Frequently Asked Questions on the Federal Financing Bank
October 1, 2013

1. **What is the Federal Financing Bank?**

The Federal Financing Bank (FFB) is a government corporation established by Congress in the Federal Financing Bank Act of 1973 (FFB Act).

2. **What does the FFB do?**

Under the FFB Act, the FFB is authorized to make commitments to purchase and sell any obligation that is issued, sold, or guaranteed by a federal agency, and any federal agency that is authorized to issue, sell, or guarantee any obligation is authorized to issue or sell such obligations directly to the FFB.

This means that the FFB provides direct financing to federal agencies and originates loans to third parties when the loans are guaranteed by federal agencies.

3. **How does the use of this extraordinary measure create headroom under the debt limit?**

Under the FFB Act, the FFB has authority to publicly issue up to $15 billion of its own debt securities. Before entering into the transaction, there were approximately $6 billion of FFB debt securities remaining outstanding, leaving the FFB with authority to issue approximately $9 billion of new FFB debt securities. Debt issued by the FFB does not count against the debt limit. In addition, FFB debt is an eligible investment for all government trust funds, including the Civil Service Retirement and Disability Fund (CSRDF).

The FFB entered into an exchange transaction (swap) with the CSRDF, swapping approximately $9 billion of FFB debt securities that do not count against the debt limit for an equal amount of Treasury securities held by the CSRDF that do count against the debt limit. The FFB then used the Treasury securities that it received from the CSRDF to pay down its own borrowings from the Treasury Department. The Treasury Department extinguished the Treasury securities it received from the FFB, thus creating approximately $9 billion of headroom under the debt limit statute.

4. **Will this action extend the date on which the United States exhausts its borrowing authority beyond October 17, 2013?**

No. Treasury’s projection – that the extraordinary measures combined would enable Treasury to extend its borrowing authority until no later than October 17, 2013 – already took into account using this measure.
5. **How does this transaction affect beneficiaries of the CSRDF?**

Federal retirees and employees will be unaffected by these actions.

6. **Has the FFB done this before?**

Yes. The FFB entered into this kind of swap transaction with the CSRDF during debt limit impasses in 1985, 1986, 1987, 2003, and 2004. The Comptroller General of the United States has concluded that the FFB-CSRDF swap is authorized by law and that it creates headroom under the debt limit.

7. **Why don’t FFB debt securities count against the debt limit?**

Under the terms of the debt limit statute, the FFB debt securities are not the kind of debt that is counted against the limit. In 1985, the Comptroller General of the United States concluded that FFB debt securities do not count against the debt limit. In 1996, the Justice Department’s Office of Legal Counsel confirmed that FFB debt securities do not count against the debt limit.

8. **Why is Treasury using this measure during this debt limit impasse even though it was previously described as “of limited use?”**

The FFB debt swaps were described in the Secretary’s May 17, 2013 letter to Congress. Although this measure is of limited value, Treasury has determined that it should be used given the urgency of the situation.