

FEDERAL HOUSING FINANCE BOARD

BOARD OF DIRECTORS MEETING

Open Session

Wednesday, November 9, 2005

10:00 a.m.

MILLER REPORTING CO., INC.
735 8th STREET, S.E.
WASHINGTON, D.C. 20003-2802
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Federal Housing Finance Board
1625 I Street, N.W.
Washington, D.C.

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MEMBERS PRESENT :

RONALD A. ROSENFELD, Chairman
ALICIA R. CASTANEDA
SECRETARY ALPHONSO JACKSON
FRANZ S. LEICHTER
ALLAN I. MENDELOWITZ

STAFF :

CHRISTOPHER BOSLAND
DUANE CREEL
STEPHEN M. CROSS
NEIL R. CROWLEY
ANDRE GALEANO
CHUCK JONES
JOHN P. KENNEDY
JOSEPH MCKENZIE
DARIS MEEKS
MIKE POWERS
CHRISTIE SCIACCA
KELLY SPEARMAN
SHELIA WILLIS, Secretary

OBSERVERS :

TOM DOLITTLE
JOHN FOLEY
THOMAS HEARN
CEZARY JEDNASZEWSKI
THOMAS JENNINGS
TOM JOSEPH
LAURA MARIN
CHRISTINA MURADIAN
ANTHONY VITALE

P R O C E E D I N G S

CHAIRMAN ROSENFELD: Good morning everyone. I call this meeting of the Federal Housing Finance Board to order. Today we'll have an open session followed immediately by a closed session where the board will receive updates of examination and supervisory findings.

We now need to vote to approve closing the latter portion of today's meeting, as required by the Sunshine Act and the Finance Board regulations. Since the closed portion of today's meeting will contain sensitive and confidential bank examination information, I would ask for a motion to seal the transcript of this portion of the meeting. Director Castaneda?

DIRECTOR CASTANEDA: Mr. Chairman, I move to close that portion of this meeting and further, for this board determine--and the record and transcript of this closed portion of the meeting to be kept confidential.

CHAIRMAN ROSENFELD: Thank you for the motion. Is there any discussion of the motion? Any

discussion? Seeing none, the secretary will please call the roll on the motion.

MS. WILLIS: On the item before the board, Director Leichter, how do you vote?

DIRECTOR LEICHTER: Yes.

MS. WILLIS: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. WILLIS: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Yes.

MS. WILLIS: Secretary Jackson?

SECRETARY JACKSON: Yes.

MS. WILLIS: Chairman Rosenfeld?

CHAIRMAN ROSENFELD: Yes. The motion is carried and the subsequent portion of our meeting will be closed and its transcript will remain closed and confidential. Thank you.

Let us now turn to the public portion of today's meeting. The agenda for consideration is a resolution approving the 2006 Financing--FICO administrative and non-administrative budgets, and delegation of authority to approve future FICO

budgets. Who will be making this presentation today, Joe?

MR. MCKENZIE: Yes.

CHAIRMAN ROSENFELD: Go ahead.

MR. MCKENZIE: Good morning. The financing Corporation, or FICO, is a mixed ownership government corporation chartered by the former Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation's Recapitalization Act of 1987. The purpose of FICO is to function as a financing vehicle for the FSLIC Resolution Fund.

Pursuant to the act, FICO issued approximately \$8.2 billion in long-term obligations. FICO sold these obligations in the public capital markets. It also issued stock to the federal home loan banks. With the proceeds from the issuance of the stock, FICO purchased zero coupon treasury securities whose face value is expected to repay the FICO obligations at maturity.

FICO is subject to the general oversight of the Finance Board. Its day-to-day operations are

under the management of a three-person board of directors, two federal home loan bank presidents selected by the Finance Board to one-year terms, and the managing director of the Office of Finance.

FICO has no paid staff, but relies on the Office of Finance for its staffing. FICO pays approximately \$793 million per year in interest on its bonds by assessing FDIC-insured banks and thrifts using the statutory formula. The FDIC collects this assessment for FICO. FICO pays its administrative expenses by assessing the federal home loan banks.

Section 995.6(b) of the Finance Board's regulations requires FICO to submit its annual budget to the Finance Board for approval following approval by the FICO director. FICO submits two categories of expenses for approval.

The first are administrative expenses, such as its service contracts, legal fees, professional fees and other operating expenses which are paid through assessments on the banks. It also includes non-administrative expenses, such as issuance costs,

custodial fees and interest on FICO obligations, which are collected by the FDIC through quarterly assessments on insured depositories.

FICO transmitted its approved 2006 administrative and non-administrative budgets to the Finance Board on November 2nd. For 2006, FICO has requested the Finance Board approve an administrative budget of \$11,500 and a non-administrative budget, excluding the interest on FICO obligations, of \$5,000.

The total budget request of \$16,500 is the same as the request for this year. The FICO budget presents no unusual issues and we recommend its approval.

The resolution before you also contains a delegation of authority that will enable the director of the Office of Supervision to approve subsequent FICO budgets as long as the requested combined administrative and non-administrative budget, exclusive of the interest on FICO bonds, does not exceed \$25,000.

This concludes my presentation. I'll be happy to answer any questions.

CHAIRMAN ROSENFELD: Thank you very much. Are there any discussions or any questions from the board? Allan?

DIRECTOR MENDELOWITZ: Yes. I think this is a rather straight forward agenda item. This is a straight forward agenda item and I don't really have anything to say with respect to this specific item.

But it really set me thinking; this is a rather trivial matter in terms of its import and the delegation of this decision-making authority is being given to the director of supervision through a board resolution.

It set me thinking that there are a large number of delegations that are out there in the Finance Board that have sort of like accumulated over the years. They haven't been looked at in the totality by the board and they do represent delegation authority, and they haven't been evaluated to determine how they should be modified be directed, pulled back or extended.

I think that what I would like to suggest to the board, because of the line of thinking that this resolution prompted, that we should undertake an effort to compile all the delegations that are extant, and the board should undertake an exercise to review them to determine whether, in fact, we'd like to make any changes to them.

CHAIRMAN ROSENFELD: Any comments, especially about Allan's--

DIRECTOR CASTANEDA: I don't necessarily know if we need to change them, but I do agree with you, Allan, that I believe it's a good idea just to review.

DIRECTOR LEICHTER: If I could speak, this additional comment. Am I on?

DIRECTOR CASTANEDA: Yes, you are.

DIRECTOR LEICHTER: On the point that you made, Allan, raised something in my mind that one of the things that we ought to look at, the OGC needs to look at, I seem to remember there's a provision in the statute that said that the board may not delegate this function. I think there's some

limitation on what we can delegate, so as we look at it, I think you also need to address the legal issue.

MR. KENNEDY: Yes, the statute in several places may have a provision that prohibits delegations of certain things, but ministerial acts or things of this nature, whenever you do a delegation, we have to look at the statute and make sure that Congress has not limited your authority to delegate. That's a normal process that we'll go through. But we can do a compilation easily.

CHAIRMAN ROSENFELD: Let me suggest this, that we vote today on the motion put forth by Mr. McKenzie and ask our general counsel to accumulate the delegations that may be in existence and we'll take a look at it.

DIRECTOR CASTANEDA: We don't need--

SECRETARY JACKSON: Can we, Mr. Chairman, ask for a specific time frame to get back to us?

CHAIRMAN ROSENFELD: Like everything else, Mr. Secretary, tomorrow, the day after.

SECRETARY JACKSON: I mean, it's up to you.

CHAIRMAN ROSENFELD: That's a good point,
and I think--

MR. KENNEDY: Certainly by the next meeting
we should--before the next meeting, we can circulate
the compilations and refer discussion.

CHAIRMAN ROSENFELD: Let's vote on the
resolution put forth by McKenzie. Would the
secretary please call the roll? We need a motion.

DIRECTOR LEICHTER: Move.

DIRECTOR MENDELOWITZ: Can't use that line.

DIRECTOR CASTANEDA: Good job, Shelia.

MS. WILLIS: On the item before the board,
Director Leichter, how do you vote?

DIRECTOR LEICHTER: Yes.

MS. WILLIS: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. WILLIS: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Yes.

MS. WILLIS: Secretary Jackson?

SECRETARY JACKSON: Yes.

MS. WILLIS: Chairman Rosenfeld?

CHAIRMAN ROSENFELD: Yes. The motion is adopted. We can't close this meeting without making a special note of Allan's haircut. We commend you on what you've done--

(Laughter.)

SECRETARY JACKSON: It almost looks like a short Afro.

(Laughter.)

CHAIRMAN ROSENFELD: Thank you all. This ends the open session. The meeting will reconvene.

(Whereupon, at 10:08 a.m., the open session was adjourned.)