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Description of document: Federal Housing Finance Agency (FHFA) FICO (Financing Corporation) Annual Financial Statements and Reports, 2014-2015 and correspondence to/from FHFA and FICO, 2014-2016

Requested date: 04-December-2016

Release date: 18-July-2017

Posted date: 11-February-2019

Source of document: FOIA Request
Federal Housing Finance Agency
400 7th Street, SW
8th Floor
Washington, D.C. 20219
Fax: 202-649-1073
Email: foia@fhfa.gov

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Federal Housing Finance Agency

Constitution Center
400 7th Street, S.W.
Washington, D.C. 20219
Telephone: (202) 649-3800
Facsimile: (202) 649-1071
www.fhfa.gov

July 18, 2017

Re: FHFA FOIA Request No.: 2017-FOIA-015

This letter is in response to your Freedom of Information Act (FOIA) requests, dated December 4, 2016. Your requests were combined into one request and processed in accordance with the FOIA (5 U.S.C. § 552) and FHFA's FOIA regulation (12 CFR Part 1202).

In request number one, you requested "a copy of the most recent annual report of the Financing Corporation (FICO)." In request number two, you requested "a copy of each letter from FICO to FHFA during calendar years 2013, 2014, 2015, and 2016," and "a copy of each letter from FHFA to FICO during calendar years 2013, 2014, 2015, and 2016." You also stated that for the purpose of this request attachments could be omit.

After review of agency files and records, FHFA has located thirty-eight pages of responsive material. The material is being withheld in part (redacted) pursuant to exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552 (b)(4), pertaining to trade secrets and commercial or financial information obtained from a person that is privileged or confidential; exemption 6 (5 U.S.C. §552(b)(6)), as disclosure of certain information (e.g., telephone numbers, email addresses, etc.) "would constitute an unwarranted invasion of personal privacy;" and exemption 8 (5 U.S.C. § 552 (b)(8)), pertaining to information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions. Details regarding each portion of your request are below:

Request Number	Document Description	Withheld in full or in part (redacted) or released in full	FOIA Exemption(s) Applied
1	FICO annual report – 16 pages	Redact – 1 pg; Withheld – 10 pgs	(b)(4) and (b)(8)
2	Various letters to/from FHFA and FICO – 22 pages	Withheld in part (redacted)	(b)(4), (b)(6), and (b)(8)

A copy of the releasable material is attached.

This is the final decision on your FOIA request. If you wish to appeal any aspect of FHFA's decision, you must forward within 90 days:

- A copy of your initial request;
- A copy of this letter; and
- A statement of the circumstances, reasons, or arguments for seeking disclosure of the affected record(s).

The appeal must be sent either electronically by 5pm, no later than 90 days after the date of this letter, to foia@fhfa.gov, or postmarked and mailed to the "FOIA Appeals Officer" at 400 7th Street, SW, 8th Floor, Washington, DC 20019. The subject line, or the envelope and the letter of appeal, must be clearly marked "FOIA Appeal." Please note that all mail sent to FHFA via the United States Postal Service is routed through a national irradiation facility, a process that may delay delivery by approximately two weeks. For any time-sensitive correspondence, please plan accordingly. Your FOIA request is releasable to the public under subsequent FOIA requests. In responding to these requests, FHFA does not release personal information, such as home or email addresses, and home or mobile telephone numbers, which are protected from disclosure under FOIA Exemption 6 (5 U.S.C. § 552(b)(6)).

Additionally, you may seek dispute resolution services from the Office of Government Information Services (OGIS) at the National Archives and Records Administration. OGIS can be reached at 8601 Adelphi Road – OGIS, College Park, Maryland 20740-6001; by email at ogis@nara.gov; by telephone at 202-741-5770 or toll free at 1-877-684-6448; or by facsimile at 202-741-5769.

There are no costs associated with processing your request.

If you have any questions regarding the processing of your request, please contact me directly at stacy.easter@fhfa.gov or 202-649-3067.

Sincerely,
/s/
Stacy J. Easter
FOIA/Privacy Officer

Attachments

Financing Corporation
Financial Statements and Reports

December 31, 2015 and 2014

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Independent Auditor's Report

To the Directorate of the
Financing Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Financing Corporation ("FICO"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of assessments, investment income and expenses, of capital (deficit), of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

(b)(4);(b)(8)



Emphasis of Matter

(b)(4);(b)(8)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2016 on our consideration of FICO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters for the year ended December 31, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FICO's internal control over financial reporting and compliance.

PricewaterhouseCoopers, LLP

February 8, 2016

Page 08 of 38

Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

Page 14 of 36

Withheld pursuant to exemption

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of the Freedom of Information and Privacy Act

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of the Freedom of Information and Privacy Act

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Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

Page 17 of 38

Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Directorate of the
Financing Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Financing Corporation ("FICO"), which comprise the balance sheet as of December 31, 2015, and the related statements of assessments, investment income and expenses, of capital (deficit) and of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FICO's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FICO's internal control. Accordingly, we do not express an opinion on the effectiveness of FICO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FICO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers, LLP

February 8, 2016



Federal Housing Finance Agency

Constitution Center

400 7th Street, S.W.

Washington, D.C. 20024

Telephone: (202) 649-3800

Facsimile: (202) 649-1071

www.fhfa.gov

September 16, 2015

Mr. Michael L. Wilson
Chairman of the Board, Financing Corporation
President
Federal Home Loan Bank of Des Moines
801 Walnut Street, Suite 200
Des Moines, IA 50309-3513

Mr. Andrew S. Howell
President and Chief Executive Officer
Federal Home Loan Bank of Cincinnati
221 East Fourth Street, Suite 600
Cincinnati, OH 45202

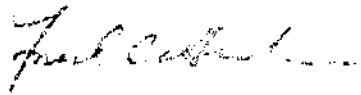
Dear Messrs Wilson and Howell:

I am in receipt of the notification from Steve Tamburo on behalf of the Financing Corporation's (FICO) Directorate dated September 11, 2015 [REDACTED] (b)(4);(b)(8) [REDACTED] (b)(4);(b)(8) [REDACTED] which he provided in accordance with 12 CFR 1271.32.

[REDACTED] (b)(4);(b)(8) [REDACTED]

If you have any questions on this matter, please contact Associate Director for Safety and Soundness Examinations Gary Bucher at gary.bucher@fhfa.gov or 202-649-3522.

Sincerely,



Fred Graham
Deputy Director,
Division of Federal Home Loan Bank Regulation
Federal Housing Finance Agency

DBR-2015-SYS-153

CC: John Fisk, CEO – Office of Finance
Chris Curtis
Neil Crowley
Tom Joseph
Gary Bucher
Randi Kornstein

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190

(703) 467-3665

DATE: September 11, 2015
TO: Fred C. Graham, Deputy Director, Division of FHLBank Regulation (FHFA)
FROM: Steve Tamburo, Assistant Secretary
SUBJECT: [REDACTED] (b)(4);(b)(8)

This is in reference to a memo sent to Financing Corporation's (FICO) Directorate on June 18, 2015 and to the FHFA on June 26, 2015, addressing [REDACTED] (b)(4);(b)(8)

[REDACTED] (b)(4);(b)(8)

[REDACTED] (b)(4);(b)(8)

Guidance §1271.32 - Authority to establish investment policies and procedures, from the Federal Home Loan Bank Act ("Act"), and the Information Statement provided to investors require [REDACTED] (b)(4);(b)(8)

[REDACTED] (b)(4);(b)(8)

[REDACTED] (b)(4);(b)(8)

cc: Gary L. Bucher, Associate Director, Division of FHLBank Regulation (FHFA)
Randi Kornstein, Senior Bank Examiner (FHFA)
John Fisk, President and Chief Operating Officer
Scott V. Nearing, Secretary and Treasurer

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190
703/467-3665

TO: Financing Corporation Directorate
FROM: Scott V. Nearing, Secretary and Treasurer
DATE: January 29, 2016
SUBJECT: FICD's December 31, 2015 Budget Variance Report

Attached for your information is FICD's December 31, 2015 budget variance report, covering both the administrative and the non-administrative budgets. FICD is within its approved budgets.

If you have any questions or would like to discuss this report, please feel free to call me at (703) 467-3686.

Attachment

cc: Gary L. Bucher, Director of FHLBank and System Analysis - Federal Housing Finance Agency
Randi Kornstein, Senior Bank Examiner - Federal Housing Finance Agency
Stephen Murphy, Federal Housing Finance Agency



Federal Housing Finance Agency

Constitution Center

400 7th Street, S.W.

Washington, D.C. 20219

Telephone: (202) 649-3800

Facsimile: (202) 649-1071

www.fhfa.gov

December 15, 2015

Mr. Scott V. Nearing
Secretary and Treasurer
Financing Corporation
1818 Library Street
Reston, VA 20190

Dear Mr. Nearing:

Under the authority delegated to me by Federal Housing Finance Agency Order No. 36, December 1, 2014, I hereby approve the 2016 annual budget for the Financing Corporation (FICO), as submitted to Associate Director Gary Bucher on October 30, 2015.

As outlined in your submission, FICO's 2016 annual budget totals (b)(4);(b)(8). The majority of these expenses represent interest payments on outstanding FICO debt. The non-interest portion of the 2016 budget total includes estimated administrative expenses of (b)(4);(b) and non-administrative expenses of (b)(4);(b).

FICO must adhere to these budgeted amounts during fiscal year 2016. However, the FICO Directorate may reallocate funds within the administrative expense budget provided these expenses do not exceed the total administrative expense budget of (b)(4);(b). The FICO Directorate may also reallocate funds within the non-administrative expense budget provided expenses do not exceed to total of (b)(4);(b).

As always, FICO must provide information to FHFA regarding variances from budgeted expenses to expenses actually incurred.

If you have any questions, please contact Associate Director Gary Bucher at Gary.Bucher@fhfa.gov or 202-649-3522.

Sincerely,

A handwritten signature in dark ink, appearing to read "Fred Graham", is written over a horizontal line.

Fred Graham
Deputy Director
Division of Federal Home Loan Bank Regulation

CC: John Fisk, CEO – Office of Finance
Neil Crowley, Deputy General Counsel
Gary L. Bucher, Associate Director – Safety and Soundness Examinations
Randi Kornstein, Examiner-in-Charge

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190

703/467-3665

TO: Gary Bucher
Associate Director
Federal Housing Finance Agency

FROM: Scott V. Nearing, Secretary and Treasurer

DATE: October 30, 2015

SUBJECT: Approval of FICO's 2016 Administrative and Non-Administrative Budget

As successor to the Federal Housing Finance Board ("Finance Board"), enclosed for the Federal Housing Finance Agency's ("Finance Agency") consideration are the 2016 Administrative and Non-Administrative Budget for the Financing Corporation ("FICO"). Finance Agency Regulation §995.6 requires FICO's budgets to be approved by the Finance Agency.

ADMINISTRATIVE BUDGET

The Administrative Budget includes funds to cover all daily operating expenses that are not attributable to a specific debt issuance. These expenses include legal and accounting services provided by outside contractors, as well as general operating expenses such as postage and computer services provided by the Office of Finance. The Administrative Budget is funded by the FHLBanks in proportion to each FHLBank's share of total FICO stock owned. At December 31, 2014, FICO had a balance of (b)(4);(b) in its Administrative checking account that was carried forward to cover 2015 administrative expenses. Any remaining balance in the Administrative checking account at year-end 2015 will be used to fund 2016 expenses. FICO's 2016 Administrative Budget request is (b)(4);(b)(8) an increase of (b)(4);(b)(8) from the 2015 approved budget.

NON-ADMINISTRATIVE BUDGET

The Non-Administrative Budget includes funds to cover securities processing charges for servicing FICO's existing debt issues, custodial fees on the General Operating Account at the Federal Reserve Bank of New York, and interest paid on the outstanding obligations. Beginning in 2016, this budget line item includes Federal Reserve Bank of New York pension costs, which FICO was notified in June 2015 that it will begin to be allocated a portion of these pension costs effective January 1, 2015.

The total Non-Administrative Budget, notwithstanding (b)(4);(b)(8) for interest paid, is (b)(4);(b)

Interest

FICO currently has [REDACTED] (b)(4);(b)(8)
[REDACTED] (b)(4);(b)(8) Annual interest on the outstanding debt is [REDACTED] (b)(4);(b)(8) A Memorandum of Understanding between FICO and Federal Deposit Insurance Corporation (FDIC), designating the FDIC as the collection agent for FICO, governs the collection procedures and formula for establishing the semi-annual assessment rate used to assess FDIC members quarterly on behalf of FICO to cover interest payments.

Attachment I details the expenses included in FICO's 2016 Administrative and Non-Administrative Budgets. Attachments II & III provide management's discussion of the budgets and the various expense categories.

As was the case with FICO's 2015 budget, the Directorate will review FICO's performance to budget on a quarterly basis. If FICO determines that additional funds are needed for any expenditure not currently identified, the Directorate will request additional authorization from the Finance Agency.

If you or your staff have any questions or need additional information, please contact me at (703)

[REDACTED] (b)(6)

Attachments

cc: Randi Kornstein – Senior Bank Examiner, Federal Housing Finance Agency

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190
703/467-3665

TO: Financing Corporation Directorate
FROM: Scott V. Nearing, Secretary and Treasurer
DATE: October 27, 2015
SUBJECT: FICO's September 30, 2015 Budget Variance Report

Attached for your information is FICO's September 30, 2015 budget variance report, covering both the administrative and the non-administrative budgets. FICO is within its approved budgets.

If you have any questions or would like to discuss this report, please feel free to call me at (703) 467-3686.

Attachment

cc: Gary L. Bucher, Director of FHLBank and System Analysis - Federal Housing Finance Agency
Randi Kornstein, Senior Bank Examiner - Federal Housing Finance Agency

Page 26 of 36

Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

Page 27 of 36

Withheld pursuant to exemption

(b)(4):(b)(6)

of the Freedom of Information and Privacy Act

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190

703/467-3665

April 30, 2015

Mr. Gary L. Bucher
Associate Director
Division of FHLBank Regulation
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Mr. Bucher:

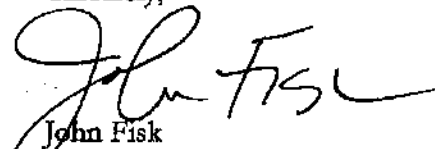
The Financing Corporation (FICO) Directorate is in receipt of the Report of Examination (ROE) for FICO, dated April 17, 2015.

(b)(4);(b)(8)

We express our continued commitment to maintain proper and sound internal controls, including promptly addressing any and all issues raised in examinations.

The Directorate would like to express its appreciation for the open and constructive communication between the Division of FHLBank Regulation and the FHLBanks Office of Finance throughout the examination and look forward to a continued successful relationship.

Sincerely,



John Fisk
Chief Operating Officer & President
FICO

cc: Mike Wilson, Chairman
Andy Howell, Vice Chairman
Myron Maslowsky, Chief Audit Executive – FHLBanks Office of Finance
Randi Kornstein, Senior Bank Examiner – Federal Housing Finance Agency

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190
703/467-3665

TO: Financing Corporation Directorate
FROM: Scott Nearing, Secretary/Treasurer
DATE: April 30, 2015
SUBJECT: FICO's March 31, 2015 Budget Variance Report

Attached for your information is FICO's March 31, 2015 budget variance report, covering both the administrative and the non-administrative budgets. FICO is within its approved budgets.

If you have any questions or would like to discuss this report, please feel free to call me at (703) 467-3686.

Attachment

cc: Gary L. Bucher, Director of FHLBank and System Analysis - Federal Housing Finance Agency
Randi Kornstein, Senior Bank Examiner - Federal Housing Finance Agency

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190

703/467-3665

December 19, 2014

Mr. Gary L. Bucher
Associate Director
Division of FHLBank Regulation
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

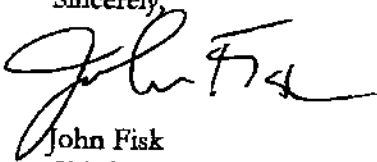
Dear Mr. Bucher:

The Financing Corporation (FICO) Directorate is in receipt of the Report of Examination (ROE) for FICO, dated December 5, 2014.

(b)(4);(b)(8) We express our continued commitment to maintain proper and sound internal controls, including promptly addressing any and all issues raised in examinations.

The Directorate would like to express its appreciation for the open and constructive communication between the Division of FHLBank Regulation and the FHLBanks Office of Finance throughout the examination and look forward to a continued successful relationship.

Sincerely,



John Fisk
Chief Operating Officer & President
FICO

cc: Mike Wilson, Chairman
Andy Howell, Vice Chairman
Myron Maslowsky, Chief Audit Executive – FHLBanks Office of Finance

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190
703/467-3665

TO: Gary Bucher
Associate Director
Federal Housing Finance Agency

FROM: Paul Sandt, Secretary/Treasurer

DATE: October 28, 2014

SUBJECT: Approval of FICO's 2015 Administrative and Non-Administrative Budgets

As successor to the Federal Housing Finance Board ("Finance Board"), enclosed for the Federal Housing Finance Agency's ("Finance Agency") consideration are the 2015 Administrative and Non-Administrative Budgets for the Financing Corporation ("FICO"). Finance Agency Regulation §995.6 requires FICO's budgets to be approved by the Finance Agency.

ADMINISTRATIVE BUDGET

(b)(4);(b)(8)

(b)(4);(b)(8)

2015 Administrative Budget request is \$62,500, (b)(4);(b)(8) FICO's from the 2014 approved budget.

NON-ADMINISTRATIVE BUDGET

The Non-Administrative Budget includes funds to cover securities processing charges for servicing FICO's existing debt issues, service charges on the General Operating Account at the Federal Reserve Bank of New York, and interest paid on the outstanding obligations. The total Non-Administrative Budget, notwithstanding \$793,330,000 for interest paid, is \$9,000, (b)(4);(b)(8)

(b)(4);(b)(8)

Interest

FICO currently has (b)(4);(b)(8)
(b)(4);(b)(8) Annual interest on the outstanding debt is \$793,330,000. A Memorandum of Understanding between FICO and Federal Deposit Insurance Corporation (FDIC), designating the FDIC as the collection agent for FICO, governs the collection procedures and formula for establishing the semi-annual assessment rate used to assess FDIC members quarterly on behalf of FICO to cover interest payments.

Attachment I details the expenses included in FICO's 2015 Administrative and Non-Administrative Budgets. Attachments II & III provide management's discussion of the budgets and the various expense categories.

As was the case with FICO's 2014 budget, the Directorate will review FICO's performance to budget on a quarterly basis. If FICO determines that additional funds are needed for any expenditure not currently identified, the Directorate will request additional authorization from the Finance Agency.

If you or your staff have any questions or need additional information, please contact me at (703) (b)(6)

Attachments

cc: Randi Komstein – Senior Bank Examiner, Federal Housing Finance Agency

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190
703/467-3665

TO: Financing Corporation Directorate
FROM: Scott V. Nearing, Secretary and Treasurer
DATE: October 21, 2016
SUBJECT: FICO's September 30, 2016 Budget Variance Report

Attached for your information is FICO's September 30, 2016 budget variance report, covering both the administrative and the non-administrative budgets. As of September 30, 2016, FICO's administrative expenses (b)(4);(b)(8)

(b)(4);(b)(8)

If you have any questions or would like to discuss this report, please feel free to call me at (703) 467-3686.

Attachment1

cc: Louis Scalza, Federal Housing Finance Agency
Stephen Murphy, Federal Housing Finance Agency



Federal Housing Finance Agency

Constitution Center
400 7th Street, S.W.
Washington, D.C. 20219
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Facsimile: (202) 649-1071
www.fhfa.gov

December 8, 2016

Mr. Scott V. Nearing
Secretary and Treasurer
Financing Corporation
1818 Library Street
Reston, VA 20190

Dear Mr. Nearing:

This responds to your memoranda to Associate Director Louis Scaiza, dated November 1, 2016, by which the Financing Corporation (FICO) Directorate has requested the approval of the Federal Housing Finance Agency (FHFA) for the 2017 annual FICO budget, as well as for an amendment to the 2016 FICO budget. Applicable regulations require FHFA to approve each annual budget for FICO, as well as any amendments to a previously approved budget. 12 C.F.R. § 1271.35(b), (d).

Under the authority delegated to me by FHFA Order No. 36, December 1, 2014, I hereby approve the 2017 annual budget for FICO, as well as the amendment to the 2016 annual budget, as described below.

As outlined in your submission, FICO's 2017 budget totals \$793,416,650. The majority of these expenses represent interest payments on outstanding FICO debt. The non-interest portion of the 2017 budget total includes estimated administrative expenses of \$75,500 and non-administrative expenses of \$11,150.

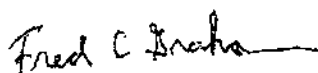
FICO must adhere to these budgeted amounts during fiscal year 2017. However, the FICO Directorate may reallocate funds within the administrative expense budget provided these expenses do not exceed the total administrative expense budget of \$75,500. The FICO Directorate may also reallocate funds within the non-administrative expense budget provided expenses do not exceed the total of \$11,150.

(b)(4);(b)(8)

As always, FICO must provide information to FHFA regarding variances from budgeted expenses to expenses actually incurred, and we acknowledge receipt of your October 21, 2016 budget variance report.

If you have any questions, please contact Examiner-in-Charge Stephen Murphy at Stephent.Murphy@fhfa.gov or 202-360-8414 or Associate Director Louis Scalza at Louis.Scalza@fhfa.gov or 202-649-3710.

Sincerely,



Fred Graham
Deputy Director
Division of Federal Home Loan Bank Regulation

CC: John Fisk, CEO – Office of Finance
Neri Crowley, Deputy General Counsel
Louis M. Scalza, Associate Director, Safety and Soundness Examinations
Stephen T. Murphy, Examiner-in-Charge

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190

703/467-3665

TO: Louis Scalza
Federal Housing Finance Agency

FROM: Scott V. Nearing, Secretary and Treasurer

DATE: November 1, 2016

SUBJECT: Approval of FICO's 2017 Administrative and Non-Administrative Budget

As successor to the Federal Housing Finance Board ("Finance Board"), enclosed for the Federal Housing Finance Agency's ("Finance Agency") consideration are the 2017 Administrative and Non-Administrative Budgets for the Financing Corporation ("FICO"). Finance Agency Regulation §1271.35 requires FICO's budgets to be approved by the Finance Agency.

ADMINISTRATIVE BUDGET

The Administrative Budget includes funds to cover all daily operating expenses that are not attributable to a specific debt issuance. These expenses include legal and accounting services provided by outside contractors, as well as general operating expenses such as postage and computer services provided by the Office of Finance. The Administrative Budget is funded by the FHLBanks in proportion to each FHLBank's share of total FICO stock owned. At December 31, 2015, FICO had a balance of (b)(4);(b) in its Administrative checking account that was carried forward to cover 2016 administrative expenses. Any remaining balance in the Administrative checking account at year-end 2016 will be used to fund 2017 expenses. FICO's 2017 Administrative Budget request is \$75,500, (b)(4);(b)(8)

NON-ADMINISTRATIVE BUDGET

The Non-Administrative Budget includes funds to cover securities processing charges for servicing FICO's existing debt issues, custodial fees on the General Operating Account at the Federal Reserve Bank of New York, and interest paid on the outstanding obligations.

The total Non-Administrative Budget, notwithstanding \$793,330,000 for interest paid, is \$11,150.

Interest

FICO currently has (b)(4);(b)(8)

(b)(4);(b)(8) Annual interest on the outstanding debt is \$793,330,000. A Memorandum of Understanding

between FICO and Federal Deposit Insurance Corporation (FDIC), designating the FDIC as the collection agent for FICO, governs the collection procedures and formula for establishing the semi-annual assessment rate used to assess FDIC members quarterly on behalf of FICO to cover interest payments.

Attachment I details the expenses included in FICO's 2017 Administrative and Non-Administrative Budgets. Attachments II & III provide management's discussion of the budgets and the various expense categories.

As was the case with FICO's 2016 budget, the Directorate will review FICO's performance to budget on a quarterly basis. If FICO determines that additional funds are needed for any expenditure not currently identified, the Directorate will request additional authorization from the Finance Agency.

If you or your staff have any questions or need additional information, please contact me at (703)

(b)(6)

Attachments

cc: Stephen Murphy – Federal Housing Finance Agency

FINANCING CORPORATION

1818 LIBRARY STREET
SUITE 200
RESTON, VA 20190

703/467-3665

TO: Louis Scalza
Federal Housing Finance Agency

FROM: Scott V. Nearing, Secretary and Treasurer

DATE: November 1, 2016

SUBJECT: Approval of FICO's 2016 Administrative Budget Amendment

Enclosed for the Federal Housing Finance Agency's ("Finance Agency") consideration is the 2016 Administrative Budget Amendment for the Financing Corporation ("FICO"). Finance Agency Regulation §1271.35 requires FICO's budgets to be approved by the Finance Agency.

ADMINISTRATIVE BUDGET AMENDMENT

In 2015, the FICO Directors and the Finance Agency approved FICO's 2016 Administrative Budget of (b)(6). However, due to higher than anticipated legal costs, FICO is (b)(6). (b)(6) As a result, FICO is requesting that the attached Administrative Budget Amendment representing an increase of (b)(6) be approved. The additional amount is to cover actual expenses incurred through September 30, 2016, and additional projected expenses through December 31, 2016.

The Directorate will continue to review FICO's performance to budget on a quarterly basis. If FICO determines that additional funds are needed for any expenditure not currently identified, the Directorate will request additional authorization from the Finance Agency.

If you or your staff have any questions or need additional information, please contact me at (703) 467-3686.

cc: Stephen Murphy – Federal Housing Finance Agency