

DECISION MEMORANDUM OF THE FEDERAL HOUSING FINANCE BOARD
ACTING WITHOUT A QUORUM

Date: December 21, 1994
No.: 94-DM-59

ISSUE: Approval of amendments to the 1994 administrative and non-administrative expense budgets of the Financing Corporation (FICO) as requested by its Directorate.

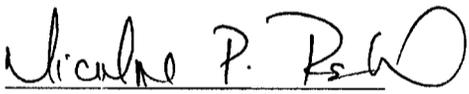
FACTORS CONSIDERED:

Pursuant to Section 950.8(d) of the Federal Housing Finance Board regulations, FICO's Directorate has requested a \$5,915 increase in its administrative budget and a \$1,826 increase in its non-administrative budget.

The increase in the administrative budget is to cover costs associated with unbudgeted legal and accounting services. In early January 1994, the Federal Deposit Insurance Corporation (FDIC) requested that FICO modify its assessment calculation from an accrual basis to a cash basis. In June 1994, the FDIC issued proposed amendments to its assessment regulation that would affect Joint Collection Agent procedures currently used by FDIC and FICO and FICO's calculation of its portion of the assessments. FICO's analysis of the FDIC proposals and the FICO Directorate's consideration of a proposal by Salomon Brothers to exchange securities held in the Segregated Account caused FICO to exceed its legal fees budget by \$8,500 and its professional fees budget by \$6,000. Partially offsetting these overages are expected underages in service contracts of \$8,500 and other operating expenses of \$85.

The increase in the non-administrative budget is to cover security processing fees. FICO projected its 1994 security processing charges at \$23,395, equal to 1993 fees. Based on fees for the first nine months of 1994, FICO is projecting security processing charges at \$26,000, or \$2,605 over the approved budget. Custodial expense and service contracts for the Joint Collection Agent are projected to be under budget by a total of \$779 partially offsetting the expected overage in security processing fees.

DECISION: To approve FICO's request to increase the 1994 administrative expense budget by \$5,915 to \$24,165 and the 1994 non-administrative expense budget before interest expense by \$1,826 to \$27,321 as set forth in the attached table.


Nicolas P. Retsinas


Lawrence U. Costiglio

Financing Corporation
Amendment to 1994 Budget

	A	B	C	D
	1994 Approved Budget	Amendment	1994 Revised Budget	Percent Increase C to A
<u>Administrative Expenses</u>				
1. Service Contracts	13,600	(8,500)	5,100	-63%
2. Legal Fees	1,500	8,500	10,000	567%
3. Professional Fees	1,500	6,000	7,500	400%
4. Other Operating Expenses	1,650	(85)	1,565	-5%
5. Total Administrative Expenses	\$18,250	\$5,915	\$24,165	32%
<u>Non-Administrative Expenses</u>				
6. Issuance Expense:				
a. Security Processing Fees - Federal Reserve	23,395	2,605	26,000	11%
b. Service Contracts - Joint Collection Agent	1,600	(654)	946	-41%
7. Custodial Expense	500	(125)	375	-25%
8. Non-Administrative Expenses before Interest Expense	\$25,495	\$1,826	\$27,321	7%
9. Interest Expense	793,330,000	0	793,330,000	0%
10. Total Non-Administrative Expenses including Interest Expense	\$793,355,495	\$1,826	\$793,357,321	0%