDS funds. For the past 3 years, MARAD has limited guarantees to 75 percent of vessel costs in order to strengthen the guarantee program. MARAD has authority to issue aggregate loan guarantees up to a maximum of \$9.5 billion. As of May 31, 1985, over 6,000 vessels were covered, with outstanding loan guarantees and commitments totaling \$6.8 billion.

The Federal Ship Financing Fund is a revolving fund established to underwrite the Title XI program. Fund revenues are generated from investigation fees, annual guarantee fees, and investment income. All expenses, including those to investigate new applicants, monitor existing loan guarantees, and pay loan defaults, are paid from the Fund.

The Fund also makes advances to financially troubled vessel owners who are experiencing temporary difficulty in making their loan or insurance payments on loans guaranteed under the program. In the past, these advances, which are direct loans, were generally made for long-term periods with terms based on the original loan guarantees. Today, MARAD is requiring a 5-year payback period for any new advances.

In the event a borrower does not make scheduled debt service payments on the guaranteed loan in accordance with the bond indenture agreement, the loan can be called into default, thus requiring the Fund to pay off the bond holder. When this

occurs, the Fund attempts to foreclose on and sell the vessel. If this is not possible, the Fund obtains a note secured by the vessel for the payoff amount. The note, or vessel, is recorded by the Fund as an asset, and a corresponding allowance may be established for estimated losses on disposition.

FINANCIAL POSITION OF THE FUND

We have included abbreviated statements of the Fund's account balances for fiscal years 1973 through 1984 (Exhibits 1 and 2). We have also included the statements submitted to Treasury on Forms 221 and 220 (Exhibits 3 and 4). Our analysis of this information reveals the following trends:

- Revenues, comprised mainly of guarantee fees and interest on Fund securities, have increased over 8-fold, from \$8.7 million in 1973 to \$71.4 million in 1984 (Exhibit 5).
- Loan loss expenses, which represent a recognition in the Fund's financial statements for estimated losses on actual loan defaults, were \$35.1 million in 1978. After dropping to a low of zero in 1981 and 1982, they rose to \$42.6 million in 1984 (Exhibits 1 and 6). The Fund does not recognize potential losses on loan guarantees outstanding, which is not in accordance with the Comptroller General's accounting standards.
- Administrative and other Fund operating expenses have fluctuated over the 1973 to 1984 period between a low of \$1.5 million in 1973 and a high of \$7.2 million in 1983 (Exhibit 6).

- Net income, which represents the annual growth of the Fund, has varied considerably over the 1973 to 1984 period, being most directly impacted by the amount of annual loan loss expense. It amounted to a high of \$62.8 million in 1982--the year loan loss expenses were at a low point--and a low of \$5.6 million in 1978 (Exhibit 7).
- The Fund balance, which represents the U.S. government's equity in the revolving fund, has grown from \$45.1 million in 1973 to \$373.6 million in 1984 (Exhibit 7).
- Liquid assets, comprised of cash and securities, rose overall from \$43.2 million in 1973 to \$147.6 million in 1984 (Exhibit 8). However, as of May 31, 1985, the liquid assets shrank to \$8.0 million as a result of large payoffs on recent defaults. At the end of 1984, approximately 60 percent of the Fund's total assets were unavailable to pay claims against outstanding guarantees because they were comprised of non-liquid assets, which include notes receivable on defaulted loans, advances, and vessels awaiting liquidation (Exhibit 9).
- Advances to vessel owners, to help prevent or forestall loan defaults rose from \$7.3 million in 1973 to \$101.8 million in 1984. Most of this rise, however, has occurred since 1978 (Exhibit 10). The Fund has not established an allowance for the uncollectability of these advances, which again is not in

accordance with the Comptroller General's accounting standards.

--Defaulted loans, net of loan loss allowances, which are classified as loans receivable, have risen from \$0 in 1973 to \$100.9 million in 1984. Most of this increase has occurred since 1977 (Exhibit 10).

LOAN GUARANTEES

For the first 33 years of the Fund, through fiscal year 1970, the program guaranteed \$1.2 billion in loans of which 97 percent were for seagoing vessels (Exhibit 11).

During the next 10 years, through September 1980, new loan guarantees totaled \$8.2 billion. The program not only expanded rapidly, but changed its emphasis on the types of vessel loans guaranteed. Loan guarantees for seagoing vessels declined to 63 percent of the total, while for barges and tugs they increased to 17 percent, for drilling rigs to 14 percent, and supply and other vessels to 6 percent (Exhibit 12).

Between October 1980 and May 1985, loan guarantees totaling \$2.2 billion were made. The percent of guarantees for seagoing vessels continued to decline to 32 percent. On the other hand, loan guarantees for barges and tugs increased significantly to 37 percent of new loan guarantees. During this period, drilling rigs accounted for 15 percent, and supply and other vessels for 16 percent (Exhibit 13).

Each year since 1980, the amount of new loan guarantees has declined--from a high of \$1.1 billion in 1980 to \$177.3 million in 1984 (Exhibit 14). Fiscal year 1985 guarantees totaled \$32.3 million as of May 31, 1985.

ADVANCES

From the beginning of the program through 1978, advances granted to financially troubled vessel owners totaled only \$7.6 million. Beginning in 1979 and continuing to 1983, total advances grew significantly as a result of the depressed shipping industry and MARAD's default prevention efforts (Exhibit 15). As of May 31, 1985, advances totaling \$104.4 million were outstanding representing guarantees to about 20 of 400 companies, with loan principal balances totaling approximately \$500 million.

DEFAULTS

Cumulatively, the Fund has suffered \$556.7 million in default payoffs. During the early years, the Fund experienced minimal defaults. Through fiscal year 1970, eight companies defaulted on loans for seven seagoing vessels and one ferry involving \$36.5 million in principal and accrued interest payments. Recoveries reduced the Fund's losses to \$6.5 million.

During the next 10 years, through September 1980, 5 more companies defaulted on loans of \$132.3 million. Recoveries reduced Fund losses to \$36.7 million. The defaults involved 10 seagoing vessels and 806 barges. Most of these losses occurred in 1978 when the Pacific Far East Line defaulted on its loans causing \$34.0 million of the \$36.7 million net loss.

Since 1981, defaults have increased exponentially as a result of a combination of adverse economic impacts, including a falloff in oil demand, reduced iron and steel shipping, and the grain embargo. Between 1981 and May 31, 1985, the Fund made default payoffs of principal and accrued interest totaling \$389.9 million (Exhibit 16).

Of the \$558.7 million in cumulative default payoffs, \$347.2 million represented vessels in various stages of recovery. As of May 31, 1985, \$144.2 million were to companies attempting to reorganize under bankruptcy, \$158.3 million were for vessels approaching foreclosure, and \$44.7 million for vessels acquired by MARAD.

Recoveries on defaulted loans have reduced the net Fund outlays from \$558.7 million to \$436 million and the default amount may be further reduced through additional recoveries in the future. For the vessels under the protection of bankruptcy courts, the Fund is precluded from foreclosing.

MARAD officials told us they expect additional defaults totaling \$38.5 million to occur by the end of July 1985, and \$49.2 million more by September 30, 1985. MARAD expects that another \$300 to \$500 million in defaults could occur by the end of fiscal year 1986.

Payoffs on recent defaults alone have essentially eliminated the Fund's liquid assets. Future defaults will cause the Fund to borrow from the Treasury. Whether or not the Fund will ever be able to repay such borrowings is highly questionable.

The primary sources of revenue are guarantee fees and interest. Guarantee fees will shrink due to the drop in ship construction, and interest will be minimal in the future due to the substantially reduced investment portfolio. Cash derived from liquidating vessels can also be used to repay Treasury borrowings. However, the ultimate cash realized depends on the marketability of such vessels in a depressed market.

FINANCIAL REPORTING

Finally, we would like to take this opportunity to stress the need for uniform annual financial reporting for government revolving funds. The Fund's financial statements prepared in the past do not conform to the Comptroller General's accounting standards. In particular, the practices of establishing advances as assets in the accounts without a corresponding allowance for probable losses and the failure to establish a liability for probable losses on guarantees are not in accordance with the Comptroller General's accounting standards. These omissions could mislead users of such financial statements. Also, had the financial statements been prepared in accordance with the Comptroller General's accounting standards, there may have been an earlier focus on the inadequacy of the Fund to cover outstanding guarantees and meet the increasing number of defaults. By consistently following accrual accounting principles, including the establishment of realistic allowances for loan losses and a liability for losses on guarantees, the

Congress and other users of revolving fund financial statements would have better financial information for oversight and decision-making.

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This concludes our statement. We are providing for the record several schedules, charts, and graphs which provide additional information on the subjects covered in this statement. I would be pleased to answer any questions you have.

LISTING OF EXHIBITS
RELATING TO GAO'S TESTIMONY

- Exhibit 1 - Income Statements, For Fiscal Years Ended
June 30, 1973-75 and September 30, 1976-84
- Exhibit 2 - Balance Sheets, As of
June 30, 1973-75 and September 30, 1976-84
- Exhibit 3 - Statements of Income and Retained Earnings,
(Treasury Form 221), For Fiscal Years Ended
June 30, 1973-75 and September 30, 1976-84
- Exhibit 4 - Statements of Financial Condition (Treasury
Form 220), As of
June 30, 1973-75 and September 30, 1976-84
- Exhibit 5 - Revenue, Fiscal Years 1973-84
- Exhibit 6 - Expenses, Fiscal Years 1973-84
- Exhibit 7 - Net Income vs. Fund Balance, Fiscal
Years 1973-84
- Exhibit 8 - Liquid Assets, Fiscal Years 1973-84

- Exhibit 9 - Liquid Assets vs. Total Assets, Fiscal
Years 1973-84
- Exhibit 10 - Advances and Defaulted Loans (Net), Fiscal
Years 1973-84
- Exhibit 11 - Composition of the Title XI Fleet
- Exhibit 12 - Guarantees by Vessel Type, Fiscal Years 1971-80
- Exhibit 13 - Guarantees By Vessel Type, Fiscal Years 1981-85
- Exhibit 14 - Guarantees/Commitments, Fiscal Years 1970-85
- Exhibit 15 - Advances Granted, Fiscal Years 1971-85
- Exhibit 16 - Default Payoffs, Fiscal Years 1971-85

NOTE: Some of the above exhibits include information only through fiscal year 1984, since complete financial information for 1985 is not available. The reader is cautioned that significant events affecting the Title XI Fund have occurred during fiscal year 1985, as noted in our narrative testimony.

EXHIBIT 1

FEDERAL SHIP FINANCING FUND
 INCOME STATEMENTS
 FOR FISCAL YEARS ENDED JUNE 30, 1973-75 AND SEPTEMBER 30, 1976-84

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
REVENUE:												
Guarantee fees	\$6,458,895	\$8,207,611	\$10,189,350	\$18,563,565	\$22,245,696	\$35,895,003	\$30,220,836	\$33,035,526	\$36,380,274	\$41,302,347	\$45,010,823	\$43,703,161
Interest	2,222,301	3,619,681	4,643,964	6,583,024	9,470,674	8,028,738	10,833,029	13,055,144	18,974,396	25,761,632	29,769,149	26,557,209
Other	7,749	253,400	1,016,405	3,317	0	0	26,709	181,643	149,100	348	150,230	1,147,304
TOTAL REVENUE	8,688,945	12,080,692	15,849,719	25,149,926	31,716,370	43,923,741	41,080,574	46,272,313	55,503,770	67,064,327	74,930,202	71,407,674
EXPENSES:												
Loan loss expense	0	0	0	0	0	35,110,012	15,168,574	131,401	0	0	25,737,279	42,627,829
Administration and Other	1,480,373	1,872,763	4,797,151	4,003,116	2,830,401	3,243,990	3,604,262	3,921,284	4,512,059	4,268,638	7,226,570	3,918,253
TOTAL EXPENSES	1,480,373	1,872,763	4,797,151	4,003,116	2,830,401	38,354,002	18,764,836	4,052,685	4,512,059	4,268,638	32,963,849	46,546,082
NET INCOME BEFORE Extraordinary Item	7,208,572	10,207,929	11,052,568	21,146,810	28,885,969	5,569,739	22,315,738	42,219,628	50,991,711	62,795,689	41,966,353	24,861,592
	0	0	0	0	0	0	3,265,829	0	0	0	0	2,525,000
NET INCOME	7,208,572	10,207,929	11,052,568	21,146,810	28,885,969	5,569,739	25,581,567	42,219,628	50,991,711	62,795,689	41,966,353	27,386,592
FUND BALANCE:												
Beginning	38,146,703	45,137,075	55,345,004	67,091,938	88,238,748	117,124,717	122,694,456	148,276,023	190,495,651	241,487,362	304,283,051	346,249,404
Prior year adjustment	(218,200)	0	694,366	0	0	0	0	0	0	0	0	0
CLOSING FUND BALANCE	\$45,137,075	\$55,345,004	\$67,091,938	\$88,238,748	\$117,124,717	\$122,694,456	\$148,276,023	\$190,495,651	\$241,487,362	\$304,283,051	\$346,249,404	\$373,635,996

NOTE: Fiscal year 1976 data covers the period 7/1/75-6/30/76 and the 7/1/76-9/30/76 transition quarter.

SOURCE: U.S. Maritime Administration.

FEDERAL SHIP FINANCING FUND
BALANCE SHEETS
AS OF JUNE 30, 1973-75 AND SEPTEMBER 30, 1976-81

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
ASSETS:												
Cash with Treasury	\$581,951	\$1,530,365	\$295,744	\$1,214,431	\$350,370	\$26,500	\$144,553	\$287,787	\$269,264	\$834,814	\$716,746	\$1,302,037
Securities	42,580,000	55,970,000	71,417,000	98,174,000	129,969,000	63,990,000	91,940,000	130,960,000	156,765,000	183,920,000	170,249,000	166,313,000
Accounts Receivable												
Fees receivable	1,396,052	1,642,106	1,017,778	4,574,204	1,458,273	757,781	1,114,120	949,649	2,278,220	6,197,861	8,112,488	13,197,914
Government and other	(431,339)	(666,181)	(749,543)	971,687	4,272,736	2,524,219	844,628	(91,849)	(1,225,184)	4,770,239	4,801,360	4,051,855
	964,713	975,925	268,235	5,545,891	5,731,009	3,281,960	1,958,748	857,800	1,053,036	10,967,300	12,913,800	17,249,769
Loans Receivable (net)												
Defaulted loans	11,400,197	11,400,197	11,386,609	10,756,550	10,798,679	113,033,627	107,302,451	104,596,780	104,274,636	99,215,637	137,739,195	168,224,228
Allowance for losses	(11,400,197)	(11,400,197)	(11,386,609)	(10,756,550)	(10,756,550)	(45,950,888)	(55,940,522)	(55,940,521)	(55,860,999)	(50,000,000)	(54,168,112)	(67,289,692)
	0	0	0	0	42,129	67,082,739	51,361,929	50,656,259	49,215,637	49,215,637	83,571,083	100,934,536
Advances	7,378,728	6,125,081	4,886,763	6,900,719	4,622,787	4,310,081	16,494,446	23,307,346	41,635,962	59,057,498	84,257,235	101,780,429
	7,378,728	6,125,081	4,886,763	6,900,719	4,664,916	71,392,820	67,856,375	73,963,605	90,851,599	108,273,131	167,828,318	202,714,965
Vessels	0	0	0	0	0	0	0	0	16,376,076	19,898,859	20,507,468	34,020,786
Other	0	270,000	1,885,815	0	0	1,036,816	3,314,219	2,705,762	2,901,640	3,130,390	1,611,747	962,226
TOTAL ASSETS	\$51,505,392	\$64,871,374	\$78,753,557	\$111,835,041	\$140,115,295	\$139,728,096	\$165,213,895	\$208,774,874	\$268,156,615	\$327,020,494	\$375,827,087	\$402,562,783
LIABILITIES AND FUND:												
Accounts payable	86,166	\$515,928	\$961,236	\$1,940,926	\$1,162,083	\$785,831	\$1,030,758	\$1,062,882	\$1,117,680	\$550,247	\$2,033,868	\$3,668,536
Deferred fees	5,561,797	8,154,904	10,700,383	21,655,367	21,828,495	16,247,809	15,907,114	17,216,341	25,551,573	22,187,196	25,543,816	25,317,981
Other	800,354	655,538	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	6,368,317	9,526,370	11,661,619	23,596,293	22,990,578	17,033,640	16,937,872	18,279,223	26,669,253	22,737,443	27,577,684	28,986,517
FUND BALANCE	45,137,075	55,345,004	67,091,938	88,238,748	117,124,717	122,694,456	148,276,023	190,495,651	241,487,362	304,283,051	348,249,403	373,576,266
TOTAL LIAB. & FUND BALANCE	\$51,505,392	\$64,871,374	\$78,753,557	\$111,835,041	\$140,115,295	\$139,728,096	\$165,213,895	\$208,774,874	\$268,156,615	\$327,020,494	\$375,827,087	\$402,562,783

NOTE: Fiscal year 1976 data covers the period 7/1/75-6/30/76 and the 7/1/76-9/30/76 transition quarter.
SOURCE: U.S. Maritime Administration.

FEDERAL SHIP FINANCING FUND
STATEMENTS OF INCOME AND RETAINED EARNINGS
(TREASURY FORM 221)
FOR FISCAL YEARS ENDED JUNE 30, 1973-75 AND SEPTEMBER 30, 1976-84

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
INCOME:												
Sales of goods- vessels	\$0	\$250,100	\$1,004,746	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of services	0	0	0	3,317	0	0	0	0	0	0	0	0
Insurance and guar. premiums	6,458,895	8,207,611	10,189,350	18,563,585	22,245,696	35,895,003	30,220,836	33,035,526	36,380,274	41,302,347	45,810,823	43,703,161
Interest income-PDS	1,916,275	3,254,127	4,326,447	6,165,102	8,091,914	7,611,783	6,783,673	10,029,526	14,658,935	18,009,044	21,101,314	14,626,954
Interest income	304,826	365,554	317,517	417,922	1,378,760	416,955	4,049,356	3,825,618	4,315,461	7,752,580	8,647,835	11,930,253
Other income	7,749	3,300	11,659	0	0	0	26,709	181,643	149,100	348	150,230	1,107,304
TOTAL INCOME	8,688,945	12,080,692	15,849,719	25,149,926	31,716,370	43,923,741	41,080,574	46,272,313	55,563,770	67,064,327	74,930,202	71,407,674
EXPENSE:												
Cost of goods sold- vessels	0	0	2,461,486	0	0	0	0	0	0	0	0	0
OTHER EXPENSES:												
Administration	1,480,373	1,872,763	2,335,665	4,003,116	2,830,401	3,243,990	3,604,262	3,921,284	4,400,000	4,196,220	3,796,929	3,704,947
Allowance for losses-default	0	0	0	0	0	35,110,012	15,000,000	131,401	0	0	25,737,279	42,627,829
Allowance for losses-uncollectible	0	0	0	0	0	0	160,574	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0	0	213,306
Miscellaneous	0	0	0	0	0	0	0	0	112,059	72,418	3,429,641	0
TOTAL EXPENSE	1,480,373	1,872,763	4,797,151	4,003,116	2,830,401	38,354,002	18,764,836	4,052,685	4,512,059	4,268,638	32,963,849	46,546,682
INC. OR EXP. BEFORE EXTRA. ITEM	7,208,572	10,207,929	11,052,568	21,146,810	28,885,969	5,569,739	22,315,738	42,219,628	50,991,711	62,795,689	41,966,353	24,861,592
EXTRAORDINARY INCOME & EXPENSE:												
Gain(loss) on disp. of assets	0	0	0	0	0	0	3,265,829	0	0	0	0	2,525,000
NET INCOME OR EXPENSE (-)	7,208,572	10,207,929	11,052,568	21,146,810	28,885,969	5,569,739	25,581,567	42,219,628	50,991,711	62,795,689	41,966,353	27,386,592
ANALYSIS OF CHANGE IN RETAINED EARNINGS												
Opening Balance	38,146,703	45,137,075	55,345,004	67,091,938	88,238,748	117,124,717	122,694,456	148,276,023	190,495,651	241,487,362	304,283,051	366,249,404
Net income or expense	7,208,572	10,207,929	11,052,568	21,146,810	28,885,969	5,569,739	25,581,567	42,219,628	50,991,711	62,795,689	41,966,353	27,386,592
ADJUSTMENTS FOR PRIOR YEARS:												
Prior years income(expense)	(218,200)	0	694,366	0	0	0	0	0	0	0	0	0
CLOSING BALANCE	\$45,137,075	\$55,345,004	\$67,091,938	\$88,238,748	\$117,124,717	\$122,694,456	\$148,276,023	\$190,495,651	\$241,487,362	\$304,283,051	\$366,249,404	\$373,635,996

NOTE: Fiscal year 1976 data covers the period 7/1/75 - 6/30/76 and the 7/1/76 - 9/30/76 transition quarter.

SOURCE: U.S. Maritime Administration.

FEDERAL SHIP FINANCING FUND
STATEMENTS OF FINANCIAL CONDITION
(TREASURY FORM 220)
AS OF JUNE 30, 1975-75 AND SEPTEMBER 30, 1976-84

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
ASSETS:												
Fund Balances With Treasury:												
Budget funds	\$581,951	\$1,530,365	\$295,744	\$1,214,431	\$350,370	\$26,560	\$144,553	\$287,707	\$269,244	\$834,814	\$714,746	\$1,302,037
Federal Security Holdings	42,580,000	55,970,000	71,417,000	98,174,000	129,969,000	63,990,000	91,940,000	130,960,000	154,785,000	183,920,000	170,249,000	146,313,000
Accounts Receivable:												
Government agencies	0	0	0	1,757,960	2,908,663	1,131,974	1,193,182	1,433,817	2,330,361	4,451,635	2,252,312	4,101,379
The public	1,266,065	1,642,106	1,017,778	4,574,204	1,458,273	757,741	1,114,120	949,649	2,278,220	6,197,061	8,112,448	13,197,914
Unamortized (discount) premium-PDS	(431,339)	(666,181)	(749,543)	(786,273)	1,364,075	1,392,245	(187,980)	11,365,092)	13,394,971)	279,170	3,100,797	1,723,707
Allowances	0	0	0	0	0	0	(160,574)	(160,574)	(160,574)	(160,574)	(559,749)	(1,773,231)
	834,726	975,925	268,235	5,545,891	5,731,009	3,281,960	1,958,748	857,800	1,053,036	10,967,300	12,913,800	17,249,749
Advances to the public	129,987	0	0	0	0	0	0	0	0	0	0	0
TOTAL SELECTED CURRENT ASSETS	44,126,664	58,476,290	71,980,979	104,934,322	136,050,379	67,298,460	94,043,301	132,105,507	158,027,300	195,722,110	183,879,554	164,864,806
Loans Receivable:												
Repayable in dollars	18,786,925	17,533,281	16,273,372	17,657,269	14,821,466	117,343,708	123,796,897	129,904,126	145,912,598	158,273,131	221,996,430	270,004,657
Allowances	(11,408,197)	(11,408,197)	(11,388,609)	(10,756,550)	(10,756,550)	(45,950,888)	(55,940,522)	(55,940,521)	(55,060,999)	(50,000,000)	(54,168,112)	(67,289,692)
	7,378,728	6,125,084	4,884,763	6,900,719	4,064,916	71,392,820	67,856,375	73,963,605	90,851,599	108,273,131	167,828,318	202,714,965
Inventories:												
Work-in-process - vessels	0	0	0	0	0	0	0	0	16,376,076	19,894,859	20,507,468	0
Real Property and Equipment:												
Structures & facilities-vessels	0	0	0	0	0	0	0	0	0	0	0	34,234,092
Allowances	0	0	0	0	0	0	0	0	0	0	0	(213,306)
	0	0	0	0	0	0	0	0	0	0	0	34,020,786
Other Assets:												
Custody exp.-reposs. vessels	0	0	0	0	0	0	0	0	3,022,742	3,130,390	1,611,747	962,226
Deferred charges	747,248	747,248	749,244	749,244	749,244	1,786,060	3,435,321	2,826,864	0	0	0	0
Notes receivable	0	270,000	1,885,815	0	0	0	0	0	0	0	0	0
Allowances	(747,248)	(747,248)	(749,244)	(749,244)	(749,244)	(749,244)	(121,102)	(121,102)	(121,102)	0	0	0
	0	270,000	1,885,815	0	0	1,036,816	3,314,219	2,705,762	2,901,640	3,130,390	1,611,747	962,226
TOTAL ASSETS	\$51,505,392	\$64,871,374	\$78,753,557	\$111,835,041	\$140,115,295	\$139,728,096	\$165,213,895	\$208,774,874	\$268,156,615	\$327,020,494	\$373,827,087	\$402,562,793

NOTE: Fiscal year 1976 data covers the period 7/1/75 - 6/30/76 and the 7/1/76 - 9/30/76 transition quarter.

SOURCE: U.S. Maritime Administration.

EXHIBIT 4
(Continued)

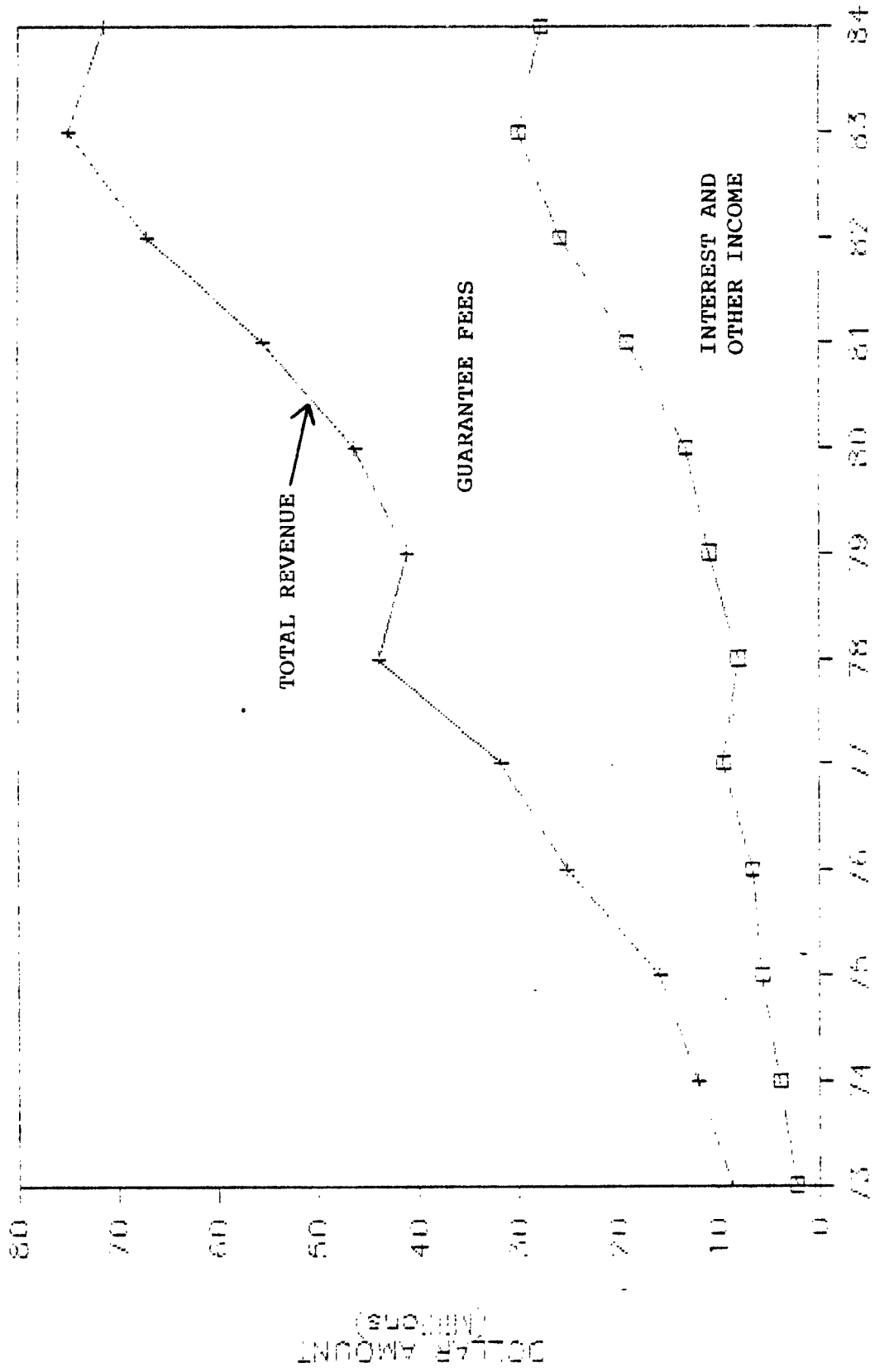
	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
LIABILITIES:												
Accounts Payable:												
Accts Pay- Govt. Agencies	80	80	80	80	80	\$785,831	\$1,004,596	\$1,062,882	\$1,117,680	\$550,247	\$2,033,868	\$3,608,536
The public	6,166	515,928	961,236	1,940,926	81,162,083	0	26,162	0	0	0	0	0
	6,166	515,928	961,236	1,940,926	1,162,083	785,831	1,030,758	1,062,882	1,117,680	550,247	2,033,868	3,608,536
Advances from the public	5,561,797	8,154,904	10,700,383	21,655,367	21,828,495	16,247,809	15,907,114	17,216,341	25,551,573	22,187,196	25,543,816	25,317,981
TOTAL SELECTED CURRENT LIABILITIES	5,567,963	8,670,832	11,661,619	23,596,293	22,990,578	17,033,640	16,937,872	18,279,223	26,669,253	22,737,443	27,577,684	28,926,517
Other liabilities												
Deferred credits	800,354	855,538	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	6,368,317	9,526,370	11,661,619	23,596,293	22,990,578	17,033,640	16,937,872	18,279,223	26,669,253	22,737,443	27,577,684	28,926,517
GOVERNMENT EQUITY:												
Unexpended Budget Authority:												
Unobligated	37,758,347	48,949,920	60,319,360	81,338,029	113,059,801	50,264,820	77,105,429	113,826,284	128,853,625	172,363,242	156,201,870	135,838,289
Undelivered orders	0	0	0	0	0	0	0	0	2,504,422	621,429	100,000	100,000
	37,758,347	48,949,920	60,319,360	81,338,029	113,059,801	50,264,820	77,105,429	113,826,284	131,358,047	172,984,671	156,301,870	135,938,289
Invested Capital	7,378,728	6,395,084	6,772,578	6,900,719	4,064,916	72,429,636	71,170,594	76,669,367	110,129,315	131,298,380	189,947,533	237,697,977
TOTAL GOVERNMENT EQUITY	45,137,075	55,345,004	67,091,938	88,238,748	117,124,717	122,694,456	148,276,023	190,495,651	241,487,362	304,283,051	346,249,403	373,636,266
TOTAL LIAB. & GOVT. EQUITY	\$51,505,392	\$64,871,374	\$78,753,557	\$111,835,041	\$140,115,295	\$139,728,096	\$165,213,895	\$208,774,874	\$268,156,615	\$327,020,494	\$373,827,087	\$402,562,783

NOTE: Fiscal year 1976 data covers the period 7/1/75 - 6/30/76 and the 7/1/76 - 9/30/76 transition quarter.

SOURCE: U.S. Maritime Administration.

REVENUE

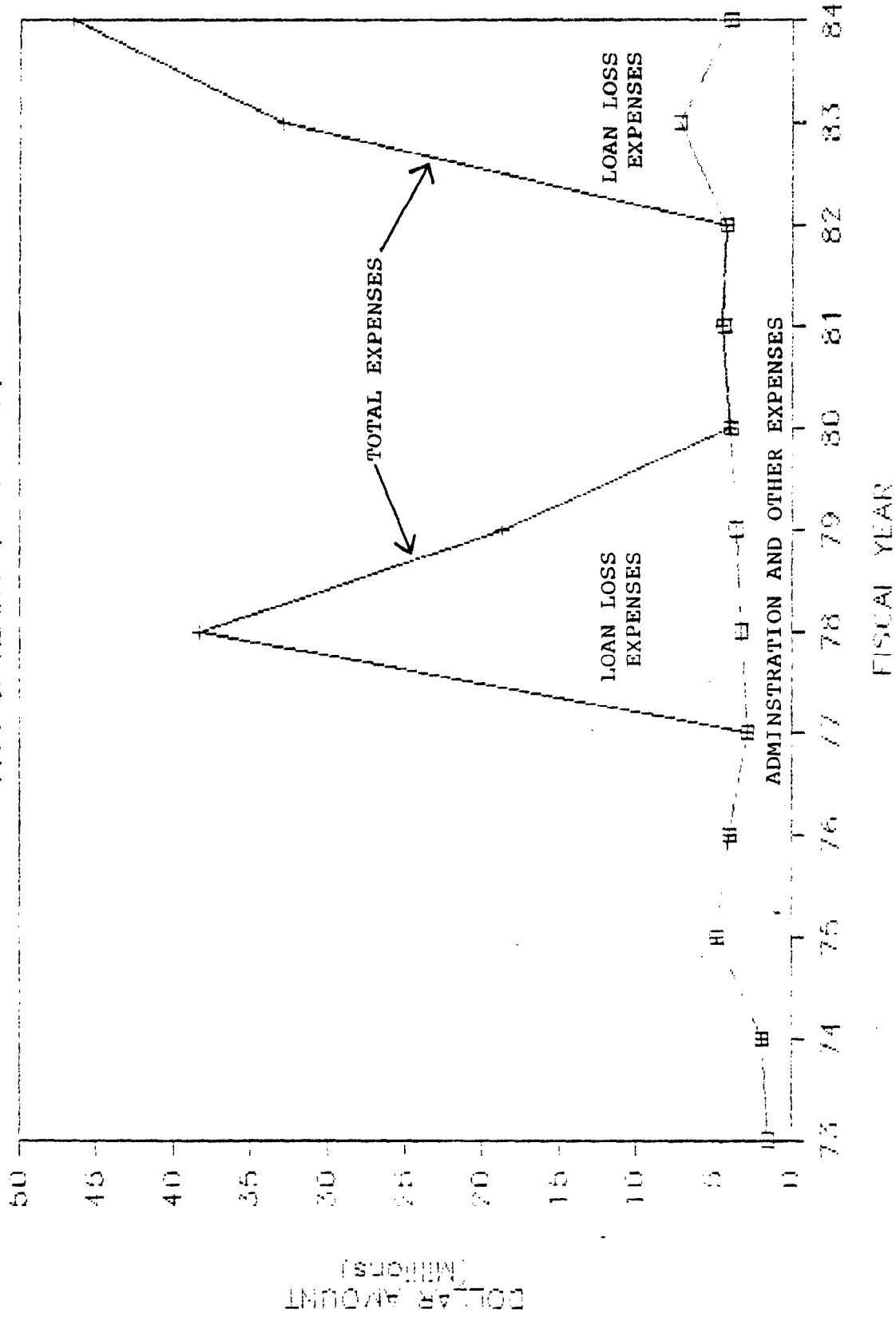
FISCAL YEARS 1973 - 84



SOURCE: Data obtained from Exhibit 1.

EXPENSES

FISCAL YEARS 1973 - 84

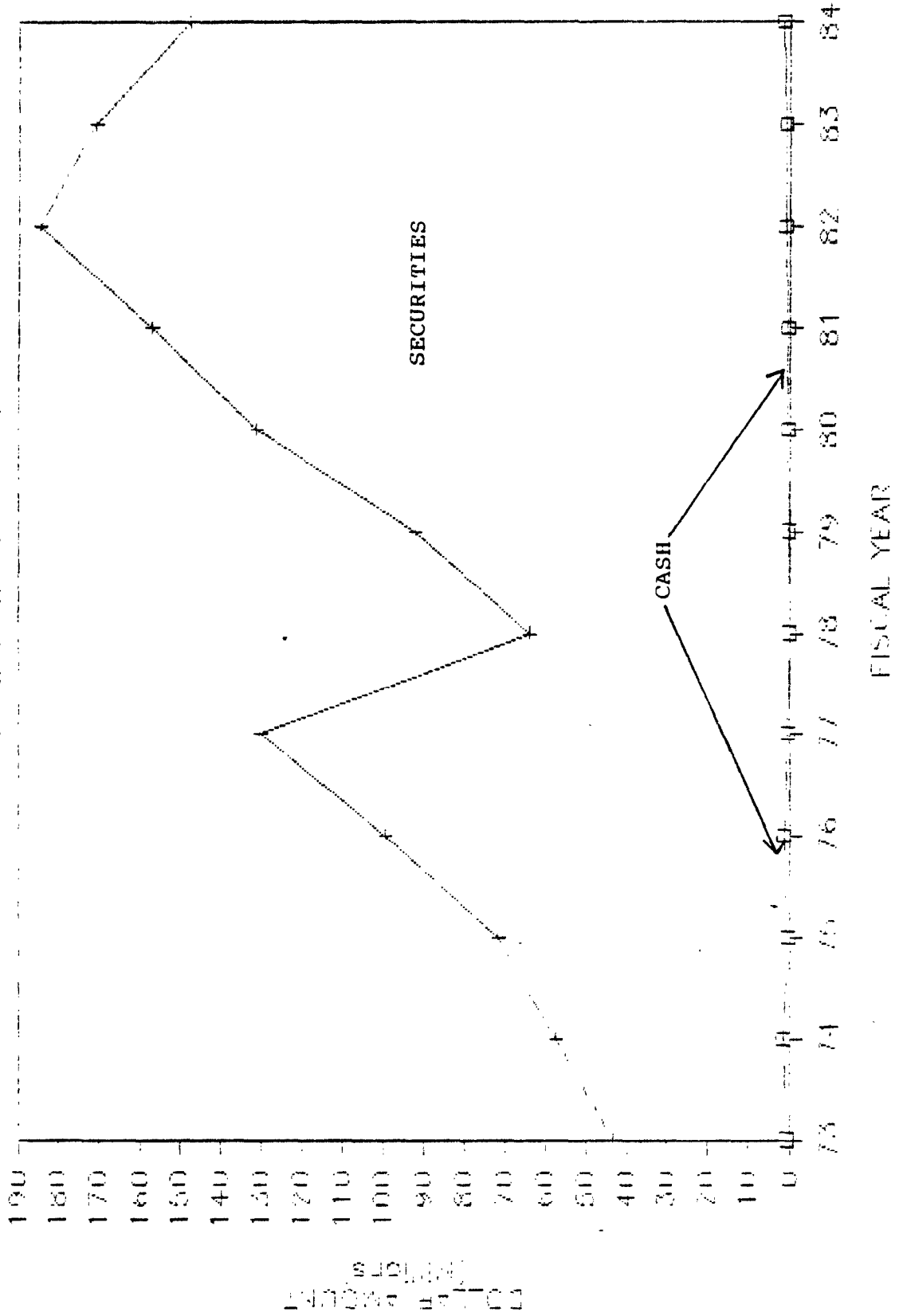


SOURCE: Data obtained from Exhibit 1.

EXHIBIT 8

LIQUID ASSETS

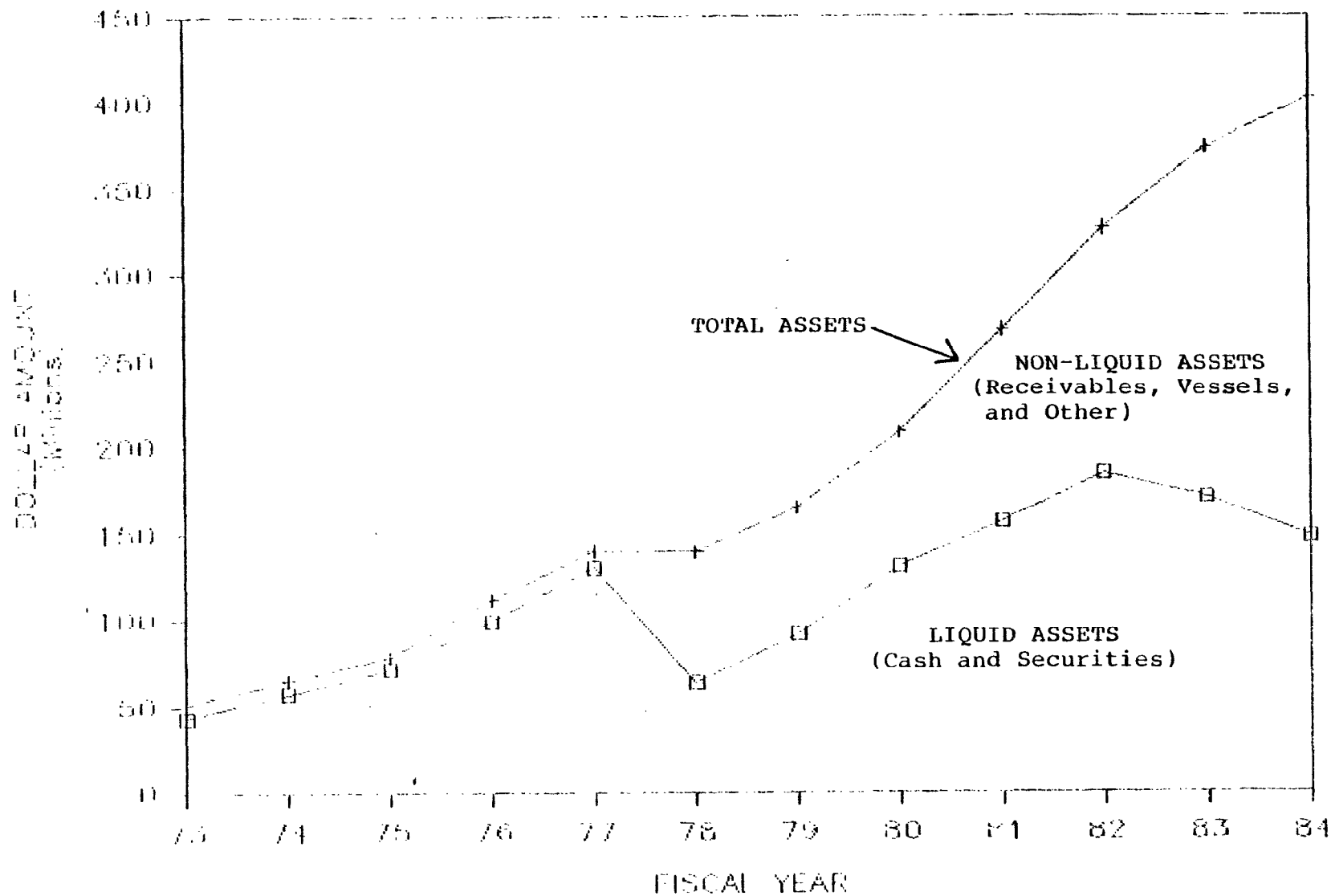
Fiscal Years 1973-84



SOURCE: Data obtained from Exhibit 2.

LIQUID ASSETS VS TOTAL ASSETS

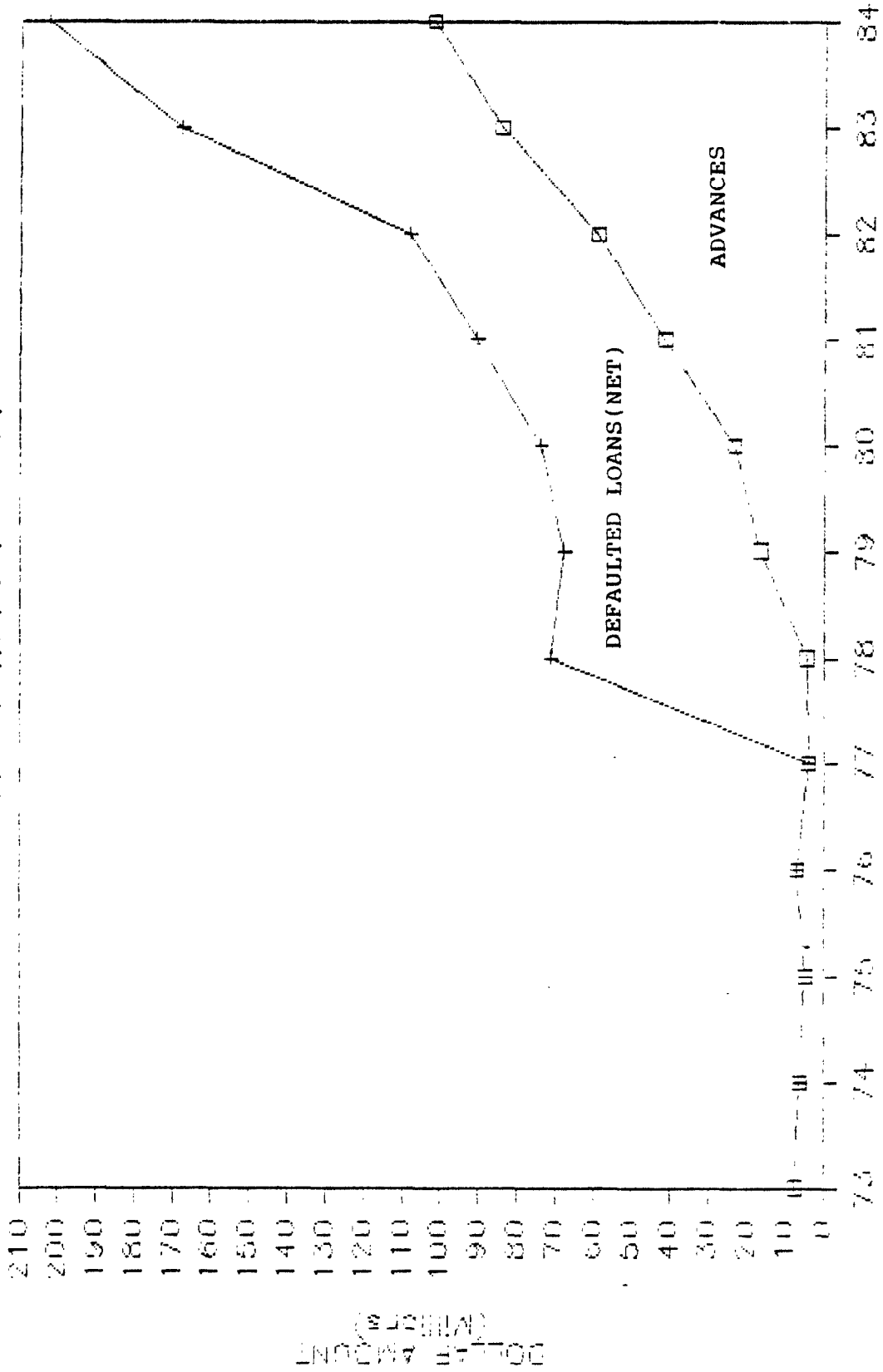
Fiscal Years 1973-84



SOURCE: Data obtained from Exhibit 2.

ADVANCES & DEFAULTED LOANS (NET)

FISCAL YEARS 1973-84



FISCAL YEAR

SOURCE: Data obtained from Exhibit 2.

COMPOSITION OF THE TITLE XI FLEET

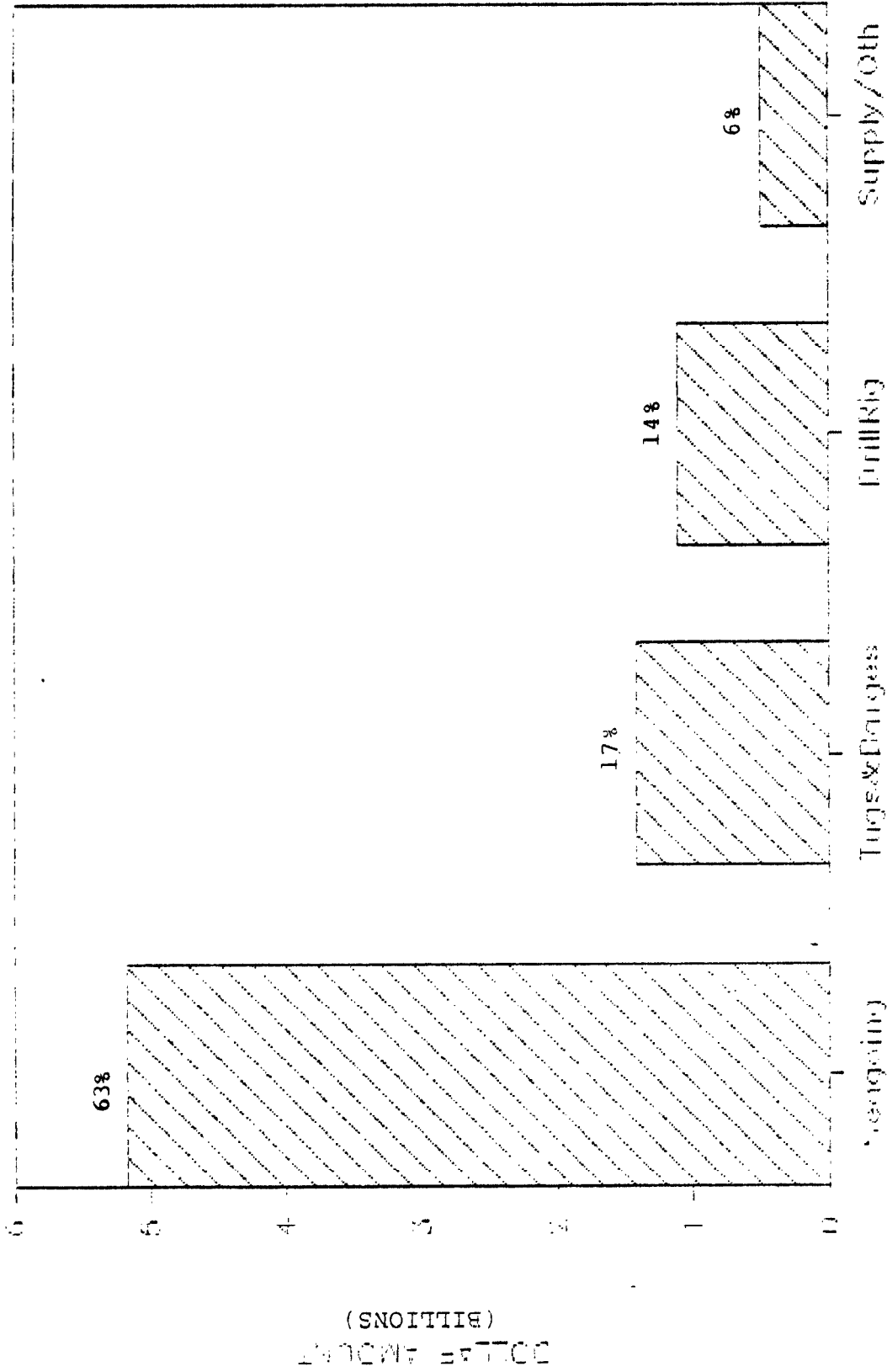
	Number of Vessels Guaranteed				Mortgage Amount Billions of Dollars				Mortgage Amount Percent of Total			
	Through FY 1970	FY 1980	FY1981- 5/31/85	TOTAL	Through FY 1970	FY 1980	FY1981- 5/31/85	TOTAL	Through FY 1970	FY1971- FY 1980	FY1981- 5/31/85	TOTAL
SEAGOING VESSELS												
Tankers	48	73	11	132	4487.0	42,262.8	4399.8	43,139.6	40%	26%	18%	27%
Cargo Ships	120	93	18	231	612.6	1,314.9	196.9	2,124.4	51%	16%	9%	18%
Cargo/Passenger Ships	10	0	0	10	73.3	0.0	0.0	73.3	6%	0%	0%	1%
Liquefied Natural Gas Carriers	0	16	0	16	0.0	1,239.0	0.0	1,239.0	0%	15%	0%	11%
Dry Bulk Carriers	0	12	5	23	0.0	359.7	126.3	486.0	0%	4%	6%	4%
SUBTOTAL	178	200	34	412	1,122.9	5,176.4	715.0	7,064.3	47%	63%	32%	61%
TUGS & BARGES												
River Tugs	2	114	43	159	0.6	142.8	68.9	212.3	0%	2%	3%	2%
River Barges	9	1569	1564	3561	2.0	372.3	400.8	775.1	0%	5%	18%	7%
Ocean Tugs	1	131	39	171	3.1	332.3	107.0	442.4	0%	4%	5%	4%
Ocean Barges	6	166	48	220	11.2	419.7	231.3	654.2	1%	5%	10%	6%
Shipboard Barges	360	3166	245	3792	9.6	149.8	10.5	169.9	1%	2%	0%	1%
SUBTOTAL	377	3566	1946	7903	23.5	1,416.9	818.5	2,263.9	2%	17%	37%	19%
DRILL RIGS												
Offshore Drill Rigs	0	76	22	98	0.0	1,107.2	336.6	1,443.8	3%	14%	15%	12%
SUPPLY VESSELS												
Offshore Support Vessels	0	167	70	237	0.0	328.0	297.6	625.6	0%	4%	9%	5%
Miscellaneous Vessels	3	15	14	32	6.1	167.0	136.9	316.0	1%	2%	6%	3%
SUBTOTAL	3	182	84	269	6.1	495.0	344.5	845.6	1%	6%	16%	7%
TOTAL	558	6044	2080	6682	11,207.5	46,195.5	42,214.6	111,617.6	100%	100%	100%	100%

NOTE: Percentages may not total due to rounding.

SOURCE: U.S. Maritime Administration.

GUARANTEES BY VESSEL TYPE

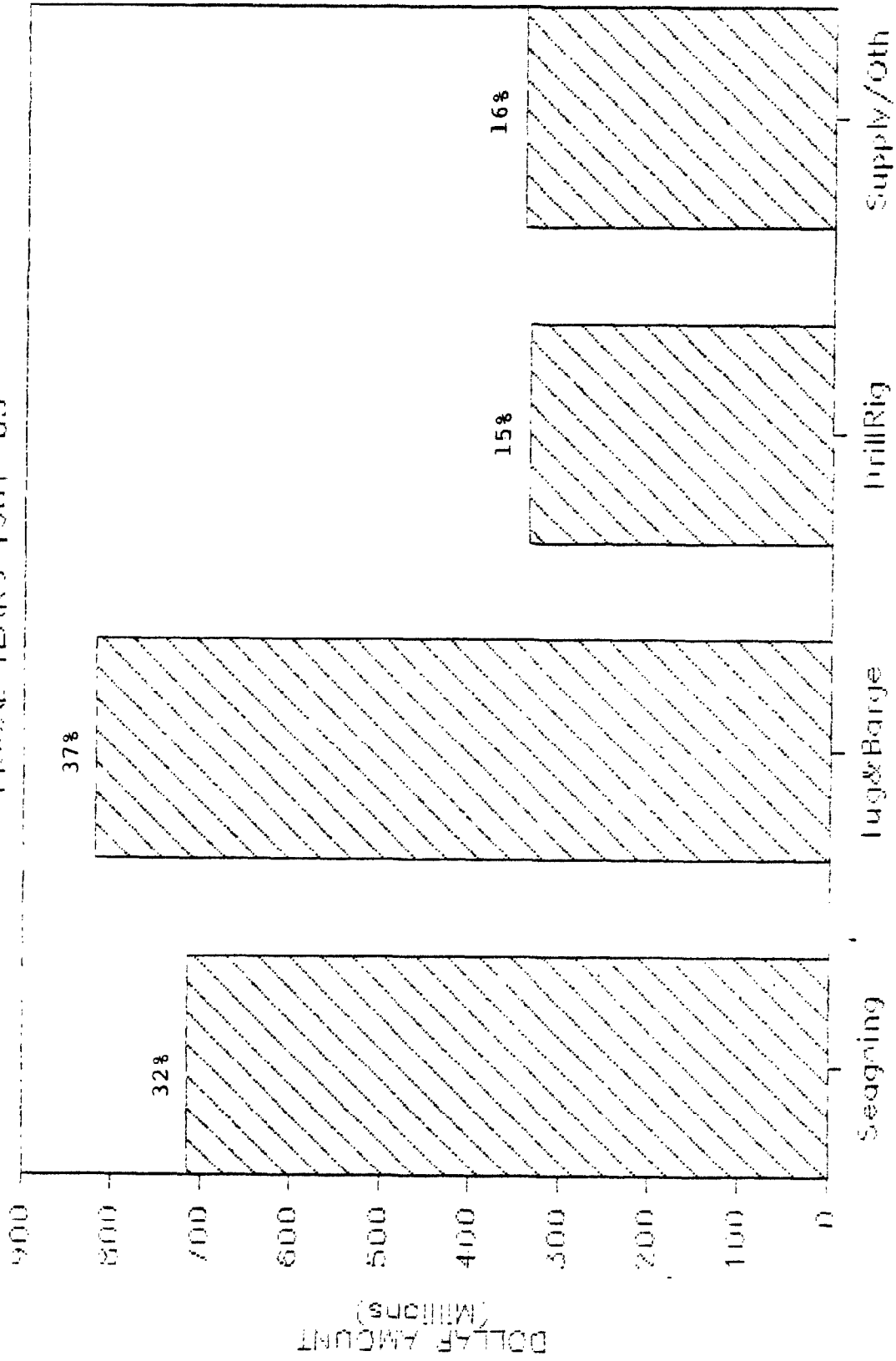
FISCAL YEARS 1971-80



SOURCE: Data obtained from Exhibit 11.

GUARANTIES BY VESSEL TYPE

FISCAL YEARS 1981 - 85

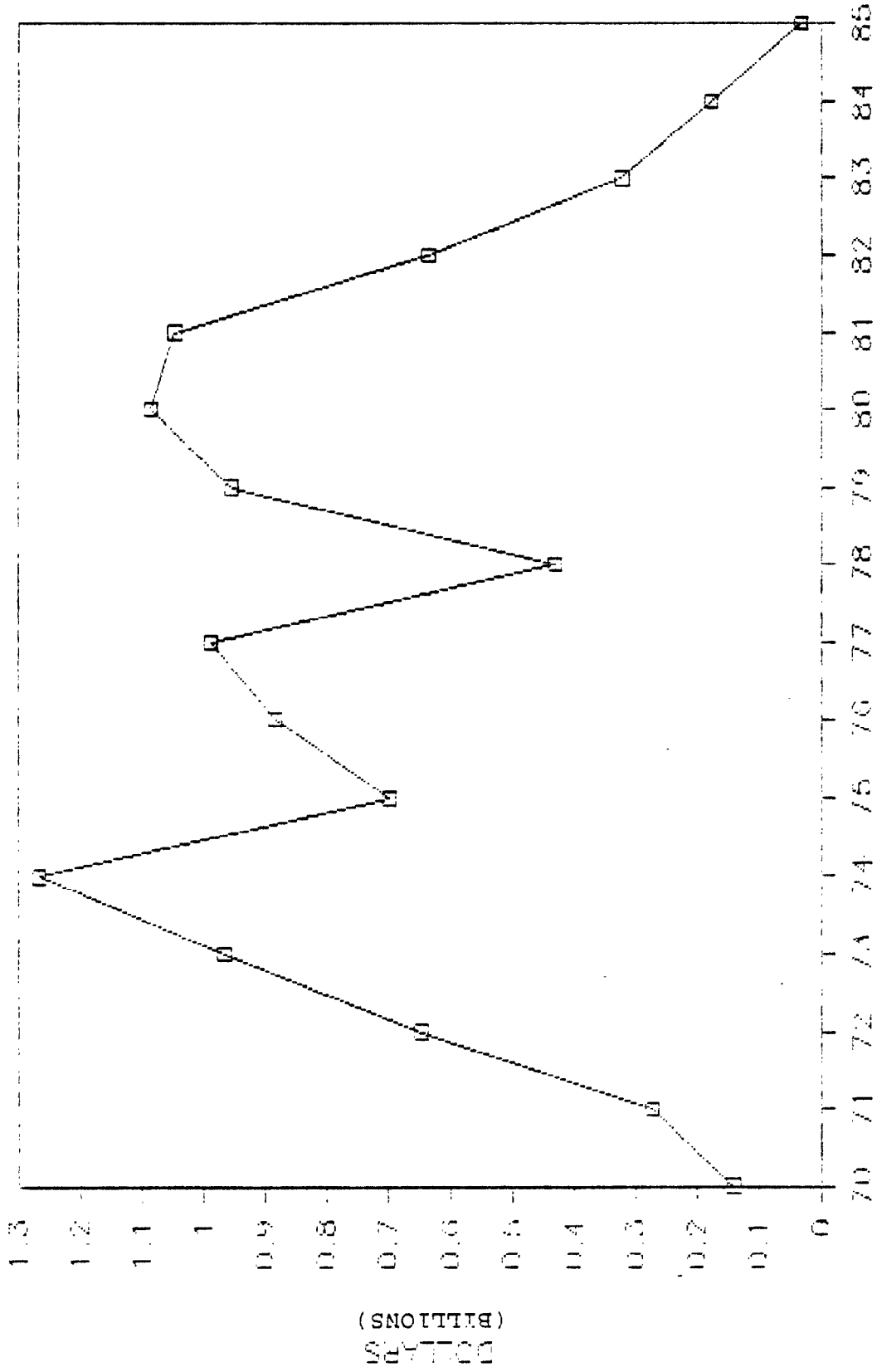


VESSEL TYPE

NOTE: Fiscal year 1985 data covers the period 10/1/84 - 5/31/85.
SOURCE: Data obtained from Exhibit 11.

GUARANTIES/COMMITMENTS

FISCAL YEARS 1970-85

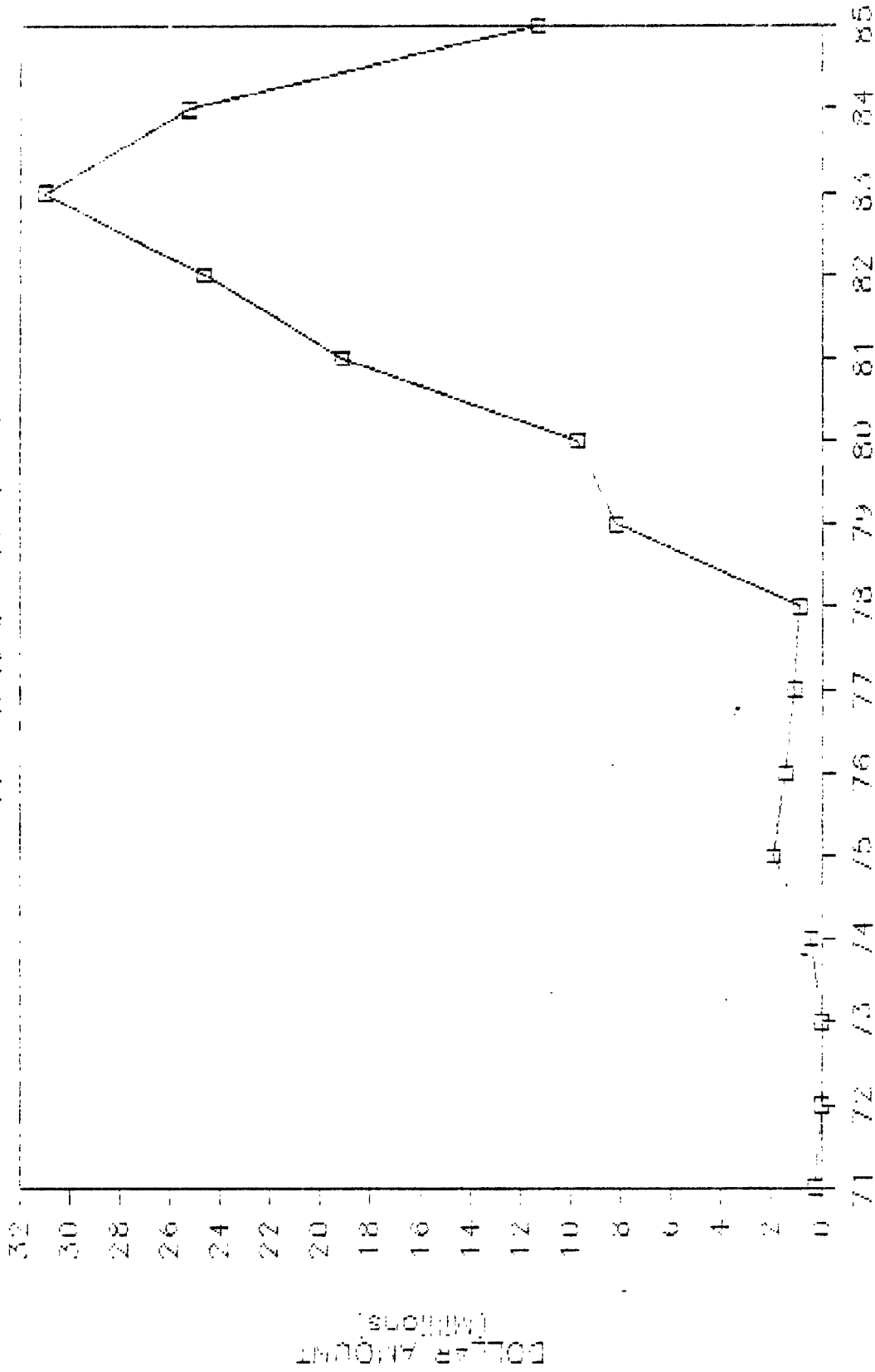


FISCAL YEAR

NOTE: Fiscal year 1985 data covers the period 10/1/84 - 5/31/85.
SOURCE: U.S. Maritime Administration.

ADVANCES GRANTED

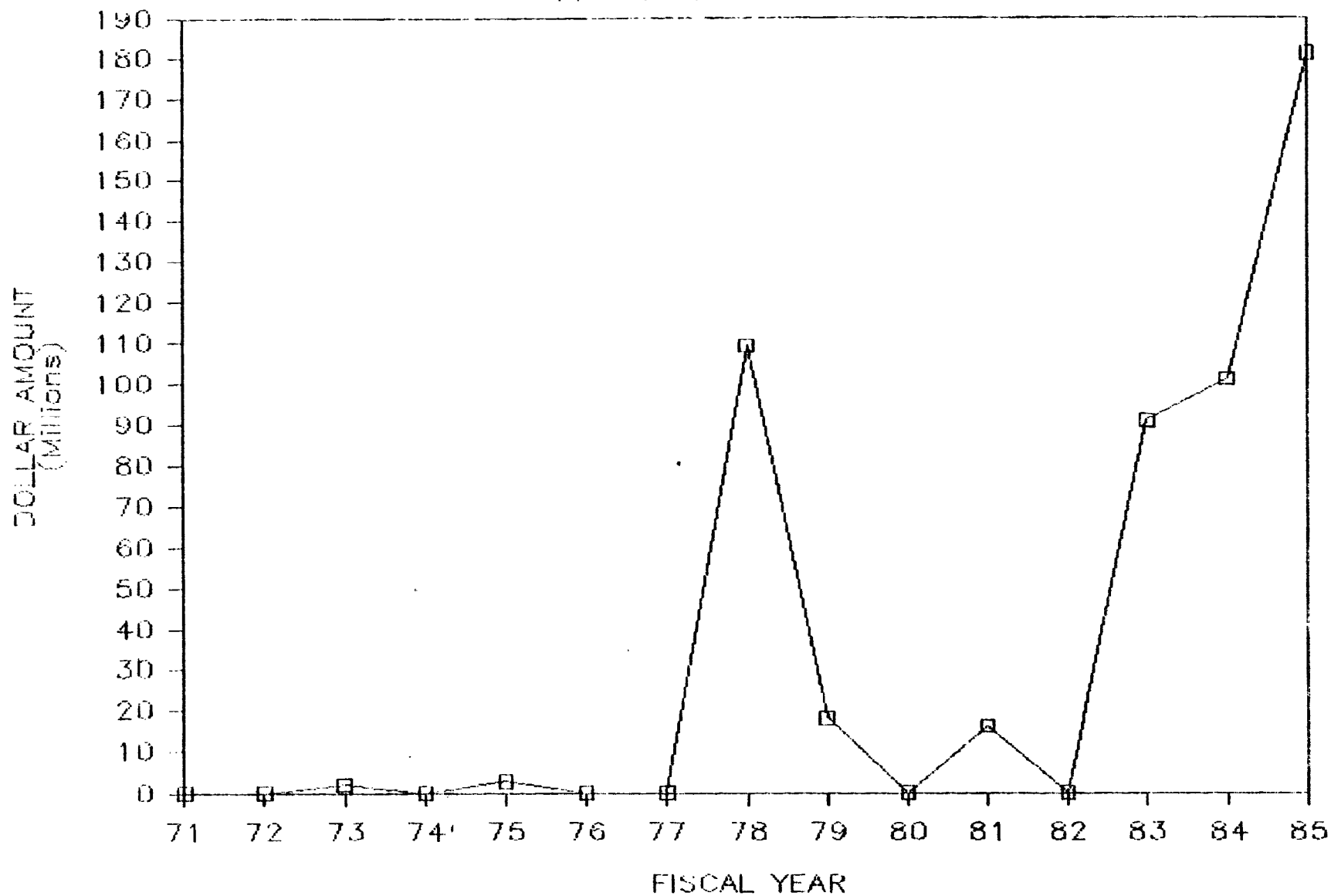
FISCAL YEARS 1971 - 85



NOTE: Fiscal year 1985 data covers the period 10/1/84 - 5/31/85.
SOURCE: U.S. Maritime Administration.

DEFAULT PAYOFFS

FISCAL YEARS 1971-85



NOTE: Fiscal year 1985 data covers the period 10/1/84 - 5/31/85.

SOURCE: U.S. Maritime Administration.