

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

Salaries and Expenses

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, [P. L. 102-550, Section 1313(a)], Title XIII of the Housing and Community Development Act of 1992 (1992 Act), established the Office of Federal Housing Enterprise Oversight (OFHEO) as an independent office in the Department of Housing and Urban Development (HUD). The Act requires OFHEO to develop a stress test to determine risk-based capital requirements and to conduct other research and financial analysis necessary for effective regulatory oversight of the two largest government sponsored enterprises (GSEs)--Fannie Mae and Freddie Mac. OFHEO is also required by statute to conduct annual examinations of Fannie Mae and Freddie Mac to determine the condition of each Enterprise for the purpose of ensuring their financial safety and soundness.

**OFHEO's Mission Statement**

**OFHEO promotes housing and a strong economy by ensuring the safety and soundness of Fannie Mae and Freddie Mac and fostering the strength and vitality of the nation's housing finance system.**

OFHEO's fiscal year 2002 Budget Request is essential for the Office to be able to meet its congressionally mandated mission of ensuring the financial safety and soundness of Fannie Mae and Freddie Mac. The scope and complexity of the Enterprises' activities continue to expand dramatically, as has the range of risks embedded in those activities. In addition, the Enterprises have evolved into technology companies. They are using technology as a strategic resource by developing and using sophisticated risk-management tools, automated underwriting and cost control tools for their seller/servicers, and communication and product delivery channels using the Internet.

Since OFHEO's creation in 1993, the Enterprises have more than doubled in size and have fundamentally altered their business mix. In 1993, the Enterprises either held in their portfolios or guaranteed through the issuance of MBS over \$1.1 trillion in mortgages. Of their total mortgage business, about 21 percent were portfolio investments and 79 percent were mortgage-backed securities.

Today, the Enterprises hold or guarantee over \$2.3 trillion in mortgages. The Enterprises changed their business strategy over the last few years in favor of rapidly increasing their mortgage portfolio investments. As a consequence, their mortgage portfolios now account for about 44 percent of their total mortgage business. In dollar terms, the Enterprises have increased their mortgage portfolio holdings from about \$246 billion in 1993 to over \$1 trillion today. This rapid expansion of their mortgage portfolios has been accompanied by a similar sized increase in debt to finance this growth. Additionally, the Enterprises have exponentially increased their use of derivatives from a notional value of around \$70 billion in 1993 to approximately \$800 billion today to help manage the interest rate risk associated with mortgages held in portfolio.

At the same time the Enterprises were expanding their market share, technology has dramatically transformed their business environment and therefore their strategies to succeed in this new environment. The development of automated underwriting tools and the explosion in the use of the Internet has created new business opportunities for the Enterprises as well as new types of risk that they must manage. Advancements in the understanding of mortgage credit risk (credit scoring) have enabled the Enterprises to expand into new areas in the subprime market.

APPROPRIATION HIGHLIGHTS

Although subject to the appropriations process, OFHEO is not funded with taxpayer dollars. Section 1316 of the 1992 Act authorizes the collection of annual assessments from Fannie Mae and Freddie Mac to cover OFHEO's annual operating costs to the extent appropriated. The following table summarizes the funding and staffing included in this request.

Office of Federal Housing Enterprise Oversight

	ACTUAL 2000 _	BUDGET ESTIMATE 2001 a/	CURRENT ESTIMATE 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
		(Dollars in Thousands)			
<u>From Appropriation:</u>					
Budget Authority (Assessed to GSE's) .....	\$19,493	\$25,800	\$22,000	\$27,000	+\$5,000
Prior Year Recovery .....	b/ \$133	...	\$605	...	-\$605
Subtotal .....	\$19,626	\$25,800	\$22,605	\$27,000	+\$4,395
Total Obligations .....	\$19,616	\$25,800	\$22,605	\$27,000	+\$4,395
Unobligated Balance EOY .....	\$10	...	...	...	...
Outlays (net) .....	\$17,907	\$25,000	\$22,000	\$26,000	+\$4,000
Full-Time Equivalents .....	87	118	111	116	+5

a/ Does not include the Amended Budget Request of \$26,770,000.

b/ The Office of Management and Budget (OMB) approved OFHEO's request to recover prior year obligations for re-obligation during fiscal year 2000. OMB reapportioned \$133,203 to OFHEO as an increase in budgetary resources available to OFHEO during fiscal year 2000. OFHEO has estimated that about \$605,000 in prior year obligations will be recovered during fiscal year 2001 and reapportioned by OMB to OFHEO for re-obligations in fiscal year 2001.

SUMMARY OF 2002 BUDGET REQUEST

The fiscal year 2002 Budget Request of \$27,000,000 represents a 23 percent increase from the fiscal year 2001 Enacted Budget of \$22,000,000. The bulk of the increase is \$4 million for a capital acquisition to ensure that OFHEO has adequate computing resources to handle a growing number of transactions that must be analyzed to oversee the Enterprises. The \$27 million Budget Request decreased by \$4 million, which is for new computer equipment, is only \$23 million, \$1 million above the fiscal year 2001 enacted level. It does not support an expansion of existing programs or additional initiatives. This request supports 116 full-time equivalent (FTE) workyears, an increase of 5 FTEs over the current fiscal year 2001 plan. The estimated increase in FTE is attributed to staggered hiring in fiscal year 2001 of positions that will be filled for a full year in fiscal year 2002.

This year's request supports one major new initiative. The new initiative is the purchase of a large-scale server and computer tape back-up facility to meet the current and future computing needs of the Office. OFHEO's current computer capacity is not sufficient to meet the increased demands placed on it by the House Price Index (HPI), the stress test, examinations, and research without resulting in frequent system shutdowns and lost productivity.

It is imperative that OFHEO be able to enhance its computing environment in FY 2002 to respond to challenges of evaluating data pertaining to the business operations of the two large Enterprises that OFHEO oversees. Presently, OFHEO does not have the computing capacity to support efficient workflow for examination, capital and policy staff functions. The insufficient computing environment requires mission critical computing jobs to be staggered, rescheduled, and delayed. In short, the current data volume requires OFHEO to significantly update its computing environment immediately rather than instituting this capability over several years. This situation will only worsen over the next year as the stress test becomes fully operational and as OFHEO obtains additional loan level data on FHA loans and private sub-prime and jumbo loans. It is imperative and timely that the risks of these loans are determined, whereby their risks can be incorporated into the stress test. Furthermore, incrementally upgrading and installing components in phases is not cost effective as opposed to purchasing the server fully configured, which OFHEO can presently purchase at a more cost effective price. The purchase of the server fully configured, would enhance the ability of OFHEO in meeting its current and projected needs rather than in phases over an extended period of time.

An additional enhancement, critical to OFHEO's computing environment, is the purchase of additional data back-up resources to support the timely back-up and recovery of its current data capacity inclusive of future growth. The back-up solution is a critical component of OFHEO's IT infrastructure, which protects the organization from losing pertinent information in the event of a processing interruption or disaster scenario. An inadequate back-up and recovery methodology will create recurring data problems resulting in added costs to the organization, and could critically impede OFHEO from completing its mission by delaying production work if it is unable to recover from a processing interruption in a timely manner.

The request also includes a small Reception and Representation Fund of \$1,000. The fund would facilitate hosting meetings with industry and other external stakeholders to disseminate information and exchange ideas.

Funding

The following table summarizes obligations for OFHEO by object class.

	ACTUAL 2000 a/	BUDGET ESTIMATE 2001 b/	CURRENT ESTIMATE 2001 c/	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
(Dollars in Thousands)					
Personal Services .....	\$10,818	\$14,506	\$15,326	\$16,565	+\$1,239
Travel and Transportation Of Persons .....	\$86	\$294	\$275	\$302	+\$27
Transportation Of Things .....	\$17	\$106	\$56	\$10	-\$46
Rent, Communications, and Utilities .....	\$2,322	\$2,716	\$2,074	\$2,537	+\$463
Printing and Reproduction .....	\$40	\$238	\$238	\$232	-\$6
Other Services .....	\$4,922	\$6,042	\$3,197	\$2,634	-\$563
Supplies and Materials .....	\$167	\$212	\$235	\$328	+\$93
Furniture and Equipment .....	<u>\$1,244</u>	<u>\$1,686</u>	<u>\$1,204</u>	<u>\$4,392</u>	<u>+\$3,188</u>
Total Obligations .....	\$19,616	\$25,800	\$22,605	\$27,000	+\$4,395

- a/ Actual obligations include a recovery of \$133,203 of prior-year obligations.
- b/ Does not include the Amended Budget Request of \$26,770,000.
- c/ Current estimate includes \$605,000 anticipated recovery of prior year obligations in fiscal year 2001.

1. CHANGES FROM ESTIMATES INCLUDED IN 2001 BUDGET

The Enacted Budget was \$3,800,000 less than Budget Request of \$25,800,000. The budget was not enacted until after the fiscal year had commenced which meant that OFHEO had to do some contingency planning during the prior year in order to manage operations with flexibility to implement either the full Budget Request or a lower amount. OFHEO's capability in quickly absorbing unplanned changes to the budget is limited. OFHEO is small, having its major expenses concentrated in personal services. OFHEO does not have a reserve fund. OFHEO absorbed the anticipated reduction by curtailing planned spending in fiscal year 2000 and advancing some items budgeted in fiscal year 2001 to fiscal year 2000. OFHEO cut funding for specific projects: the development of a prototype of a proposed examiner workstation application, the SAMS project, a documentation project, an integrated human resources, payroll, procurement and financial system. At the same time, OFHEO was able to scale back expenses by also reducing reliance on contractor services through hiring additional staff. OFHEO also plans to recover \$605,000 from prior years for re-obligation in fiscal year 2001.

2. ANALYSIS OF INCREASES AND DECREASES

	CURRENT ESTIMATE 2001	ESTIMATE 2002
(Dollars in thousands)		
Prior-year obligations.....	\$19,616	\$22,605
Estimates for personal services.....	+4,508	+1,239
Change to travel costs.....	+189	+27
Change to transportation of things.....	+39	-46
Change to rent, communications and utilities	-248	+463
Change to printing and reproduction.....	+198	-6
Change to other services.....	-1,725	-563
Change to supplies and materials.....	+68	+93
Change to furniture and equipment.....	-40	+3,188
Total Obligations.....	\$22,605	\$27,000

EXPLANATION BY OBJECT CLASS

Personal Services. OFHEO's fiscal year 2002 budget seeks funding to maintain a staffing level sufficient to ensure that the Office has the capacity to fulfill its safety and soundness mission of regulating Fannie Mae and Freddie Mac. The Budget Request would enable OFHEO to increase staffing from the 111 FTE estimated in fiscal year 2001 to 116 FTE by the end of fiscal year 2002. The bulk of the workyears increase will bolster OFHEO's capacity in critical mission-related areas.

Travel. OFHEO is requesting an increase of \$27,000 in travel over the current year estimate. This increase represents examiner certification-related travel as well as the impact of the increase in planned workyears. In addition, the fiscal year 2002 request supports travel associated with increasing external communication requirements on regulatory matters. The fiscal year 2002 Budget Request supports continued participation of OFHEO staff in professional seminars, meetings, and joint training projects with other financial regulators which benefit mission-related work and support activities.

Transportation of Things. OFHEO is requesting a decrease of \$46,000 in this object class. This reflects no growth in staffing and the elimination of relocation during fiscal year 2002.

Rent, Communications and Utilities. The fiscal year 2001 Budget Request of \$2,537,000 includes full year funding for existing space, utilities, and communications. The \$463,000 increase from fiscal year 2001 primarily represents additional space leased to house OFHEO employees and the large-scale computer system. It also includes a small increase in rent provided for in the lease.

Printing and Reproduction. OFHEO believes that printing costs will go down by \$6,000, from the fiscal year 2001 estimate. This object class supports the printing and production of OFHEO's Annual Report, technical and analytical reports, and various OFHEO regulations.

Other Services. The fiscal year 2002 budget requests \$2,634,000 for other services, a decrease of \$563,000 from the prior year. The decrease in fiscal year 2002 reflects no new initiatives and marks the completion of testing the Financial Simulation Model (FSM) during fiscal year 2001. OFHEO is required by law to prohibit excessive executive compensation at the Enterprises, and OFHEO's strategic plan calls for a comprehensive compensation study to be done every five years. Our last study was conducted on 1996 compensation data. OFHEO is requesting funding to conduct a comprehensive study of the Enterprises compensation to their senior executives.

The Budget Request continues to fund administrative support systems and services through Interagency Agreements with other Federal agencies, contract services for information systems and specialized support services, and training for OFHEO employees.

Supplies and Materials. The fiscal year 2002 Budget Request reflects a \$93,000 increase in supplies and materials. This reflects the cost of office supplies for a full complement of staff, as well as, subscriptions, computer supplies, fax supplies and copier supplies. It also represents the marginal costs associated with the additional workyears planned for fiscal year 2002.

Furniture and Equipment. The fiscal year 2002 budget requests \$4,392,000 for furniture and equipment. The lion's share of this request, \$4 million, supports the procurement of a new large-scale server and tape back-up storage facility to meet the current and future computing needs of the Office. Our current computer system can no longer adequately support our mission critical activities. The current system is not capable of processing multiple activities and processing failures are becoming more commonplace as the system is being used beyond its recommended capacity. The new system will also be able to efficiently meet the future computing needs of the Office, consistent with OFHEO's Information Technology Plan. The balance of the request, \$392,000, will be used to continue existing software licenses and maintenance agreements, as well as, repair and replace broken or obsolete office equipment.

PROGRAM DESCRIPTION

1. SCOPE OF ACTIVITY

OFHEO functions as an independent office within HUD, responsible for regulation of Fannie Mae and Freddie Mac in matters of capital adequacy and financial safety and soundness. The Office is headed by the Director who is appointed by the President for a 5-year term and is responsible for the overall operation of OFHEO.

The Act requires OFHEO to develop and support a stress test to determine risk-based capital requirements and to conduct other research and financial analysis necessary for effective regulatory oversight of the GSEs. OFHEO is also required by statute to conduct annual examinations of Fannie Mae and Freddie Mac to determine the condition of each Enterprise for the purpose of ensuring their financial safety and soundness. The examinations are designed to identify the overall risks in the business activities of the Enterprises, and to determine if

those risks are being prudently managed, controlled, and monitored. Additional special examinations may be conducted as necessary, as determined by the Director.

2. WORKLOAD

A. **2000 Accomplishments**

Following are specific accomplishments during 2000:

RULEMAKING

- closed the extended comment period for the risk-based capital regulation;
- published notice soliciting reply comments on comments received on the two notices of proposed on risk-based capital regulation (NPR1 and NPR2);
- reviewed and analyzed all comments on risk-based capital, including reply comments, and made policy decisions to be implemented in the final regulation;
- published proposed and final regulations implementing the Electronic FOIA Amendments Act;
- published the final regulation establishing the Rules of Practice and Procedure related to the conduct of enforcement actions;
- published proposed and final regulations implementing the Equal Access to Justice Act;
- published final rule amending OFHEO's organization and function regulation; and
- published notice of regulatory project to ensure the adoption of written minimum safety and soundness standards and procedures for the Enterprises.

RESEARCH AND POLICY ANALYSIS

- classified each of the Enterprises as "adequately capitalized" each quarter applying regulatory minimum capital standards;
- continued quarterly publication of OFHEO's House Price Index, documenting changes in home prices for the nation, each state and the nine census regions, and expanded coverage to include most metropolitan areas;
- made a full and complete Report to Congress on OFHEO's activities and the condition of the Enterprises on June 15, 2000;
- responded to inquiries regarding the technical aspects of the proposed stress test and completed and posted technical analysis materials on OFHEO's web site before the close of the comment period in March, 2000;
- developed the Risk-Based Capital (RBC) Report, which uses a call report format to detail the technical specifications for Enterprise data submissions for the stress test;
- completed necessary analysis and adaptation of the stress test, including revising relevant software, to support the evaluation of alternatives necessary to complete a final rule;
- researched and analyzed new risks and risk-measurement technologies as suggested by public comments to support analysis for decisions on the final rule;
- continued to evaluate risks posed by new Enterprise activities; and
- continued to monitor changes to the comparability of executive compensation and the reasonableness of any termination packages at the Enterprises.

EXAMINATION AND OVERSIGHT

- completed the CY 1999 and initiated the CY 2000 annual continuous risk-based examinations of the Enterprises to ensure a comprehensive, ongoing assessment of safety and soundness;

- communicated the results and conclusions of the CY 1999 examinations to the Enterprises, their Boards of Directors and to the Congress;
- maintained the surveillance and monitoring programs to analyze risk exposures and ensure a comprehensive and timely assessment of the safety and soundness of the Enterprises;
- hosted and participated in joint meetings of the GSE Examination Council to foster communications among federal agencies that supervise government sponsored enterprises; and
- participated in professional development and joint training projects with other federal financial regulatory agencies to maintain and enhance examiners' expertise and to stay abreast of best practices in examination.

OFHEO INFRASTRUCTURE

- received an unqualified (clean) audit opinion on OFHEO's fiscal year 1999 financial report;
- created the Office of Information Technology to coordinate OFHEO's heavy reliance on technology;
- constructed the Data Warehouse which stores current and historical data in a manner that allows for flexible data retrieval and analysis;
- verified OFHEO's systems and cross-servicing providers as Year 2000 compliant, developed and implemented contingency plans, and monitored internal systems and external connections during the millennium date transition;
- upgraded OFHEO's network firewalls and ensured that its systems will be monitored 24 hours a day for suspicious or unauthorized activity; and
- upgraded OFHEO's network and IT infrastructure to provide enhanced capacity and performance.

**B. 2001 Plan**

OFHEO has identified the following objectives for completion in 2001:

RULEMAKING

- publish final risk-based capital regulation;
- publish OFHEO policy statement on minimum safety and soundness standards for the Enterprises;
- publish final regulation reorganizing and renumbering OFHEO regulations to accommodate anticipated expansion of regulatory infrastructure;
- publish final regulation making inflation adjustment for civil money penalty provisions of Rules of Practice and Procedure regulation;
- publish proposed and final regulations to clarify policies and procedures for calculating and collecting annual assessment from Enterprises;
- publish proposed and final regulations implementing the Rehabilitation Act;
- publish proposed and final amendment to Rules of Practice and Procedure regulation related to enforcement sanctions;
- publish proposed amendments to minimum capital regulation to accommodate changes in Generally Accepted Accounting Principles, to clarify reporting requirements and procedures, and to make supervisory monitoring of minimum capital more transparent;
- publish proposed regulation to implement the prompt corrective action provisions of the 1992 Act and to provide for early supervisory intervention;
- publish final regulations clarifying minimum standards affecting corporate governance and internal controls of the Enterprises;

- publish proposed regulation to clarify policies and procedures affecting review and approval of executive compensation and termination of benefits for Enterprise executive officers; and
- publish policy statement related to periodic review of regulations.

#### RESEARCH AND POLICY ANALYSIS

- continue quarterly classification of the capital adequacy of the Enterprises, applying regulatory minimum capital standards;
- continue quarterly publication of OFHEO's House Price Index, documenting changes in home prices for the nation, each state, the nine census regions, and metropolitan areas;
- make a full and complete Report to Congress on OFHEO's activities and the condition of the Enterprises by June 15, 2001;
- continue to evaluate new programs proposed by either Enterprise to determine if they could risk significant deterioration of the financial condition of that Enterprise;
- complete independent validation and verification of the Financial Simulation Model and its code;
- complete the RBC Report specifications for the Enterprises' data submission for the risk-based capital calculations;
- once the regulation is final, provide the Enterprises and the public with the code to run the stress test;
- create an analytical framework for and begin analysis of Financial Simulation Model results to inform the Director of risks, trends and emerging issues related to the financial condition of the Enterprises;
- begin research and analysis of evolving risk factors for eventual incorporation in the stress test, including credit scoring and subprime lending;
- conduct a study of systemic risks posed by the Enterprises;
- conduct research into areas of mortgage, housing and securities markets to better understand evolving and potential future changes in Enterprise risks; and
- continue to monitor changes to the comparability of executive compensation and the reasonableness of any termination packages at the Enterprises.

#### EXAMINATION AND OVERSIGHT

- complete the CY 2000 and initiate the CY 2001 annual continuous risk-based examinations of the Enterprises to ensure a comprehensive, ongoing assessment of safety and soundness;
- communicate the results and conclusions of the CY 2000 examinations to the Enterprises, their Boards of Directors and to the Congress;
- maintain the surveillance and monitoring programs to analyze risk exposures and ensure a comprehensive and timely assessment of the safety and soundness of the Enterprises;
- host and participate in joint meetings of the GSE Examination Council to foster communications among federal agencies that supervise government sponsored enterprises;
- participate in professional development and joint training projects with other federal financial regulatory agencies to maintain and enhance examiners' expertise and to stay abreast of best practices in examination; and
- develop component of examinations program to review internal models at the Enterprises.

#### OFHEO INFRASTRUCTURE

- continue to develop, implement and improve administrative and information systems and policies to support OFHEO's activities using the principles of the Government Performance and Results Act, the Government Management Reform Act, the Information Technology Management Reform Act and the Government Information Security Reform Act;
- continue to seek independent audit of OFHEO's financial statement and implement applicable audit recommendations from the prior year;
- seek independent audit of OFHEO's information security program, as mandated by the Government Information Security Reform Act;
- complete OFHEO's five-year Information Technology Plan; and
- install hardware and software upgrades to the OFHEO information technology infrastructure to support migration to a high-speed network.

**B. 2002 Goals**

OFHEO has identified the following objectives for completion in 2002:

RULEMAKING

- publish final amendments to minimum capital regulation to accommodate changes in Generally Accepted Accounting Principles, to clarify reporting requirements and procedures, and to make supervisory monitoring of minimum capital more transparent;
- publish final regulations to implement the prompt corrective action provisions of the 1992 Act and to provide for early regulatory intervention;
- publish final regulations clarifying minimum standards affecting corporate governance and internal controls of the Enterprises;
- publish final regulation clarifying policies and procedures affecting review and approval of executive compensation and termination of benefits for Enterprise executive officers;
- publish ANPR and proposed regulation affecting financial disclosures and reporting requirements for Enterprises;
- publish proposed regulation setting minimum standards for information systems and technology policies and practices of the Enterprises;
- publish proposed flood insurance regulations;
- publish proposed regulation to clarify regulatory safety and soundness policies and restrictions affecting permissible activities and investments of Enterprises; and
- revise risk-based capital regulation, if needed, to incorporate new products and improvements in risk measurement and any alterations of legal standards or regulations.

RESEARCH AND POLICY ANALYSIS

- continue quarterly classification of the capital adequacy of the Enterprises, applying regulatory minimum capital standards;
- calculate capital levels quarterly with the risk-based capital stress test and analyze the results to facilitate the Enterprises' transition to the risk-based capital regulatory regime;
- a year after the risk-based capital rule has been published in final, begin quarterly classification of capital adequacy using the risk-based capital standard;
- continue quarterly publication of OFHEO's House Price Index, documenting changes in home prices for the nation, each State, the nine census regions, and metropolitan areas;
- make a full and complete Report to Congress on OFHEO's activities and the condition of the Enterprises by June 15, 2002;



- continue to evaluate new programs proposed by either Enterprise to determine if they could risk significant deterioration of the financial condition of that Enterprise;
- develop and incorporate into the Financial Simulation Model appropriate stress test treatments for new Enterprise activities;
- improve the Financial Simulation Model based on OFHEO's research results and emerging developments affecting the Enterprises;
- continue to analyze the risks of the Enterprises and improve analytic capacity using the Financial Simulation Model and other analytical tools;
- research and analyze new risk-measurement technologies for future incorporation in the stress test;
- conduct research into areas of mortgage, housing and securities markets to better understand evolving and potential future changes in Enterprise risks; and
- conduct a study of the comparability of the executive compensation at the Enterprises with compensation at peer organizations.

#### EXAMINATION AND OVERSIGHT

- complete the CY 2001 and initiate the CY 2002 annual continuous risk-based examinations of the Enterprises to ensure a comprehensive, ongoing assessment of safety and soundness;
- communicate the results and conclusions of the CY 2001 examinations to the Enterprises, their Boards of Directors and to the Congress;
- maintain the surveillance and monitoring programs to analyze risk exposures and ensure a comprehensive and timely assessment of the safety and soundness of the Enterprises;
- host and participate in joint meetings of the GSE Examination Council to foster communications among federal agencies that supervise government sponsored enterprises; and
- participate in professional development and joint training projects with other federal financial regulatory agencies to maintain and enhance examiners' expertise and to stay abreast of best practices in examination.

#### OFHEO INFRASTRUCTURE

- purchase and install large-scale server to ensure that OFHEO can produce the quarterly risk-based capital calculations, quarterly House Price Index, and examination and research projects timely;
- purchase and install tape back-up solution to archive stress test runs involving large amount of data and calculations;
- continue to develop, implement and improve administrative and information systems and policies to support OFHEO's activities using the principles of the Government Performance and Results Act, the Government Management Reform Act, the Information Technology Management Reform Act and the Government Information Security Reform Act;
- continue to seek independent audit of OFHEO's financial statement and implement applicable audit recommendations from the prior year;
- continue to seek independent audit of OFHEO's information security program, as mandated by the Government Information Security Reform Act, and implement applicable audit recommendations from the prior year; and
- continue to improve the reliability and availability of the computer resources that support the regulatory infrastructure.

3. SUMMARY OF STAFFING REQUIREMENTS

All personnel in this office are assigned to Headquarters. OFHEO has no field offices. The FTE is as follows:

	<u>ACTUAL</u> <u>2000</u>	<u>CURRENT</u> <u>ESTIMATE</u> <u>2001</u>	<u>ESTIMATE</u> <u>2002</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2001 vs. 2002</u>
Full-time equivalent .....	87	111	116	5