

The Balances Approach to Reestimates

OMB Annual Training

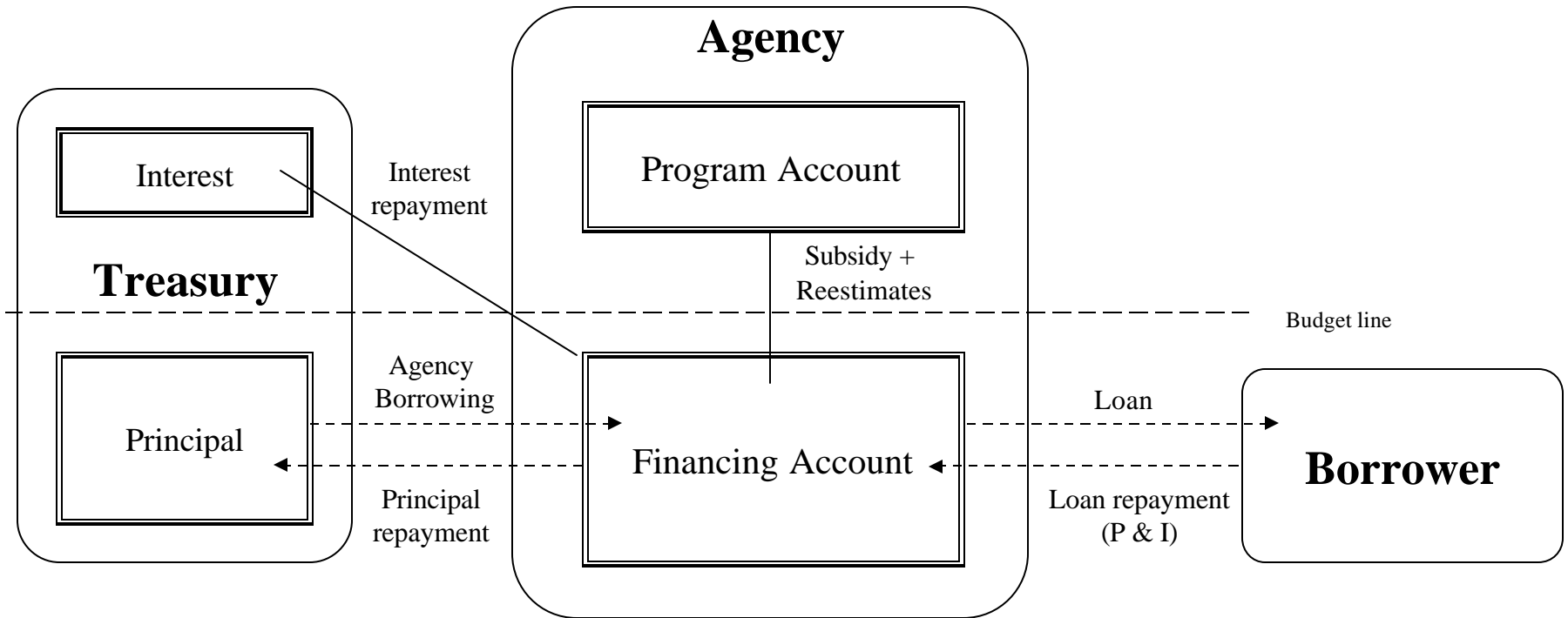
June 14, 2004

White House Conference Center

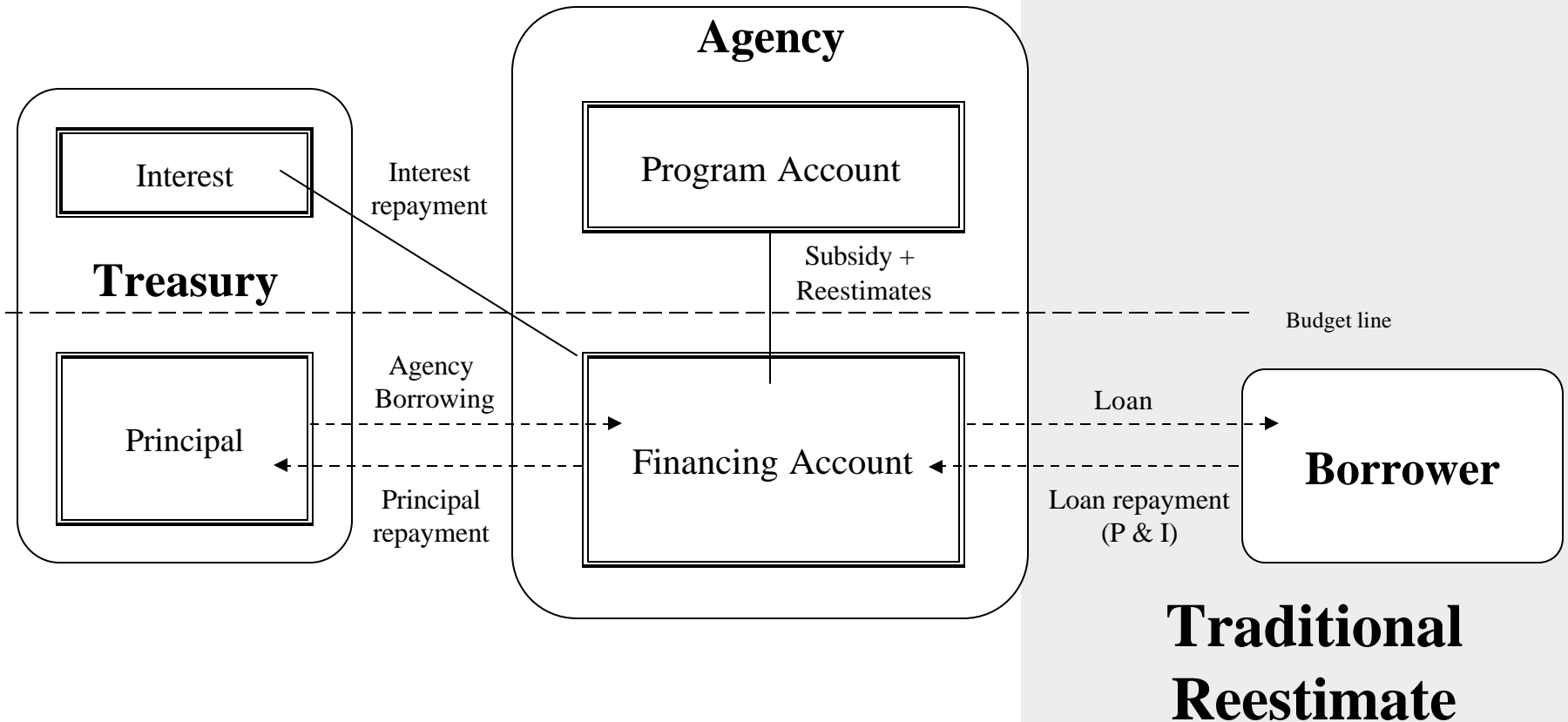
The Basic Concept

- Alternative method for calculating technical reestimates
- Cash flow estimates are required for future periods only
- Compares the NPV of projected future cash flows to the balance in the financing account as of September 30th

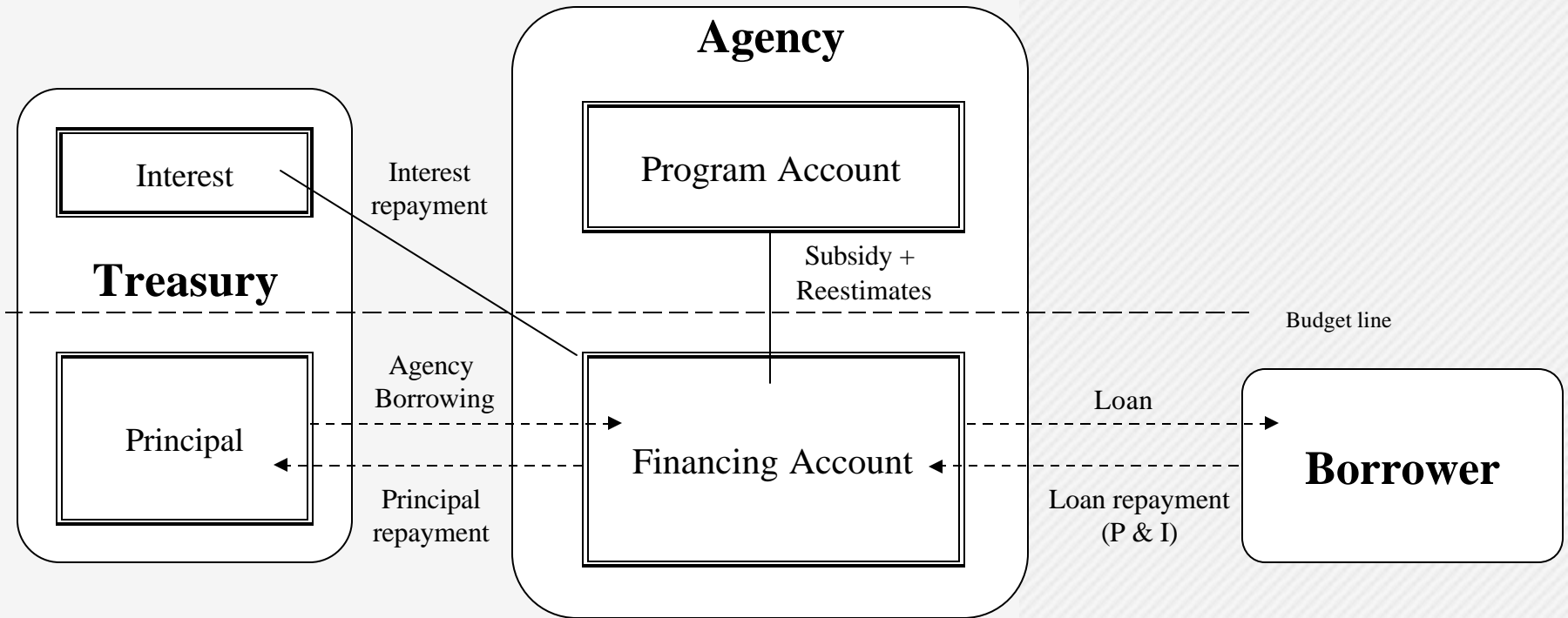
The Basic Concept, Continued



The Basic Concept, Continued



The Basic Concept, Continued



Balances Approach Reestimate

Benefits

- Original cash flows not necessary for reestimate
 - Original cash flows necessary for formulation/execution
 - Original cash flows necessary Analysis
- Timing issues surrounding calculation
 - Workload issues
 - Timing of cash flows
- Able to identify problems in the financing account

Common Problems

- Cross-subsidizing cohorts
- Inappropriate payments from the financing account
- Incorrect execution of budget or accounting transactions
 - Transfer incorrect amount of subsidy
 - Incorrect interest earnings or payments in financing account

Reestimate Requirements

- Interest rate reestimates must be performed using the traditional method
- Estimates must be updated to reflect current judgement about future performance
- Required to be calculated annually

Calculating Technical Reestimates

Assets

- present value of remaining cash flows (DLs)
- balance of funds on deposit with Treasury
- cash value of unliquidated assets recovered from defaulted loans

Calculating Reestimates Cont.

Liabilities

- balances owed to Treasury
- The present value of remaining cash flows, including undisbursed loans (LGs)

The Balances Approach to Reestimate Calculator (BARC)

For More Information:

- **Guidance on Reestimates:**
 - OMB Circular A-11, Section 185.6
- **Federal Credit Support Page:**
 - <http://www.whitehouse.gov/omb/credit>
 - Balances Approach Reestimate Calculator (BARC) and instructions
 - Draft guidance on the Balances Approach