The Balances Approach to Reestimates

OMB Annual Training

June 27, 2002

White House Conference Center

The Basic Concept

- Alternative method for calculating technical reestimates
- Interest rate reestimates must be performed using the Traditional method
- Cash flow estimates are required for future periods only

The Basics Continued…

- Compares the NPV of projected future cash flows to the balance in the financing account as of September 30th
- Estimates must be updated to reflect current judgement about future performance
- Required to be calculated annually

Benefits

- Original cash flows not necessary (though they are needed for formulation/execution)
- Able to identify problems in the financing account
- Timing issues surrounding calculation

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  - Draft guidance on the Balances Approach