Federal Financing Bank
Frequently Asked Questions

The Federal Financing Bank and the CDFI Bond Guarantee Program

Q: Why do the bonds have to be purchased by the **Federal Financing Bank** (FFB)?

A: Financing for federal credit programs are provided by Treasury in accordance with the Federal Credit Reform Act of 1990. Guarantees of the payment of 100 percent of the loan principal and interest against all risk create a debt obligation that is the credit risk equivalent of a Treasury security. Accordingly, a federal agency other than the Department of the Treasury may not issue, sell, or guarantee an obligation that is normally financed by the securities markets, unless the terms of the obligation provide that it may not be held by a person or entity other than the FFB or another federal agency.

Q: Do guarantee programs always have to be financed through the FFB?

A: In exceptional circumstances, the Secretary of the Treasury may waive this requirement with respect to obligations that the Secretary determines:

(1) are not suitable for investment for the FFB because of risks entailed in such obligations;

(2) are or will be financed in a manner that is least disruptive of private finance markets and institutions; or

(3) are or will be based on the Secretary's consultation with the U.S. Office of Management and Budget and the guaranteeing agency, financed in a manner that will best meet the goals of the program.

The benefits of using the FFB must not expand the degree of the subsidy.

Background on the Federal Financing Bank

Q: What is the FFB?

A: A government corporation created by the Federal Financing Bank Act of 1973 (12 USC 2881 et seq). The FFB is under the general supervision of the Secretary of the Treasury. The FFB was formed to be the vehicle through which federal agencies' finance programs could sell or place credit market instruments, including agency securities, guaranteed obligations, participation agreements, and the sale of assets.

Q: What does the FFB do?

A: The FFB actively borrows from Treasury and lends to federal agencies and private borrowers that have federal guarantees in accordance with program requirements.

Q: What is the mission of the FFB?

A: The mission of the FFB is to reduce the costs of federal and federally-assisted borrowings, to coordinate such borrowings with the U.S. Government's overall fiscal policy, and to ensure that such borrowings are done in ways that least disrupt private markets. To accomplish this mission, the FFB exercises its board statutory authority to purchase obligations that are issued, sold, or guaranteed by federal agencies.

Q: Where does FFB get its funding?
A: Under the FFB Act, the FFB may, with the approval of the Secretary of the Treasury, borrow without limit from the Treasury. Due to its authority to borrow directly from Treasury, the FFB is able to offer low-cost financing to program agency borrowers, which results in savings to taxpayers.

Q: What type of financing does the FFB provide?
A: The FFB can provide a lending rate for any amount required and for nearly any maturity. FFB's general policy is to capture the liquidity premium between Treasury securities and the private sector lending rates, and to charge a rate that reflects the risk inherent in a borrower or transactions. Loan principal and interest outstanding to the FFB are backed by the full faith and credit of the U.S. Government, except for loans to the United States Postal Services.

Q: Why is the Federal Credit Reform Act of 1990 (FCRA) important to the FFB?
A: The FCRA is a federal law that details accounting rules and measurement of budgetary costs for federal credit programs. Per the statute, the purpose of FCRA is to:

> (1) measure more accurately the costs of the federal credit programs;
> (2) place the cost of credit programs on a budgetary basis equivalent to other federal spending;
> (3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and
> (4) improve the allocation of resources among credit programs and between credit and other spending programs.

Q: What other government agencies work with FFB?
A: The FFB currently has outstanding obligations with:

- U.S. Department of Agriculture;
- United States Postal Service;
- National Credit Union Association;
- U.S. Department of Energy;
- U.S. General Services Administration;
- U.S. Department of Education;
- U.S. Department of Defense;
- Veterans Affairs;
- Small Business Administration;
- Department of Transportation; and
- U.S. Department of Housing and Urban Development.