



Federal Housing Finance Board

DECISION MEMORANDUM OF THE BOARD OF DIRECTORS ACTING
WITHOUT A QUORUM

Date: September 27, 1994
No. 94-DM-33

ISSUE:

The Office of Administration is requesting the Federal Housing Finance Board to approve waiving the October 1994 assessment on the FHLBanks for the agency's operating expenses. The November and December assessments may be waived, if determined appropriate.

FACTORS CONSIDERED:

Section 18(b) of the Federal Home Loan Bank Act (12 U.S.C. 1437(b)) (Bank Act) as amended by Section 711 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires the Federal Housing Finance Board (Finance Board) to collect its operating funds from the Federal Home Loan Banks by formal assessments, conducted semiannually.

The Bank Act requires the Finance Board to net out any surplus funds or other funds on hand (i.e. rental receipts) from the amount assessed, based on the Finance Board's semiannual operating needs as reflected in its budget. The Bank Act also provides the Finance Board the flexibility to determine its expenses and the manner in which they will be paid (12 U.S.C. at Subsection 1422b (a)(3)).

The Finance Board's assessment method allows the FHLBanks to make monthly assessment payments in lieu of two semiannual payments in order that the FHLBanks can retain at least part of their funds until actually needed by the Finance Board, and to give the FHLBanks the advantage of interest gained on their money.

The Finance Board had \$5,811,793 cash in the Treasury Account as of August 31, 1994. The Finance Board estimates expenses for the last four months of 1994 to be \$4.4 million, or \$1.1 million a month. The projected year-end expenses of \$14.3 million is 11% below budget.

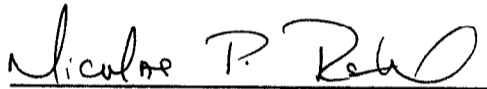
The Finance Board has contracted with Price Waterhouse to review the agency's financial history and make a recommendation on an appropriate cash balance to retain in the U. S. Treasury to cover agency operating expenses. Based on Price Waterhouse's recommendation, the November and/or December assessment payments may be waived.

Based on the Finance Board's cash account and projected operating expenses for 1994, the Finance Board staff recommends approval to waive the FHLBanks' October 1994 assessment payments for a total of \$1,291,045.

The Finance Board staff further recommends delegation of approval to the Managing Director to waive the November and/or the December assessment payments if the cash balance is at, or above, the Price Waterhouse recommended level to cover projected operating expenses for 1994.

DECISIONS:

Based on the factors set forth above and the authority provided in 12 U.S.C. at Subsection 1422b (a)(3), the Finance Board request to waive the October 1994 assessment, and to delegate to the Managing Director the authority to waive future 1994 assessments, is approved.


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Lawrence U. Costiglio