

(b) Credit Quality of Financing Receivables

Gross receivables, excluding residual value, less unearned income categorized by our internal credit risk rating as of July 27, 2019 and July 28, 2018 are summarized as follows (in millions):

July 27, 2019	INTERNAL CREDIT RISK RATING			
	1 to 4	5 to 6	7 and Higher	Total
Lease receivables	\$ 1,204	\$ 991	\$ 35	\$ 2,230
Loan receivables	3,367	1,920	151	5,438
Financed service contracts	1,413	939	17	2,369
Total	\$ 5,984	\$ 3,850	\$ 203	\$ 10,037

July 28, 2018	INTERNAL CREDIT RISK RATING			
	1 to 4	5 to 6	7 and Higher	Total
Lease receivables	\$ 1,294	\$ 1,199	\$ 54	\$ 2,547
Loan receivables	3,184	1,752	63	4,999
Financed service contracts	1,468	835	23	2,326
Total	\$ 5,946	\$ 3,786	\$ 140	\$ 9,872

We determine the adequacy of our allowance for credit loss by assessing the risks and losses inherent in our financing receivables by portfolio segment. The portfolio segment is based on the types of financing offered by us to our customers, which consist of the following: lease receivables, loan receivables, and financed service contracts.

Our internal credit risk ratings of 1 through 4 correspond to investment-grade ratings, while credit risk ratings of 5 and 6 correspond to non-investment grade ratings. Credit risk ratings of 7 and higher correspond to substandard ratings.

The following tables present the aging analysis of gross receivables, excluding residual value and less unearned income as of July 27, 2019 and July 28, 2018 (in millions):

July 27, 2019	DAYS PAST DUE (INCLUDES BILLED AND UNBILLED)				Current	Total	Nonaccrual Financing Receivables	Impaired Financing Receivables
	31 - 60	61 - 90	91+	Total Past Due				
Lease receivables	\$ 101	\$ 42	\$ 291	\$ 434	\$ 1,796	\$ 2,230	\$ 13	\$ 13
Loan receivables	257	67	338	662	4,776	5,438	31	31
Financed service contracts	145	131	271	547	1,822	2,369	3	3
Total	\$ 503	\$ 240	\$ 900	\$ 1,643	\$ 8,394	\$ 10,037	\$ 47	\$ 47

July 28, 2018	DAYS PAST DUE (INCLUDES BILLED AND UNBILLED)				Current	Total	Nonaccrual Financing Receivables	Impaired Financing Receivables
	31 - 60	61 - 90	91+	Total Past Due				
Lease receivables	\$ 72	\$ 27	\$ 155	\$ 254	\$ 2,293	\$ 2,547	\$ 9	\$ 9
Loan receivables	104	55	252	411	4,588	4,999	30	30
Financed service contracts	138	78	304	520	1,806	2,326	3	3
Total	\$ 314	\$ 160	\$ 711	\$ 1,185	\$ 8,687	\$ 9,872	\$ 42	\$ 42

Past due financing receivables are those that are 31 days or more past due according to their contractual payment terms. The data in the preceding tables is presented by contract, and the aging classification of each contract is based on the oldest outstanding receivable, and therefore past due amounts also include unbilled and current receivables within the same contract. The balances of either unbilled or current financing receivables included in the category of 91 days plus past due for financing receivables were \$244 million and \$503 million as of July 27, 2019 and July 28, 2018, respectively.

As of July 27, 2019, we had financing receivables of \$215 million, net of unbilled or current receivables, that were greater than 120 days plus past due but remained on accrual status as they are well secured and in the process of collection. Such balance was \$182 million as of July 28, 2018.