

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.

Balance Sheet (in millions of dollars)

Identification code 99-4033-0-3-373	2003 actual	2004 actual
ASSETS:		
Investments in US securities:		
1102 Segregated accounts investment, net	2,512	2,678
1206 Receivables, net	92	

1801 Cash, cash equivalents	64	281
1901 Other assets	9	7
1999 Total assets	2,677	2,966
LIABILITIES:		
2202 Interest payable	157	236
2203 Debt	8,151	8,152
2207 Other	27	70
2999 Total liabilities	8,335	8,458
NET POSITION:		
3100 FICO capital stock purchased by FHLBanks	680	680
3300 Cumulative results of operations	1,832	1,998
3300 FSLIC capital certificates	-8,170	-8,170
3999 Total net position	-5,658	-5,492
4999 Total liabilities and net position	2,677	2,966

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	2003 actual	2004 actual
ASSETS:		
Investments in US securities:		
1102 Principal fund account investment, net	6,778	7,185
1206 Assessments receivable for interest expense	885	889
1999 Total assets	7,663	8,074

RESOLUTION FUNDING CORPORATION—Continued

Balance Sheet (in millions of dollars)—Continued

Identification code 99-4029-0-3-373	2003 actual	2004 actual
LIABILITIES:		
2202 Accrued interest payable on long-term obligations	885	888
2203 Debt	30,057	30,055
2999 Total liabilities	30,942	30,943
NET POSITION:		
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513
3300 Cumulative results of operations	4,438	4,847
3300 RTC nonredeemable capital certificates	-31,287	-31,286
3300 Contributed capital—principal fund assessments	1,057	1,057
3999 Total net position	-23,279	-22,869
4999 Total liabilities and net position	7,663	8,074

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 99-4450-0-3-803	2004 actual	2005 est.	2006 est.
Obligations by program activity:			
09.01 Monetary and economic policy	101	109	112
09.02 Services to financial institutions and the public	5	6	6
09.03 Supervision and regulation of financial institutions	107	115	119
09.04 System policy direction and oversight	42	45	47
09.09 Subtotal: Board operating expenses	255	275	284
09.10 Office of Inspector General operating expenses	4	4	4
10.00 Total new obligations	259	279	288
Budgetary resources available for obligation:			
22.00 New budget authority (gross)	259	279	288
23.95 Total new obligations	-259	-279	-288
New budget authority (gross), detail:			
Mandatory:			
69.00 Offsetting collections (cash)	259	279	288
Change in obligated balances:			
72.40 Obligated balance, start of year	26	26	26
73.10 Total new obligations	259	279	288
73.20 Total outlays (gross)	-259	-279	-288
74.40 Obligated balance, end of year	26	26	26
Outlays (gross), detail:			
86.97 Outlays from new mandatory authority	259	279	288
Offsets:			
Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources	-259	-279	-288

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	2004 actual	2005 est.	2006 est.
Personnel compensation:			
11.1 Full-time permanent	148	155	166
11.3 Other than full-time permanent	3	3	3
11.5 Other personnel compensation	2	2	2
11.9 Total personnel compensation	153	160	171
12.1 Civilian personnel benefits	28	28	30
21.0 Travel and transportation of persons	5	5	5
22.0 Transportation of things	1	2	2
23.3 Communications, utilities, and miscellaneous charges	9	9	10
24.0 Printing and reproduction	2	2	2
25.1 Advisory and assistance services	2	4	2
25.2 Other services	25	35	31
25.2 Other services	4	4	4
26.0 Supplies and materials	8	9	10
31.0 Equipment	22	21	21
99.0 Reimbursable obligations	259	279	288
99.9 Total new obligations	259	279	288