

FEDERAL HOUSING FINANCE BOARD

BOARD OF DIRECTORS MEETING

OPEN SESSION

Washington, D.C.

Wednesday, September 12, 2007

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 PARTICIPANTS:

2 Board Members

3 RONALD A. ROSENFELD, Chairman

4 BRIAN MONTGOMERY, Director

5 GEOFFREY BACINO, Director

6 ALICIA R. CASTANEDA, Director

7 ALLAN I. MENDELOWITZ, Director

8 SHELIA WILLIS, Secretary

9 Also Present

10 NEIL CROWLEY

11 STEVE CROSS

12 MARK DAVID

13 DAVID LEE

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1 P R O C E E D I N G S

2 (10:05 a.m.)

3 CHAIRMAN ROSENFELD: Good morning. I
4 call the Finance Board to order. Today, we will
5 have an open session followed immediately by a
6 closed session where the board will receive
7 updates of examinations and supervisory findings.

8 We now need a vote to approve the
9 closing, the latter portion of today's meeting, as
10 required by the Sunshine Act and the Finance board
11 regulations. Since the closed portion of today's
12 meeting will contain sensitive and confidential
13 bank examination information, I would ask for a
14 motion to seal the transcripts of this portion of
15 the meeting.

16 Director Mendelowitz?

17 DIRECTOR MENDELOWITZ: Mr. Chairman, I
18 move to close the portion of today's meeting at
19 which we will receive updates of examination and
20 supervisory findings and further that we determine
21 that the record and transcript of this closed
22 portion of the meeting be kept confidential.

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1 CHAIRMAN ROSENFELD: Thank you for the
2 motion. Is there any discussion of the motion?
3 Any discussion? Do I have a second for the
4 motion?

5 DIRECTOR BACINO: Second.

6 CHAIRMAN ROSENFELD: Thank you, Director
7 Bacino. Will the Secretary please call the role?

8 SECRETARY WILLIS: On the item before
9 the board, Director Bacino, how do you vote?

10 DIRECTOR BACINO: Yes.

11 SECRETARY WILLIS: Director Castaneda?

12 DIRECTOR CASTANEDA: Yes.

13 SECRETARY WILLIS: Director Mendelowitz?

14 DIRECTOR MENDELOWITZ: Yes.

15 SECRETARY WILLIS: Director Montgomery?

16 DIRECTOR MONTGOMERY: Yes.

17 SECRETARY WILLIS: Chairman Rosenfeld?

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

22 Let us now turn to the public portion of

1 today's meeting which regards the Agency's budget
2 covering the fiscal year 2008. Mark David will
3 make the presentation.

4 MR. DAVID: Good morning, Mr. Chairman,
5 members of the board. Today, we are requesting
6 the board's approval of the Federal Housing
7 Finance Board's fiscal year 2008 budget. The
8 proposed fiscal year 2008 budget for the Federal
9 Housing Finance Board \$38,748,570. This is an 8
10 percent increase over the fiscal year 2007 budget
11 of \$35.9 million.

12 The majority of the proposed budget is
13 for salaries and benefits. This accounts for
14 \$25.9 million or 67 percent of the total budget.
15 This covers the salaries and benefits for a total
16 of 149.5 full-time equivalents, FTEs.

17 We budgeted for 147 full-time positions
18 and 2.5 part-time students in fiscal year 2008.
19 This is a net increase of 6 positions from fiscal
20 year 2007's staffing ceiling of 143.5 FTEs.

21 One hundred and seven of these positions
22 are within the Office of Supervision which is an

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1 increase of eight positions from their staffing
2 ceiling in fiscal year 2007. The Office of
3 Supervision accounts for 72 percent of the
4 Agency's total staff.

5 Six point nine million
6 or eighteen percent of the budget is to
7 cover the ongoing costs of information technology
8 and rent. Three point one million
9 or eight percent of the budget is for the
10 use of contractors which includes other government
11 agencies and consultants to assist with the
12 overall supervision of the FHL banks.

13 One point five million
14 or four percent of the budget is for
15 regular travel for the Agency employees. This
16 travel budget is mostly for the bank examiners and
17 other staff within the Office of Supervision to
18 conduct on-site examinations at the FHL banks.

19 The remaining \$1.3 million or three percent
20 of the budget is for training, other support
21 services, facilities and the operating reserve.

22 These are the key components of the

1 proposed fiscal year 2008 budget.

2 At this point, if you have any
3 questions, we would be happy to answer them.

4 CHAIRMAN ROSENFELD: Thank you. Do any
5 board members have any questions or comments?

6 DIRECTOR BACINO: I have just one quick
7 question for either one of you. Is there enough
8 flexibility in this budget if anything were to
9 come that we don't see, that the Finance Board can
10 afford to pay for something that we may not see on
11 the horizon for the next 12 months?

12 MR. LEE: Yes, there is.

13 DIRECTOR BACINO: Okay. All right.

14 CHAIRMAN ROSENFELD: Anything else?

15 DIRECTOR MENDELOWITZ: I know that
16 there's always a balance between what we need to
17 ensure the safety and soundness and the mission of
18 this system and the costs that we impose on the
19 system, and we always hear from the chairmen and
20 boards of directors of the banks who are concerned
21 and make sure that we are good custodians of their
22 monies that we appropriate from them.

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1 I'm sorry I didn't give you a heads-up
2 on this question before, and you may not have the
3 answer, but if you could supply it for the record
4 if you don't have it, I would appreciate it.

5 That is, how do our budgetary
6 expenditures as a proportion of the assets of the
7 home bank system and the income of the home loan
8 bank system compare to the budgets of the other
9 regulators that are out there relative to the
10 entities that they regulate?

11 MR. LEE: That's information that we
12 don't have, but I'll be happy to get that
13 information for you, absolutely.

14 DIRECTOR MENDELOWITZ: Thank you. If we
15 get a question, I think it would be good to have
16 that information handy to respond to the question
17 from some of the boards of directors.

18 CHAIRMAN ROSENFELD: Anything else?

19 DIRECTOR CASTANEDA: I just wanted to
20 tell Mark, you did a very good job. You came in,
21 putting this fact book together and briefing us.
22 This is the first time you have done, and I think

1 you have done a very good job. Thank you so much.

2 MR. DAVID: Great. Thank you.

3 CHAIRMAN ROSENFELD: If there's nothing
4 else, I'll accept a motion to adopt a resolution
5 approving the Agency's fiscal year 2008 budget.

6 DIRECTOR MENDELOWITZ: I so move. If
7 nobody's going to do it, I'll move.

8 CHAIRMAN ROSENFELD: Thank you,
9 Director Mendelowitz. Do we have a second?

10 DIRECTOR CASTANEDA: Second.

11 CHAIRMAN ROSENFELD: Thank you, Director
12 Castaneda. Would the secretary please call the
13 roll?

14 SECRETARY WILLIS: On the item before
15 the board, Director Bacino, how do you vote?

16 DIRECTOR BACINO: Yes.

17 SECRETARY WILLIS: Director Castaneda?

18 DIRECTOR CASTANEDA: Yes.

19 SECRETARY WILLIS: Director Mendelowitz?

20 DIRECTOR MENDELOWITZ: Yes.

21 SECRETARY WILLIS: Director Montgomery?

22 DIRECTOR MONTGOMERY: Yes.

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1 SECRETARY WILLIS: Chairman Rosenfeld?

2 CHAIRMAN ROSENFELD: Yes. The motion is
3 adopted. This ends the open session of the
4 meeting. We'll convene in three minutes for the
5 closed session.

6 (Whereupon, at 10:12 a.m., the
7 PROCEEDINGS were adjourned.)

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