

FEDERAL HOUSING FINANCE BOARD

Approval of 1991 Operating and Capital Expenditure Budgets -  
Federal Home Loan Bank of Topeka

WHEREAS, the Federal Home Loan Bank Act, 12 U.S.C.A. §§ 1421-1447 (West 1989 & Supp. 1990), as amended by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 (August 9, 1989), established the Federal Housing Finance Board ("Finance Board") to supervise the Federal Home Loan Banks ("FHLBanks"), and to ensure that the FHLBanks carry out their housing finance mission and operate in a safe and sound manner; and

WHEREAS, to fulfill these responsibilities, the Finance Board has reviewed the 1991 operating and capital expenditure budgets of the FHLBanks within the context of establishing and maintaining a financial plan for the entire FHLBank System; and

WHEREAS, to ensure consistency among the goals and strategies of each FHLBank and the goals and strategies of the FHLBank System, the Finance Board has established certain financial objectives, operating controls and reporting requirements as a part of the 1991 budget process.

NOW THEREFORE, pursuant to the Finance Board's authority to approve the budgets of the FHLBanks under 12 C.F.R. § 934.6 (1990),

RESOLVED, that the Federal Home Loan Bank of Topeka's ("Topeka") operating and capital expenditure budgets are approved in the amount of \$17,432,496 for operating expenses and \$525,595 for capital expenditures subject to the following terms and conditions:

1. That Topeka shall achieve net income levels at or above its 1991 projections in the Financial Services functional area. In the event income targets are not met during the year, the FHLBank is required to reduce operating expenses in this functional area sufficient to maintain a gross margin of at least 12 to 1.

Gross margin is defined as the net interest income allocated to the Financial Services function divided by total non-interest expenses allocated to this function. This margin may be achieved from increased revenues

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Federal Home Loan Bank of Topeka  
(Continued)

and/or reductions of expenses. However, it may not be accomplished through shifting expenses to other functional areas.

2. That Topeka shall achieve actual income in the Member Correspondent Services functional area sufficient to offset the requested operational expense increases. In the event realized income from this functional area is not sufficient to offset the operating expense increases, the FHLBank is required to reduce overall operating expenses in this functional area sufficient to offset the shortfall in income.
3. That Topeka shall provide the Finance Board no later than March 31, 1991, a report on the actual and projected profitability of the Citibank, (South Dakota), N.A. item procession contract alone and relative to the rest of its item processing business.
4. That Topeka at a minimum shall dedicate at least two full time professional staff members to the Housing Finance Services functional area.
5. That, no later than 30 days after the end of each quarter, the board of directors of Topeka shall provide the Finance Board with a written report on the FHLBank's progress toward meeting the conditions of approval set forth above.

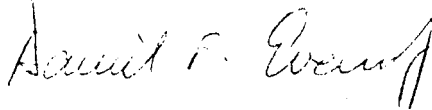
FURTHER RESOLVED, that the Federal Home Loan Bank of Topeka shall :

1. Adhere to the operating budget submitted to and approved by the Finance Board. The allocation by functional area of budgeted amounts shall be in accordance with the operating budget.
2. Adhere to the capital budget submitted to and approved by the Finance Board. Capital expenditures shall be disbursed in accordance with the specific purposes identified in the capital budget.
3. Limit capital expenditures in the member correspondent services functional area to no more than \$10,000 in the aggregate.

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(Continued)

4. Obtain prior Finance Board approval for any Congressional outreach activity outside its respective FHLBank district, and submit to the Finance Board existing and proposed contracts with all Washington area professionals (lawyers/lobbyists/consultants).
5. Obtain Finance Board approval, annually, prior to implementation of any incentive compensation plan.

By the Federal Housing Finance Board



Daniel F. Evans, Jr., Chairman