

August 1988

FINANCIAL AUDIT**Financing
Corporation's 1987
Financial Statements**

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Comptroller General
of the United States

B-229386

August 2, 1988

To the President of the Senate and the
Speaker of the House of Representatives

This report presents the results of our review of the independent certified public accountant's audit of the Financing Corporation's financial statements for the period August 28, 1987 (date of inception), through December 31, 1987. In the auditor's opinion, the Financing Corporation's statements are fairly presented. The independent auditor's reports on the Corporation's internal accounting controls and on its compliance with laws and regulations are also provided.

The Financing Corporation 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 (Title III of Public Law 100-86). The Financing Corporation's sole purpose is to serve as a financing vehicle for recapitalizing the Federal Savings and Loan Insurance Corporation (FSLIC). To fulfill its purpose, the Financing Corporation is authorized to issue debentures, bonds, and other obligations, subject to limitations contained in the act, the net proceeds of which it uses to purchase FSLIC capital stock and capital certificates. During 1987, the Financing Corporation issued three separate series of obligations in the aggregate principal amount of \$1.2 billion.

The Federal Home Loan Bank Board contracted with an independent certified public accounting firm, Deloitte Haskins and Sells, to perform a financial and compliance audit of the Financing Corporation's 1987 financial statements. The Government Corporation Control Act (31 U.S.C. 9105) requires the Comptroller General to audit the financial transactions of the Financing Corporation at least once every 3 years. To fulfill our audit responsibilities, avoid unnecessary duplication and expense, and make the most efficient use of our available resources, we reviewed the independent auditor's work and reports.

We conducted our review of the auditor's work in accordance with generally accepted government auditing standards. To determine the reasonableness of the auditor's work and the extent to which we could rely on it, we

- reviewed the auditor's approach and planning of the audit;
- evaluated the qualifications and independence of the audit staff assigned;

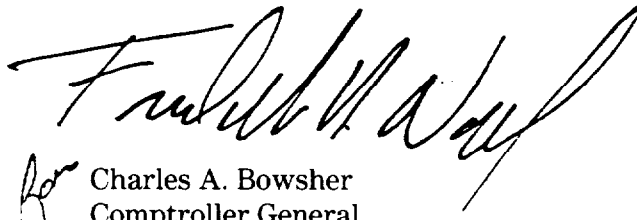
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- reviewed the financial statements and auditor's reports to evaluate compliance with generally accepted accounting principles and generally accepted government auditing standards; and
 - reviewed the auditor's working papers to determine (1) the nature, timing, and extent of audit work performed, (2) the extent of audit quality control methods the auditor used, (3) whether a study and evaluation was conducted of the entity's internal accounting controls, (4) whether the auditor tested transactions for compliance with applicable laws and regulations, and (5) whether the evidence in the working papers supported the auditor's opinion on the financial statements and internal accounting control and compliance reports.

In the opinion of Deloitte Haskins and Sells, the Financing Corporation's financial statements present fairly its financial position as of December 31, 1987, the results of its operations, and the changes in its cash and short-term investments for the period August 28, 1987, through December 31, 1987, in conformity with generally accepted accounting principles. Also, Deloitte Haskins and Sells' reports to the Corporation on internal accounting controls and on compliance with laws and regulations did not disclose any material internal control weaknesses or non-compliance with laws and regulations.

During our review, we found nothing to indicate that Deloitte Haskins and Sells' opinion on the Financing Corporation's 1987 financial statements is inappropriate or cannot be relied on. Nor did we find anything to indicate that the auditor's reports on internal accounting controls and on compliance with laws and regulations were inappropriate or cannot be relied on.

We believe that the financial statements, together with Deloitte Haskins and Sells' opinion and our review of that work, provide the Congress with a dependable basis for overseeing the Financing Corporation's financial position. This report presents the Financing Corporation's financial statements and the auditor's opinion thereon.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of the Treasury, the Chairman of the Federal Home Loan Bank Board, and the Board of Directors of the Financing Corporation.


for Charles A. Bowsher
Comptroller General
of the United States

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Abbreviations

FSLIC	Federal Savings and Loan Insurance Corporation
FICO	Financing Corporation

Auditor's Opinion

**Deloitte
Haskins Sells**

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Washington, D.C. 20004-2505
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OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Financing Corporation:

We have examined the balance sheet of the Financing Corporation as of December 31, 1987 and the related statements of operations and of changes in cash and short-term investments for the period from August 28, 1987 (date of inception) through December 31, 1987. Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions* as promulgated by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Financing Corporation at December 31, 1987 and the results of its operations and the changes in its cash and short-term investments for the period from August 28, 1987 through December 31, 1987, in conformity with generally accepted accounting principles.

Deloitte Haskins + Sells
January 15, 1988

Auditor's Report on Internal Accounting Controls

Deloitte Haskins Sells

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Financing Corporation
655 Fifteenth Street, N.W.
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January 15, 1988

Dear Sirs:

We have examined the financial statements of the Financing Corporation (FICO) for the period August 28, 1987 (date of inception) through December 31, 1987 and have issued our report thereon dated January 15, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Federal Home Loan Banks' Office of Finance, as it relates to FICO, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. Our study and evaluation of the system of internal accounting control included the Office of Finance's significant control systems. We considered the following control systems to be significant:

- Cash balances
- Cash receipts
- Cash disbursements
- Payroll
- Investments and related investment income
- Discount notes
- Capital
- Electronic data processing as related to the above

Our study of the system of internal accounting control included all of the control systems listed above and there were no significant control systems not evaluated.

The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements referred to in the first paragraph above. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Auditor's Report on Internal
Accounting Controls

Federal Home Loan Bank Board

January 15, 1988

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The observations reported herein should be considered in the context of the responsibility of management for establishing and maintaining a system of internal accounting control, the objectives of and inherent limitations on such a system, and the definition of a material weakness for purposes of this report, which are described in the Appendix to this report.

Our study and evaluation made for the limited purpose described in the third paragraph above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Office of Finance taken as a whole. However, our study and evaluation disclosed no condition that we believe is a material weakness.

Our examination did, however, disclose a condition that, although not considered by us to be a material weakness, is a weakness in internal accounting control for which corrective action might be taken. Such condition and our recommendation concerning it are presented in the accompanying Exhibit I. This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1987 financial statements of FICO, and this report does not affect our report dated January 15, 1988 on our examination.

This report is intended solely for the use of FICO and its cognizant audit agency and should not be used for any other purpose.

Yours truly,

Deloitte Haskins & Sells

Auditor's Report on Internal
Accounting Controls

Federal Home Loan Bank Board

January 15, 1988

EXHIBIT I

OPERATIONAL AUDITS

Observation: A financial audit of FICO is performed annually; however, an operational audit is not performed. An operational audit can provide additional assurance of the effectiveness of internal accounting control and other operational procedures for the activities of FICO.

Recommendation: We recommend that the Office of Inspector General consider performing an operational audit of FICO.

APPENDIX

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS
OF, INTERNAL ACCOUNTING CONTROL AND THE DEFINITION OF A MATERIAL
WEAKNESS

The following comments concerning management's responsibility for internal accounting control, the objectives of and the inherent limitations on a system of internal accounting control, and the definition of a material weakness are excerpts from Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

Objectives

The objectives of a system of internal accounting control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Limitations

Because of inherent limitations in any system of internal accounting control, errors or irregularities nevertheless may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Material Weakness

A material weakness, for the auditor's purpose, is a condition in which the specific control procedures, or the degree of compliance with them, do not, in the auditor's judgment, reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. These criteria may be broader than those that may be appropriate for evaluating weaknesses in accounting control for management or other purposes.

Auditor's Report on Compliance With Laws and Regulations

**Deloitte
Haskins Sells**

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The Financing Corporation
Washington, D.C.:

January 15, 1988

We have examined the financial statements of the Financing Corporation (FICO) for the period August 28, 1987 (date of inception) through December 31, 1987 and have issued our report thereon dated January 15, 1988. Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions as promulgated by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As part of our examination we reviewed and tested, to the extent we considered necessary, compliance with the Section 302 of the Federal Savings and Loan Recapitalization Act of 1987.

In connection with our examination, we found that for the items tested FICO complied with the material terms and conditions of the laws and regulations referred to in the preceding paragraph. In addition, nothing came to our attention that caused us to believe that for the items not tested, FICO was not in compliance with the terms and conditions of the applicable laws and regulations referred to above in all material respects.

This report is intended solely for the use of FICO and its cognizant audit agency and should not be used for any other purpose.

Yours truly,

Deloitte Haskins + Sells

Financial Statements

Balance Sheet

December 31, 1987

ASSETS

Cash and Short-Term Investments		
General operating account	\$ 26,959,947	
Issuance and custodial account	77,255	
General administrative account	48,198	
Total cash and short-term investments		\$ 27,085,400
Accounts receivable—administrative costs		5,988
Segregated Account Investments (Notes 2 and 3)		
Noninterest bearing securities	\$ 1,908,054,000	
Noninterest bearing securities collateralized/receivable	85,000,000	
Total noninterest bearing securities	1,993,054,000	
Unaccreted discount on noninterest bearing securities	(1,838,629,880)	
Net investment in noninterest bearing securities (approximate market value \$172,849,000)		154,424,120
Concession fees paid on Obligations (Notes 2 and 4)		7,461,223
TOTAL ASSETS		\$ 188,976,731

LIABILITIES AND CAPITAL (DEFICIT)

Liabilities		
Obligations (Note 4)	\$ 1,200,000,000	
Discount on Obligations (Notes 2 and 4)	(1,240,403)	
Net Obligations		\$ 1,198,759,597
Accrued interest payable on Obligations		19,156,944
Accounts payable—bond issuance costs		24,389
Deferred assessments collected from FSLIC-insured institutions for:		
Interest and related costs (Note 2)		4,466,238
Discount on Obligations (Note 2)		1,240,403
Concession fees (Note 2)		7,461,223
Deferred assessments collected from FHLBanks for general administrative costs (Note 2)		54,187
TOTAL LIABILITIES		1,231,162,981
Capital (Deficit)		
Non-voting FICO capital stock issued to FHLBanks (Note 5) ..		155,500,000
Accumulated excess of assessments and investment income over costs		2,313,750
FSLIC redeemable nonvoting capital stock (Notes 2 and 6)		(129,500,000)
FSLIC nonredeemable capital certificates (Notes 2 and 6)		(1,070,500,000)
TOTAL CAPITAL (DEFICIT)		(1,042,186,250)
TOTAL LIABILITIES AND CAPITAL (DEFICIT)		\$ 188,976,731

See Notes to Financial Statements

Financial Statements

Statement of Operations

For the Period August 28, 1987 (Date of Inception) through December 31, 1987

ASSESSMENTS AND INVESTMENT INCOME

Assessments (Note 2)

Thrift industry assessments received for interest, issuance and custodial costs	\$32,185,035
Less:	
Amounts deferred in the current period:	
Assessments for interest, issuance and custodial costs	(4,466,238)
Discount on Obligations	(1,240,403)
Concession fees on Obligations	(7,461,223)
Returns of thrift industry assessments	(117,861)
Net thrift industry assessments applicable to the current period	<u>18,899,310</u>
 FHLBanks assessments received for general administrative costs	 139,046
Less amount deferred in the current period	<u>(54,187)</u>
Net FHLBanks assessments applicable to the current period	<u>84,859</u>
Total Assessments	<u>18,984,169</u>

Investment Income (Note 2)

Investment income earned from assessments received for interest, issuance and custodial costs	609,560
Investment income earned from assessments received for general administrative costs	1,144
Accretion of discount on noninterest bearing securities	<u>2,313,750</u>
Total Investment Income	<u>2,924,454</u>
Total Assessments and Investment Income	<u>21,908,623</u>

COSTS

Costs of Servicing Obligations

Interest	19,156,944
Amortization of concession fees (Note 2)	38,777
Amortization of discount (Note 2)	<u>9,597</u>
Total Costs of Servicing Obligations	<u>19,205,318</u>

Operating Costs (Note 7)

Issuance and custodial costs:	
Legal fees	\$148,609
Printing	82,891
Advertising	63,737
Professional fees	9,087
Custodial	60
Securities processing	31
Miscellaneous	<u>280</u>
Total	304,695
General administrative costs:	
Legal fees	35,934
Service contracts	10,977
Printing	10,787
Postage and delivery	9,599
Advertising	7,893
Professional fees	5,957
Miscellaneous	<u>3,713</u>
Total	<u>84,860</u>
Total Operating Costs	<u>389,555</u>
Total Costs	<u>19,594,873</u>

EXCESS OF ASSESSMENTS AND INVESTMENT INCOME OVER COSTS ... \$ 2,313,750

See Notes to Financial Statements

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Statement of Changes in Cash and Short-Term Investments

For the Period August 28, 1987 (Date of Inception) through December 31, 1987

Funds provided (used) by:	
Excess of assessments and investment income over costs.....	\$ 2,313,750
Add (deduct) items not requiring (providing) cash and short-term investments during the current period:	
Accretion of discount on noninterest bearing securities.....	(2,313,750)
Amortization of concession fees on Obligations	38,777
Amortization of discount on Obligations	9,597
Increases in:	
Accounts receivable—administrative costs	(5,988)
Accounts payable.....	24,389
Deferred assessments collected.....	13,222,051
Accrued interest payable on Obligations	19,156,944
Assessments received from FHLBanks for FICO capital stock	155,500,000
Net proceeds of Obligations issued	1,191,250,000
Total funds provided	<u>1,379,195,770</u>
Funds applied to:	
Purchase of noninterest bearing securities	152,110,370
Directed cash transfers to FSLIC for:	
FSLIC redeemable nonvoting capital stock	129,500,000
FSLIC nonredeemable capital certificates	<u>1,070,500,000</u>
Total funds applied	<u>1,352,110,370</u>
Increase in cash and short-term investments	27,085,400
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	<u>—</u>
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	<u>\$ 27,085,400</u>

See Notes to Financial Statements

Notes to Financial Statements

For the Period August 28, 1987 (Date of Inception) through December 31, 1987

1. ORGANIZATION AND RELATED ENTITIES

The Financing Corporation ("FICO") is a mixed-ownership government corporation, chartered by the Federal Home Loan Bank Board (the "Bank Board") as of August 28, 1987, pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987 (the "Act"). FICO's sole purpose is to function as a financing vehicle for recapitalizing the Federal Savings and Loan Insurance Corporation ("FSLIC"). Pursuant to the Act, FICO is authorized to issue debentures, bonds and other obligations ("Obligations") subject to limitations contained in the Act, the net proceeds of which are to be transferred to FSLIC for redeemable nonvoting capital stock ("FSLIC capital stock") and nonredeemable capital certificates ("FSLIC capital certificates") issued by FSLIC, or to refund any previously issued Obligations.

The Act provides formulas pursuant to which the twelve Federal Home Loan Banks (the "FHLBanks") make capital contributions to FICO from time to time at the direction of the Bank Board for FICO capital stock. FICO uses the proceeds received from the issuance of such capital stock to purchase noninterest bearing securities for deposit in a segregated account (the "Segregated Account") as required by the Act. The noninterest bearing securities held in the Segregated Account will be the primary source of repayment of the principal of the obligations. Securities in the Segregated Account are segregated 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 will be the receipt of assessments imposed on and collected from federal and state chartered savings and loan institutions, and other types of thrift institutions, whose deposit accounts are insured by FSLIC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Segregated Account Investments

Investments in noninterest bearing securities held in the Segregated Account are accounted for as of the trade date and are carried at cost, adjusted for accretion of discounts. Accretion is computed using the level yield method. Noninterest bearing securities collateralized/receivable comprises securities purchased for deposit in the Segregated Account but not yet received, for which substitute securities have been received and which are held in the Segregated Account at the Federal Reserve Bank of New York awaiting delivery of noninterest bearing securities.

Concession Fees and Discount on Obligations

Concession fees paid and discount on Obligations are amortized using the level yield method over the lives of the Obligations.

Deferred Concession Fees and Discount on Obligations

Deferred discount on Obligations and deferred concession fees comprise assessments received for such costs from FSLIC-insured institutions applicable to future periods.

FSLIC Redeemable Nonvoting Capital Stock and Nonredeemable Capital Certificates

Inasmuch as the FSLIC capital certificates are nonredeemable and the FSLIC capital stock is only contingently recoverable at present, cash transfers to FSLIC for such capital stock and capital certificates, as directed by the Act, are considered nonreciprocal distributions of equity to a related entity for the ultimate benefit of the thrift industry. Accordingly, such transfers have been recorded as direct charges to Capital (Deficit).

The United States General Accounting Office (GAO) is reviewing this accounting treatment. The effects, if any, of GAO's considerations on the financial statements is not determinable at present.

For the Period August 28, 1987 (Date of Inception) through December 31, 1987

FICO Assessments

All interest, issuance and custodial costs related to Obligations and incurred by FICO are assessed to FSLIC-insured institutions. General administrative costs are assessed to the FHLBanks. Interest earned on such assessments deferred to future periods is used to reduce subsequent assessments made by FICO to the thrift industry.

3. SEGREGATED ACCOUNT INVESTMENTS

As of December 31, 1987, the following noninterest bearing securities were held in the Segregated Account:

	<u>Purchase Price</u>	<u>Face Amount</u>	<u>Bond Equivalent Yields</u>	<u>Maturity Date</u>
U.S. Treasury-Principal Strips.....	\$100,673,960	\$1,358,300,000	8.350%-10.000%	May 15, 2017
U.S. Treasury-Interest Strips	6,220,693	85,920,000	8.550%-10.000%	May 15, 2017
U.S. Treasury-Principal Strips.....	21,723,350	260,000,000	8.510%- 9.756%	November 15, 2016
U.S. Treasury-Interest Strips	10,069,559	136,608,000	8.720%- 9.890%	November 15, 2016
U.S. Treasury-Principal Strips.....	7,532,400	80,000,000	8.450%- 8.470%	May 15, 2016
U.S. Treasury-Interest Strips	5,890,208	72,226,000	8.850%- 9.130%	May 15, 2016
TOTAL	\$152,110,370	\$1,993,054,000		

Net investment in noninterest bearing securities comprises the purchase price of the securities and accretion of discount of \$2,313,750 for the period August 28, 1987 through December 31, 1987.

4. OBLIGATIONS

Through December 31, 1987, the following series of Obligations have been issued by FICO:

	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Series A-2017	\$ 500,000,000	10.70%	October 6, 2017
Series B-2017	100,000,000	10.65%	October 20, 2017
Series C-2017	600,000,000	9.80%	November 30, 2017
TOTAL	\$1,200,000,000		

None of the Obligations are subject to redemption prior to maturity. The Act currently limits the aggregate amount of all Obligations which may be outstanding at any time to the lesser of (i) \$10.825 billion or (ii) an amount equal to the greater of (a) five times the aggregate purchase price of FICO capital stock then outstanding or (b) the aggregate face amount of investments then held in the Segregated Account. Net new borrowing by FICO may not exceed \$3.75 billion in any annual period (measured from the date of enactment of the Act). No Obligations may be issued with a maturity greater than 30 years from their date of issuance or with a maturity date beyond December 31, 2026.

At December 31, 1987, the remaining balances of concession fees paid and discount on Obligations amounted to \$7,461,223 and \$1,240,403, respectively.

For the Period August 28, 1987 (Date of Inception) through December 31, 1987

5. NONVOTING FICO CAPITAL STOCK ISSUED TO FHLBANKS

FICO is capitalized through the issuance of nonvoting capital stock to the FHLBanks. The total amount of FICO capital stock, up to the maximum \$3 billion aggregate amount authorized by the Act, is to be issued to the FHLBanks at such times and in such amounts as the Bank Board may prescribe. Each share of stock shall have par value in an amount determined by the Bank Board and is transferable only among the FHLBanks in the manner and extent prescribed by the Bank Board, at not less than par value. On August 28, 1987, the Bank Board authorized the issuance of up to 1 billion shares at a purchase price of \$1.00 par value per share. At December 31, 1987, 155,500,000 shares of FICO capital stock had been issued to the FHLBanks for \$155,500,000.

6. FSLIC REDEEMABLE NONVOTING CAPITAL STOCK AND NONREDEEMABLE CAPITAL CERTIFICATES

Subject to any terms or conditions which may be approved by the Bank Board, the net proceeds of any Obligations issued by FICO are to be used principally to acquire FSLIC capital certificates or FSLIC capital stock, or to refund any previously issued Obligations.

At December 31, 1987, FICO held 129,500,000 shares of FSLIC capital stock and \$1,070,500,000 aggregate principal amount of FSLIC capital certificates.

Pursuant to the Act, the aggregate dollar amount of capital stock issued by FSLIC to FICO must be equal to the aggregate dollar amount of capital stock issued by FICO to the FHLBanks. At December 31, 1987, the dollar amount of FICO capital stock outstanding exceeded the dollar amount of FSLIC capital stock held by FICO. This temporary imbalance resulted from FICO's need to acquire noninterest bearing securities in anticipation of the issuance of a fourth series of Obligations in January 1988. It is FICO's intention to use the proceeds of the bond offering to acquire FSLIC capital stock and thereby eliminate the temporary imbalance. In the opinion of the Bank Board's Office of General Counsel, an imbalance due solely to good faith preparations for an upcoming bond offering does not constitute a violation of the Act.

The Act provides that beginning in 1997, FSLIC is to establish and maintain, until all FSLIC capital stock has been redeemed, an equity return account to consist of contributions in amounts which are to be determined, generally based on specified FSLIC ratios of reserves-to-accounts. No dividends are to be paid by FSLIC on its capital stock or certificates issued, in accordance with the Act.

7. OPERATING COSTS

In accordance with the Act, FICO has no paid employees. Certain employees of the FHLBanks and the Office of Finance of the FHLBanks have been authorized to act for and on behalf of FICO as may be necessary to carry out its functions. Such employee-related expenses are nonreimbursable and, accordingly, are not reported in the accompanying financial statements.

The Federal Reserve Bank of New York provides custodial and securities processing services to FICO on a cost reimbursement basis. Costs for these services have not yet been determined by the Federal Reserve Bank and, accordingly, are not included in the financial statements. Once determined, such costs will be assessed to the thrift industry by FICO.

Effective August 28, 1987, FICO entered into a services agreement whereby the Office of Finance is to provide various administrative services on behalf of FICO on a cost reimbursement basis. During the period August 28, 1987 through December 31, 1987, these expenses approximated \$11,000.

Effective October 16, 1987, FICO and the FHLBank of Des Moines entered into an agreement whereby that FHLBank serves as the collection agent for assessments from FSLIC-insured institutions and is compensated on a cost reimbursement basis.

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