

FINANCING VEHICLES AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE

This chapter contains descriptions of and data on financing vehicles and the Board of Governors of the Federal Reserve, as listed below.

- The Financing Corporation functions as a financing vehicle for the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund. It operates under the supervision and control of the Federal Housing Finance Board.
- The Resolution Funding Corporation provided financing for the Resolution Trust Corporation (RTC) and is subject to the general oversight and direction of the Secretary of the Treasury.

The Board of Governors of the Federal Reserve System's transactions are not included in the Budget because of its unique status in the conduct of monetary policy. The Board provides data on its administrative budget on a calendar year basis, which is included here for information. Its budget schedules and statements are not subject to review by the President.

FINANCING VEHICLES

FINANCING CORPORATION

The Financing Corporation (FICO) is a mixed-ownership Government corporation, chartered by the Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987, as amended (Act). FICO's sole purpose is to function as a financing vehicle for FSLIC Resolution Fund, formerly the Federal Savings and Loan Insurance Corporation. FICO operates under the supervision and control of the Federal Housing Finance Board (Financing Board). Pursuant to the Act, FICO was authorized to issue debentures, bonds, and other obligations subject to limitations contained in the Act, the net proceeds of which were to be used solely to purchase capital certificates issued by FSLIC Resolution Fund, or to refund any previously issued obligations. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 terminated FICO's borrowing authority.

The Act provided formulas pursuant to which the Federal Home Loan Banks make capital contributions to FICO at the direction of the Finance Board for the purchase of FICO capital stock. FICO used the proceeds received from the sales of such capital stock to purchase non-interest bearing securities for deposit in a segregated account as required by the Act. The non-interest bearing securities held in the segregated account are the primary source of repayment of the principal of FICO obligations. Securities in the segregated account are kept separate from other FICO accounts and funds but are not specifically pledged as collateral for the payment of obligations. The primary source of payment of interest on the obligations is the receipt of assessments imposed on and collected from institutions' accounts which are insured by the Bank Insurance Fund and the Savings Association Insurance Fund.

1801	Cash, cash equivalents	65	283
1901	Other assets	13	13
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1999	Total assets	2,906	3,212
LIABILITIES:			
2202	Interest payable	157	236
2203	Debt	8,141	8,141
2207	Other	42	89
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2999	Total liabilities	8,340	8,466
NET POSITION:			
3100	FICO capital stock purchased by FHLBanks	680	680
3300	Cumulative results of operations	2,056	2,236
3300	FSLIC capital certificates	-8,170	-8,170
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3999	Total net position	-5,434	-5,254
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4999	Total liabilities and net position	2,906	3,212

RESOLUTION FUNDING CORPORATION

The Resolution Funding Corporation (REFCORP) is a mixed-ownership Government corporation established by Title V of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The sole purpose of REFCORP was to provide financing for the Resolution Trust Corporation (RTC). Pursuant to FIRREA, REFCORP was authorized to issue debentures, bonds, and other obligations, subject to limitations contained in the Act and regulations established by the Thrift Depositor Protection Oversight Board. The proceeds of the debt (less any discount, plus any premium, net of issuance cost) were used solely to purchase nonredeemable capital certificates of RTC or to refund any previously issued obligations.

Until October 29, 1998, REFCORP was subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board. At that time, the Oversight Board was abolished and its authority and duties were transferred to the Secretary of the Treasury. The day-to-day operations of REFCORP are under the management of a three-member Directorate comprised of the Director of the Office of Finance of the Federal Home Loan Banks and two members selected from among the presidents of the twelve Federal Home Loan Banks (FHLBanks). Members of the Directorate serve without compensation, and REFCORP is not permitted to have any paid employees.

FIRREA, as amended, and the regulations adopted by the Thrift Depositor Protection Oversight Board and the Secretary of the Treasury provide formulas pursuant to which the Federal Home Loan Banks made capital contributions to REFCORP's Principal Fund and continue to make interest payments on outstanding REFCORP obligations. FIRREA also provides that the U.S. Treasury cover any interest shortfall. Funds designated for the Principal Funds were used to purchase zero-coupon bonds. The zero-coupon bonds are held in the Principal Fund and are the primary source of repayment of the principal of the obligations at maturity.

Balance Sheet (in millions of dollars)

Balance Sheet (in millions of dollars)		
Identification code 99-4033-0-3-373	2004 actual	2005 actual
ASSETS:		
Investments in US securities:		
1102 Segregated accounts investment, net	2,736	2,916
1206 Receivables, net	92	

Balance Sheet (in millions of dollars)		
Identification code 99-4029-0-3-373	2004 actual	2005 actual
ASSETS:		
Investments in US securities:		
1102 Principal fund account investment, net	7,327	7,766
1206 Assessments receivable for interest expense	886	888
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1999 Total assets	8,213	8,654

RESOLUTION FUNDING CORPORATION—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99-4029-0-3-373	2004 actual	2005 actual
LIABILITIES:		
2202 Accrued interest payable on long-term obligations	886	888
2203 Debt	30,079	30,078
2999 Total liabilities	30,965	30,966
NET POSITION:		
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513
3300 Cumulative results of operations	4,965	5,405
3300 RTC nonredeemable capital certificates	-31,286	-31,286
3300 Contributed capital—principal fund assessments	1,056	1,056
3999 Total net position	-22,752	-22,312
4999 Total liabilities and net position	8,213	8,654

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 99-4450-0-3-803	2005 actual	2006 est.	2007 est.
Obligations by program activity:			
09.01 Monetary and economic policy	108	115	120
09.02 Services to financial institutions and the public	5	5	6
09.03 Supervision and regulation of financial institutions	113	121	125
09.04 System policy direction and oversight	45	48	50
09.09 Subtotal: Board operating expenses	271	289	301
09.10 Office of Inspector General operating expenses	4	4	4
10.00 Total new obligations	275	293	305
Budgetary resources available for obligation:			
22.00 New budget authority (gross)	275	293	305
23.95 Total new obligations	-275	-293	-305
New budget authority (gross), detail:			
Mandatory:			
69.00 Spending authority from offsetting collections (gross): Offsetting collections (cash)	275	293	305
Change in obligated balances:			
72.40 Obligated balance, start of year	26	26	26
73.10 Total new obligations	275	293	305
73.20 Total outlays (gross)	-275	-293	-305
74.40 Obligated balance, end of year	26	26	26
Outlays (gross), detail:			
86.97 Outlays from new mandatory authority	275	293	305
Offsets:			
Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources	-275	-293	-305

Net budget authority and outlays:

89.00 Budget authority			
90.00 Outlays			

The figures presented may differ from other Board financial material because they are prepared in accordance with OMB guidelines which vary from the Board's budget and accounting procedures.

The Federal Reserve System operates under the provisions of the Federal Reserve Act of 1913, as amended, and other acts of the Congress.

Program.—To carry out its responsibilities under this Act, the Board determines general monetary, credit, and operating policies for the System as a whole and formulates the rules and regulations necessary to carry out the purposes of the Federal Reserve Act. The Board's principal duties consist of exerting an influence over credit conditions and supervising the Federal Reserve banks and member banks.

Financing.—Under the provisions of section 10 of the Federal Reserve Act, the Board of Governors levies upon the Federal Reserve banks, in proportion to their capital and surplus, an assessment sufficient to pay its estimated expenses. The Board, under this Act, determines and prescribes the manner in which its obligations are incurred and its expenses paid. Funds derived from assessments are deposited in the Federal Reserve Bank of Richmond, and this Act provides that such funds "shall not be construed to be Government funds or appropriated moneys." No Government appropriation is required to support operations of the Board.

The information presented pertains to Board operations only. Expenditures made on behalf of the Federal Reserve banks for production, issuance, retirement, and shipment of Federal Reserve notes are not included, since they are reimbursed in full by the Federal Reserve banks.

Object Classification (in millions of dollars)

Identification code 99-4450-0-3-803	2005 actual	2006 est.	2007 est.
Personnel compensation:			
11.1 Full-time permanent	159	163	178
11.3 Other than full-time permanent	3	3	3
11.5 Other personnel compensation	2	2	3
11.9 Total personnel compensation	164	168	184
12.1 Civilian personnel benefits	31	28	33
21.0 Travel and transportation of persons	6	6	6
22.0 Transportation of things	1	1	1
23.3 Communications, utilities, and miscellaneous charges	9	9	10
24.0 Printing and reproduction	2	2	2
25.1 Advisory and assistance services	4	4	4
25.2 Other services	31	33	34
25.2 Other services	4	4	4
26.0 Supplies and materials	8	11	10
31.0 Equipment	15	27	17
99.0 Reimbursable obligations	275	293	305
99.9 Total new obligations	275	293	305