

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.

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, which is included here for information. Its budget schedules and statements are not subject to review by the President.

Amounts are on a calendar year basis, with the exception of the 2006 balance sheets for the Financing Corporation and Resolution Funding Corporation, which are as of September 30, 2006.

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.

Balance Sheet (in millions of dollars)

Identification code 99-4033-0-3-373	2005 actual	2006 actual
ASSETS:		
Federal assets: Investments in US securities:		
1102 Segregated accounts investment, net	2,979	3,175

1206 Non-Federal assets: Receivables, net	98	
Other Federal assets:		
1801 Cash, cash equivalents	59	309
1901 Other assets	13	13
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1999 Total assets	3,149	3,497
LIABILITIES:		
Non-Federal liabilities:		
2202 Interest payable	157	236
2203 Debt	8,142	8,143
2207 Other	47	104
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2999 Total liabilities	8,346	8,483
NET POSITION:		
3100 FICO capital stock purchased by FHLBanks	680	680
3300 Cumulative results of operations	2,293	2,504
3300 FSLIC capital certificates	-8,170	-8,170
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3999 Total net position	-5,197	-4,986
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4999 Total liabilities and net position	3,149	3,497

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)

Identification code 99-4029-0-3-373	2005 actual	2006 actual
ASSETS:		
Federal assets: Investments in US securities:		
1102 Principal fund account investment, net	7,920	8,395

RESOLUTION FUNDING CORPORATION—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99-4029-0-3-373	2005 actual	2006 actual
1206 Non-Federal assets: Assessments receivable for interest expense	886	888
1999 Total assets	8,806	9,283
LIABILITIES:		
Non-Federal 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	5,557	6,033
3300 RTC nonredeemable capital certificates	-31,286	-31,286
3300 Contributed capital—principal fund assessments	1,057	1,057
3999 Total net position	-22,159	-21,683
4999 Total liabilities and net position	8,806	9,283

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	121	122	130
09.02 Services to financial institutions and the public	5	6	6
09.03 Supervision and regulation of financial institutions	117	123	131
09.04 System policy direction and oversight	46	53	57
09.09 Subtotal: Board operating expenses	289	304	324
09.10 Office of Inspector General operating expenses	4	5	5
10.00 Total new obligations	293	309	329
Budgetary resources available for obligation:			
22.00 New budget authority (gross)	293	309	329
23.95 Total new obligations	-293	-309	-329
New budget authority (gross), detail:			
Mandatory:			
69.00 Spending authority from offsetting collections: Offsetting collections (cash)	293	309	329
Change in obligated balances:			
73.10 Total new obligations	293	309	329
73.20 Total outlays (gross)	-293	-309	-329
Outlays (gross), detail:			
86.97 Outlays from new mandatory authority	293	309	329
Offsets:			
Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources	-293	-309	-329

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.
Reimbursable obligations:			
Personnel compensation:			
11.1 Full-time permanent	166	179	190
11.3 Other than full-time permanent	3	3	3
11.5 Other personnel compensation	2	2	3
11.9 Total personnel compensation	171	184	196
12.1 Civilian personnel benefits	31	33	34
21.0 Travel and transportation of persons	6	7	6
22.0 Transportation of things	1	1	1
23.3 Communications, utilities, and miscellaneous charges	10	10	11
24.0 Printing and reproduction	2	2	2
25.1 Advisory and assistance services	5	5	5
25.2 Other services	30	33	40
25.2 Other services	4	5	5
26.0 Supplies and materials	9	9	9
31.0 Equipment	24	20	20
99.0 Reimbursable obligations	293	309	329
99.9 Total new obligations	293	309	329