

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 listed below.

- The Financing Corporation functions as a financing vehicle for the 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 (the "Act"). FICO's sole purpose was to function as a financing vehicle for the FSLIC Resolution Fund, formerly the Federal Savings and Loan Insurance Corporation (FSLIC). FICO operates under the supervision and control of the Federal Housing Finance Board (the "Finance 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 the FSLIC Resolution Fund, or to refund any previously issued obligations. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 terminated the FICO's borrowing authority.

The Act provided formulas pursuant to which the Federal Home Loan Banks made 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 will be the primary source of repayment of the principal of the 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 (the "BIF") and the Savings Association Insurance Fund (the "SAIF").

Statement of Operations (in millions of dollars)

Identification code 99-4033-0-3-373	2000 actual	2001 actual	2002 est.	2003 est.
0101 Revenue	953	953	979	996
0102 Expense	-795	-795	-796	-795
0105 Net income or loss (-)	158	158	183	201

Balance Sheet (in millions of dollars)

Identification code 99-4033-0-3-373	2000 actual	2001 actual	2002 est.	2003 est.
ASSETS:				
Investments in US securities:				
1102 Segregated accounts investment, net	1,905	2,074	2,258	2,459
1801 Cash, cash equivalents, and interest receivable	279	287	287	287
1901 Other assets	10	9	9	8
1999 Total assets	2,194	2,370	2,554	2,754
LIABILITIES:				
2202 Interest payable	236	236	236	236
2203 Debt	8,147	8,148	8,150	8,151
2207 Other	76	82	80	78
2999 Total liabilities	8,459	8,466	8,466	8,465
NET POSITION:				
3100 FICO capital stock purchased by FHLBanks	680	680	680	680
Cumulative results of operations:				
3300 Cumulative results of operations	1,225	1,394	1,578	1,779
3300 FSLIC capital certificates	-8,170	-8,170	-8,170	-8,170
3999 Total net position	-6,265	-6,096	-5,912	-5,711
4999 Total liabilities and net position	2,194	2,370	2,554	2,754

RESOLUTION FUNDING CORPORATION

The Resolution Funding Corporation (the "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 (the "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 the 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 ("the 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 will be held in the Principal Fund and are the primary source of repayment of the principal of the obligations at maturity.

RESOLUTION FUNDING CORPORATION—Continued

Statement of Operations (in millions of dollars)

Identification code 99-4029-0-3-373	2000 actual	2001 actual	2002 est.	2003 est.
0101 Revenue	3,029	3,054	3,088	3,126
0102 Expense	-2,626	-2,626	-2,626	-2,626
0105 Net income or loss (-)	403	428	462	500

Balance Sheet (in millions of dollars)

Identification code 99-4029-0-3-373	2000 actual	2001 actual	2002 est.	2003 est.
ASSETS:				
Investments in US securities:				
1102 Principal fund account investment, net	5,264	5,689	6,149	6,646
1206 Assessments receivable for interest expense	887	888	888	888
1999 Total assets	6,151	6,577	7,037	7,534
LIABILITIES:				
2202 Accrued interest payable on long-term obligations	888	888	888	888
2203 Debt	30,064	30,062	30,060	30,058
2999 Total liabilities	30,952	30,950	30,948	30,946
NET POSITION:				
3100 Nonvoting capital stock issued to FHLBanks	2,513	2,513	2,513	2,512
Cumulative results of operations:				
3300 Cumulative results of operations	2,916	3,344	3,806	4,305
3300 RTC nonredeemable capital certificates	-31,286	-31,286	-31,286	-31,286
3300 Contributed capital—principal fund assessments	1,056	1,056	1,056	1,057
3999 Total net position	-24,801	-24,373	-23,911	-23,412
4999 Total liabilities and net position	6,151	6,577	7,037	7,534

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Program and Financing (in millions of dollars)

Identification code 99-4450-0-3-803	2000 actual	2001 est.	2002 est.
Obligations by program activity:			
09.01 Monetary and economic policy	85	94	96
09.02 Services to financial institutions and the public	4	4	4
09.03 Supervision and regulation of financial institutions	75	83	86
09.04 System policy direction and oversight	37	41	42
09.09 Subtotal: Board operating expenses	201	222	228
09.10 Office of Inspector General operating expenses	3	3	4
09.11 Building acquisition	66	66	66
10.00 Total new obligations	204	291	232
Budgetary resources available for obligation:			
22.00 New budget authority (gross)	204	291	232
23.95 Total new obligations	-204	-291	-232
New budget authority (gross), detail:			
Mandatory:			
69.00 Offsetting collections (cash)	204	291	232
Change in obligated balances:			
72.40 Obligated balance, start of year	26	26	26
73.10 Total new obligations	204	291	232
73.20 Total outlays (gross)	-204	-291	-230
74.40 Obligated balance, end of year	26	26	26

Outlays (gross), detail:

86.97 Outlays from new mandatory authority	188	276	217
86.98 Outlays from mandatory balances	16	15	15
87.00 Total outlays (gross)	204	291	230

Offsets:

Against gross budget authority and outlays:			
88.40 Offsetting collections (cash) from: Non-Federal sources	-204	-291	-232

Net budget authority and outlays:

89.00 Budget authority			
90.00 Outlays			-2

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 Congress.

Program.—To carry out its responsibilities under the 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 the 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 the 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	2000 actual	2001 est.	2002 est.
Reimbursable obligations:			
Personnel compensation:			
11.1 Full-time permanent	114	127	133
11.3 Other than full-time permanent	3	3	3
11.5 Other personnel compensation	2	2	2
11.9 Total personnel compensation	119	132	138
12.1 Civilian personnel benefits	20	20	21
21.0 Travel and transportation of persons	5	5	6
23.3 Communications, utilities, and miscellaneous charges	12	12	8
24.0 Printing and reproduction	2	2	2
25.1 Advisory and assistance services	5	5	5
25.2 Other services	18	19	21
26.0 Supplies and materials	6	8	8
31.0 Equipment	14	19	19
32.0 Land and structures	66	66	66
99.0 Reimbursable obligations	201	288	228
25.2 Allocation Account: Other services	3	3	4
99.9 Total new obligations	204	291	232