TABLE OF CONTENTS

Table of Contents
Message from the Chief Financial Officer .................................................................2
Management’s Discussion and Analysis .................................................................5
  Overview .....................................................................................................................6
  Financial Highlights ...............................................................................................8
  Loan Portfolio .........................................................................................................8
Management’s Report on Internal Controls over Financial Reporting ...............10
Budget Reconciliation .............................................................................................14
Annual Performance Report ....................................................................................17
  Strategic-Operational Relationship ..................................................................18
  Annual Performance Goals and Measures for FY 2017, and Report for FY 2016 .19
Performance Measures: Definition, Verification and Validation, and Accuracy ...27
Message from the Chief Financial Officer
November 15, 2016

Dear Reader,

I am pleased to present the Federal Financing Bank’s (FFB) 2016 Annual Report. The report covers the FFB’s performance and summarizes its success for the year. The FFB takes pride in providing timely, reliable, and meaningful information to all its stakeholders.

In fiscal year 2016, the FFB’s loan portfolio (loans receivable) increased by $2.3 billion, or 3.1 percent, to $76.3 billion from $74.0 billion. The FFB’s net position decreased by $191.6 million, or 4.0 percent, to $4.60 billion at September 30, 2016 from $4.79 billion at September 30, 2015. The decrease was the result of losses from capital transactions entered into as a means to make additional borrowing authority available to Treasury under the statutory debt limit.

Strong financial management and internal controls continue to be our highest priorities. During the year, the FFB conducted a comprehensive assessment of the effectiveness of internal controls over financial reporting. Based on the results, we can provide reasonable assurance that internal controls over financial reporting are operating effectively. In fiscal year 2016, the FFB received an unmodified opinion for the twenty-third consecutive year from its independent auditors. The auditors identified no deficiencies in the FFB’s internal control systems that were considered to be material weaknesses or control deficiencies.

During the fiscal year, the FFB completed 171 new lending commitments. These commitments include 109 loan agreements for the Rural Utilities Service totaling $2.4 billion; 13 loan agreements for the United States Postal Service totaling $11.6 billion; four loan agreements for the Department of Treasury’s Community Development Financial Institution Fund’s Bond Guarantee Program totaling $265 million; five loan agreements for the Department of Education totaling $99.6 million to fund loans to three Historically Black Colleges and Universities; two loan agreements for $500 million under the Guarantees for Bonds and Notes Issued for Electrification or Telephone Purposes Program guaranteed by the Rural Utilities Service; and 36 loan agreements, totaling $453.7 million, for the U.S. Department of Housing and Urban Development’s Section 542 Risk-Sharing Program.

On October 15, 2015, the FFB also issued $2.7 billion of debt obligations under Section 9(a) of the FFB Act as part of a transaction to make additional borrowing authority available to the Treasury under the statutory debt limit.

The FFB continues to devote significant resources to its core information technology (IT) system, the Loan Management Control System, for software upgrades that are part of a multi-year modernization. The software upgrades are currently on schedule and are planned to be completed by September 30, 2017. As the FFB is a small organization with limited human resources, IT is a valuable asset. We must effectively manage our IT
resources to successfully carry out our mission, and will continue to assess systems and processes as new technologies become available to increase efficiencies.

In 2017, we will continue our mission to lower the cost of Federal credit, to coordinate Federal program borrowings with the Government’s overall fiscal policy, and to ensure that Federal program borrowings are done in ways that are least disruptive to private markets.

Sincerely,

Gary H. Burner
Chief Financial Officer
Management’s Discussion and Analysis
Overview

The Federal Financing Bank (FFB) is a government corporation under the general supervision and direction of the Secretary of the Treasury. Congress created the FFB in 1973 at the request of the U.S. Department of the Treasury (Treasury). The FFB borrows from Treasury and lends to Federal agencies and private entities that have Federal guarantees. The FFB also has debt obligations issued to the Civil Service Retirement and Disability Fund.

Mission of the Federal Financing Bank

The mission of the FFB is to reduce the costs of Federal and federally assisted borrowings, to coordinate such borrowings with the 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 broad statutory authority to purchase obligations issued, sold, or guaranteed by Federal agencies.

Federal Financing Bank Objectives

The FFB was formed to be the vehicle through which Federal agencies finance programs involving the sale or placement of credit market instruments, including agency securities, guaranteed obligations, participation agreements, and the sale of assets. This principle is applied in a manner consistent with the Federal Financing Bank Act of 1973 (12 U.S.C. § 2281 et seq.) and its legislative history. However, guaranteed programs entailing large numbers of relatively small loans in which local origination and servicing are an integral part of the program are excluded from the FFB’s activities.

The FFB makes funds available to Federal agencies and to guaranteed borrowers in accordance with program requirements. The FFB is capable of providing a lending rate for any amount required and for nearly any maturity. The FFB’s methodology for terms such as prepayment provisions and service charges is applied consistently for all borrowers.

The lending policy of the FFB is flexible such that Federal agencies do not need to accumulate pools of funds. The policy does not preclude the maintenance of liquidity reserves for those agencies with such a need. In no case are funds provided by the FFB invested in private credit instruments or used to speculate in the market for public securities.
Organizational Structure

The FFB is subject to the general supervision and direction of the Secretary of the Treasury. The Board of Directors is comprised of the incumbents of the following Treasury offices: the Secretary of the Treasury, who, as provided by law, is the Chairman; the Deputy Secretary; the Under Secretary for Domestic Finance; the General Counsel; and the Fiscal Assistant Secretary.

The officers are incumbents of the following Treasury offices (corresponding FFB positions are in parentheses): the Under Secretary for Domestic Finance (President); the General Counsel (General Counsel); the Assistant Secretary for Financial Markets (Vice President); the Fiscal Assistant Secretary (Vice President); the Deputy Assistant Secretary for Public Finance (Vice President and Treasurer); and the Director, Office of Federal Lending (Secretary and Chief Financial Officer). As the office of Under Secretary for Domestic Finance is currently vacant, the Secretary of the Treasury, as Chairman of the FFB, has designated a temporary FFB President until an Under Secretary of Domestic Finance is confirmed. A delegation by the FFB President authorizes any FFB Vice President, in consultation with any other FFB officer, to exercise the powers of the President.

The FFB’s management structure consists of four areas of functional responsibility: Accounting, Information Technology (IT), Lending, and Operations. Each unit is headed by a Director that reports to the Chief Financial Officer. A description of each Director’s responsibilities follows:

- The Director of Accounting is responsible for loan transactions, including but not limited to, overseeing loan disbursements and repayments as well as managing accounting and financial reporting.
- The Director of Information Technology is responsible for management and oversight of the IT infrastructure, including but not limited to software development.
and maintenance of mission critical applications that support lending and accounting functions.

- The Director of Lending is responsible for loan administration functions, including but not limited to, loan origination, loan structuring, credit analysis, and managing customer relationships.
- The Director of Operations is responsible for the general management functions of the FFB, including but not limited to, budgeting, procurement, human resources, strategic planning, and facilities.

Financial Highlights

The FFB received an unmodified opinion from its independent auditors on its fiscal year 2016 and 2015 financial statements. The following is a synopsis of the FFB’s financial performance during the fiscal year. As of September 30, 2016, interest on loans of $2,227.8 million decreased by $418.1 million or 15.8 percent from the previous fiscal year due to prepayments for certain borrowers made in fiscal year 2015, with no similar prepayments made in fiscal year 2016. Legislatively mandated interest credits to borrowers under the Rural Utilities Service (RUS) “cushion of credit” program reduced interest income by $24.2 million for the fiscal year. Revenue from servicing loans totaled $1.3 million, which was a decrease from $1.4 million in the previous year.

Interest on borrowings of $1,948.1 million decreased by $279.1 million, or 12.5 percent, from $2,227.2 million in fiscal year 2016, primarily due to lower rates on outstanding borrowings. Net income of $247.0 million for the fiscal year represents a decrease from $352.1 million the previous year. The FFB’s net position decreased by $191.6 million, or 4.0 percent, to $4,595.5 million from $4,787.2 million at September 30, 2016. This decrease was the result of losses from capital transactions entered into as a means to make additional borrowing authority available to Treasury under the statutory debt limit.

<table>
<thead>
<tr>
<th>Loan Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>The FFB makes funds available to Federal agencies and to guaranteed borrowers in accordance with agency program requirements. All of the loans</td>
</tr>
</tbody>
</table>
in the FFB’s portfolio are federally guaranteed or have a commitment to be full faith and credit obligations of the United States. During the fiscal year, the loan portfolio increased by $2.3 billion or 3.1 percent to $76.3 billion from $74.0 billion on September 30, 2016. The net change during the year was the result of an increase in net holdings of loans with 100 percent Federal guarantees of $2.6 billion and a decrease in loans purchased from agencies of $346.9 million.

**Taxpayer Savings**

The FFB achieves taxpayer savings by reducing the costs of Federal and federally assisted borrowings. Each year, the FFB estimates the annual taxpayer savings generated by its lending activities by measurement of two factors. First, for loans to Federal agencies, it measures the present value of the difference between the estimated amount of interest that the agency would have paid had the loan been financed in the market and the amount of interest that the FFB pays to Treasury. Second, for guaranteed loans, it measures the present value of the fees charged to borrowers on new loans.

The FFB estimates that its lending activities generated $163.9 million in savings in fiscal year 2016. These savings are attributable, in part, to the following loan activity in fiscal year 2016:

- Department of Energy’s Title XVII loan program – No new commitments and $1.1 billion disbursed;
- RUS loan guarantee program – 109 new guaranteed notes, totaling $2.4 billion committed, with $3.3 billion disbursed; and
- The Department of Housing and Urban Development’s (HUD) Section 542 Risk-Sharing program – 36 loans financed, totaling $453.7 million with $453.7 million disbursed.
Management’s Report on Internal Controls over Financial Reporting
The Chief Financial Officers Act of 1990 requires the annual management report of a government corporation to include a statement on internal accounting and administrative control systems, consistent with the requirements for statements on such systems from government agencies under the amendments to the Accounting and Auditing Act of 1950 made by the Federal Managers’ Financial Integrity Act of 1982, as amended (FMFIA). FMFIA requires each government agency to establish internal accounting and administrative control systems that provide reasonable assurance that:

- obligations and costs comply with applicable law;
- all assets are safeguarded against waste, loss, unauthorized use, and misappropriation;
- revenues and expenditures applicable to agency operations are recorded and accounted for properly; and
- reliable, complete financial and statistical reports are prepared, and accountability for assets is maintained.

FMFIA also requires each agency to conduct an evaluation of its internal accounting and administrative control systems in accordance with the guidelines established by the Office of Management and Budget (OMB) in consultation with the Government Accountability Office (GAO) and requires the head of each agency to state whether the agency’s systems provide reasonable assurance that they are achieving their intended objectives.

The FFB conducted its assessment of the effectiveness of internal control over financial reporting which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123, Management’s Responsibility for Internal Control. Based on the results of this evaluation, the FFB can provide reasonable assurance that its internal control over financial reporting, as of June 30, 2016, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. In addition, Treasury’s Office of the Inspector General engaged an independent auditor, KPMG, LLP, who evaluated the internal accounting and administrative control systems of the FFB. The independent auditor found no material weaknesses for fiscal year 2016.

Accordingly, we believe that the FFB’s systems of internal accounting and administrative control fully comply with the requirements for agency internal accounting and administrative control systems, providing reasonable assurance that they are achieving the intended objectives.

Sincerely,

Antonio F. Weiss
President
Summary of Financial Statement Audit and Management Assurances

During the fiscal year 2016 audit, the FFB’s auditor, KPMG, LLP, noted no matters involving the internal control over financial reporting that they considered to be a material weakness.

Summary of Financial Statement Audit

<table>
<thead>
<tr>
<th>Audit Opinion</th>
<th>Unmodified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restatement</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Weaknesses</th>
<th>Beginning Balance</th>
<th>New</th>
<th>Resolved</th>
<th>Consolidated</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Total Material Weaknesses: 0

Summary of Management Assurances

**Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)**

<table>
<thead>
<tr>
<th>Statement of Assurance</th>
<th>Unmodified</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Material Weaknesses</th>
<th>Beginning Balance</th>
<th>New</th>
<th>Resolved</th>
<th>Consolidated</th>
<th>Reassessed</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Total Material Weaknesses: 0
## Effectiveness of Internal Control over Operations (FMFIA § 2)

<table>
<thead>
<tr>
<th>Statement of Assurance</th>
<th>Unmodified</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Material Weaknesses</strong></td>
<td></td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>New</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Material Weaknesses</strong></td>
<td></td>
</tr>
</tbody>
</table>

## Conformance with financial management system requirements (FMFIA § 4)

<table>
<thead>
<tr>
<th>Statement of Assurance</th>
<th>Systems conform</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Conformance</strong></td>
<td>Beginning Balance</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total non-conformance</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

## Compliance with Federal Financial Management Improvement Act (FFMIA)

<table>
<thead>
<tr>
<th></th>
<th>Agency</th>
<th>Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall Substantial Compliance</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>1. System Requirements</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2. Accounting Standards</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>3. USSGL at Transaction Level</td>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>
Budget Reconciliation
The Statement of Budgetary Resources (SBR) for fiscal year 2015 has been reconciled to the fiscal year 2015 actual amounts on the Program and Financing (P&F) Schedule presented in the Budget of the United States Government, Fiscal Year 2016 - Appendix. A table representing this comparison is shown on page 16 of this report.

The reconciliation between the Statement of Budgetary Resources and the P&F Schedule for fiscal year 2016 cannot be performed since fiscal year 2016 actual amounts will not be available until the Budget of the United States Government, Fiscal Year 2018 – Appendix is published. The Statement of Budgetary Resources for fiscal year 2016 will be reconciled to the P&F Schedule for fiscal year 2016 after the fiscal year 2018 Budget is released.
## Obligations by program activity:

<table>
<thead>
<tr>
<th></th>
<th>SBR</th>
<th>P&amp;F</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total new obligations</td>
<td>2,251</td>
<td>2,251</td>
<td>0</td>
</tr>
</tbody>
</table>

## Budgetary Resources:

### Unobligated balance:

<table>
<thead>
<tr>
<th></th>
<th>SBR</th>
<th>P&amp;F</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unobligated balance bought forward, Oct 1</td>
<td>1,054</td>
<td>1,054</td>
<td>0</td>
</tr>
<tr>
<td>Borrowing authority</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unobligated balance transfer from other accounts</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unobligated balances applied to repay debt</td>
<td>(40)</td>
<td>(40)</td>
<td></td>
</tr>
<tr>
<td>Unobligated balance (total)</td>
<td>1,014</td>
<td>1,014</td>
<td>0</td>
</tr>
</tbody>
</table>

### Spending authority from offsetting collections, mandatory:

<table>
<thead>
<tr>
<th></th>
<th>SBR</th>
<th>P&amp;F</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collected</td>
<td>2,591</td>
<td>2,591</td>
<td>0</td>
</tr>
<tr>
<td>Total budgetary resources available</td>
<td>3,605</td>
<td>3,605</td>
<td>0</td>
</tr>
<tr>
<td>Total new obligations</td>
<td>(2,251)</td>
<td>(2,251)</td>
<td>0</td>
</tr>
<tr>
<td>Unexpired unobligated balance, end of year</td>
<td>1,354</td>
<td>1,354</td>
<td>0</td>
</tr>
</tbody>
</table>

## Change in obligated balance:

### Unpaid obligations:

<table>
<thead>
<tr>
<th></th>
<th>SBR</th>
<th>P&amp;F</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations incurred, unexpired accounts</td>
<td>2,251</td>
<td>2,251</td>
<td>0</td>
</tr>
<tr>
<td>Outlays (gross)</td>
<td>(2,251)</td>
<td>(2,251)</td>
<td>0</td>
</tr>
</tbody>
</table>

## Budgetary authority and outlays, net:

### Mandatory:

<table>
<thead>
<tr>
<th></th>
<th>SBR</th>
<th>P&amp;F</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget authority gross</td>
<td>2,591</td>
<td>2,591</td>
<td>0</td>
</tr>
<tr>
<td>Outlays, gross:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outlays from new mandatory authority</td>
<td>2,251</td>
<td>2,251</td>
<td>0</td>
</tr>
<tr>
<td>Offsets against gross budget authority and outlays:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offsetting collections (collected) from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal sources</td>
<td>(2,591)</td>
<td>(2,591)</td>
<td>0</td>
</tr>
<tr>
<td>Outlays, net (total)</td>
<td>(340)</td>
<td>(340)</td>
<td>0</td>
</tr>
</tbody>
</table>
Annual Performance Report
Strategic Goals

The FFB’s Strategic Plan covers Fiscal Years 2014-2017 and is aligned with the Treasury’s Strategic Plan. The FFB’s Strategic Plan was developed collaboratively with employees and senior management and guides the FFB’s efforts to support the mission of lowering the cost of federal credit. The FFB retained the measures originally described in the 2015 annual report that are still effective indicators of the FFB’s performance. The FFB's plan has five strategic goals to achieve its mission.

- Execute robust, consistent, and controlled day-to-day operations;
- Reduce public borrowing costs by offering creative new products and services consistent with legal authorities;
- Pursue legislative and administrative strategies to allow the FFB to provide more solutions to achieve public policy objectives;
- Enhance technology infrastructure to improve operations and support the workforce’s ability to achieve the FFB’s goals; and
- Attract, develop, and retain a competent, highly motivated, and diverse workforce.

Strategic-Operational Relationship

The relationship between the FFB’s Goals outlined in its 2014-2017 Strategic Plan and its 2016 & 2017 annual program performance goals are shown in the chart below.

<table>
<thead>
<tr>
<th>General Goals from Strategic Plan</th>
<th>2016/2017 Annual Performance Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Execute robust, consistent, and controlled day-to-day operations.</td>
<td>Execute the day-to-day operations of the FFB in a control-oriented, transparent, and efficient manner.</td>
</tr>
<tr>
<td>Reduce public borrowing costs by offering creative new products and services, consistent with existing legal authorities.</td>
<td>Increase savings to taxpayers by expanding customer base and types of services offered.</td>
</tr>
<tr>
<td>Pursue legislative and administrative strategies to allow the FFB to provide more solutions to public policy objectives.</td>
<td>No applicable annual goals for this element in 2016. Goals for this item will be addressed in future years.</td>
</tr>
<tr>
<td>Enhance technology infrastructure to improve operations and support the workforce’s ability to achieve FFB’s mission and goals.</td>
<td>Enhance system capabilities to support business processes and the modernization of FFB’s Loan Management and Control System.</td>
</tr>
<tr>
<td>Attract, develop, and retain a competent, highly motivated, and diverse workforce.</td>
<td>Further enhance the FFB’s expertise by committing resources to employee development.</td>
</tr>
</tbody>
</table>
For each Strategic Goal, the annual performance plan identifies supporting annual performance goals to measure accomplishments. Due to external factors, there are no corresponding annual goals for Strategic Goal 3 in fiscal year 2017.

The strategies to achieve the performance plan rely on the processes and technologies continually refined since the inception of the FFB in 1973. In particular, the FFB staff has developed specialized experience and skills in advanced financial information technology to provide sophisticated financing to its customers.

As mandated by the Government Performance and Results Act of 1993 (GPRA), Federal agencies identify critical activities, devise pertinent performance measures, and report on these activities to the President and Congress. We have identified the following key measures to monitor and manage our operations.

**Annual Performance Goals and Measures for FY 2017, and Report for FY 2016**

**Goal 1: Execute the day-to-day operations of the FFB in a control-oriented, transparent, and efficient manner.**

Each year, the FFB processes tens of thousands of payments, collections, pricing transactions, new lending notes, reconciliations, reports, and other financial transactions. Day-to-day operations are the organization’s most important priority. Strategic Goal 1 addresses the FFB’s operational performance and responsibility for stewarding public money. The FFB will meet this goal by (1) executing loan transactions in an accurate and efficient manner; (2) ensuring the timely issuance of internal and external communications; and (3) enhancing its documented knowledge base.

**Performance Measure 1A: Number of weaknesses in internal control systems identified by independent auditors**

In fiscal year 2016, the FFB achieved its annual performance goal of zero material weaknesses in internal control systems. The FFB received an unmodified opinion for the twenty-third consecutive year. In June 2016, the FFB completed an in-depth testing of its internal accounting and administrative control procedures in accordance with OMB Circular No. A-123, Management’s Responsibility for Internal Control. As a result of this review, the FFB can provide reasonable assurance that its internal control over financial reporting, as of June 30, 2016, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.
Performance Measure 1B: Percentage of monthly activity reports published on the FFB website within two weeks of the subsequent month.

The FFB’s monthly activity report helps inform the public and other stakeholders about the FFB’s lending activity. These reports provide information about the FFB’s total outstanding obligations and program-specific lending activity. The FFB began tracking this metric in fiscal year 2014. The FFB did not meet this goal in fiscal year 2016. The FFB produced 83 percent of its activity reports within two weeks of the close of the subsequent month. The October 2015 report was delayed due to additional processing time needed for end of fiscal year 2015 data contained in that report. The July 2016 report was posted shortly after the targeted timeline due to delays in the web posting process. In fiscal year 2017, the FFB will strengthen its verification activities around the timely posting of activity reports to ensure these reports are consistently issued in a timely manner.

Performance Measure 1C: Number of Meetings of the FFB Board of Directors in Fiscal Year 2016.

Pursuant to the Federal Financing Bank Act of 1973, the FFB is governed by a Board of Directors chaired by the Secretary of the Treasury and comprised of other senior Treasury officials. In 2014, the Chairman of the FFB Board of Directors issued a standing order for semi-annual board meetings. The FFB did not meet this goal in fiscal year 2016. The FFB held one Board of Directors meeting in September. The first semi-annual meeting of 2016 was postponed and ultimately merged with the second semi-annual to allow time for certain agenda topics to develop for a more substantive meeting agenda and Board discussion.
Performance Measure 1D:  Number of legacy paper files submitted for digital imaging and archiving.

In fiscal year 2014, the FFB began an initiative to digitize and archive hard-copy accounting and loan documents. Accordingly, the FFB created a digital document library to ensure historical FFB documentation was easily accessible by staff and began reviewing legacy files for submission to Treasury’s Office of Records Management for electronic imaging. This initiative continued in fiscal year 2016. The FFB exceeded its goal for fiscal year 2016 by submitting 260 separate paper files, exceeding 30,000 pages, to Treasury’s records officials for imaging. Digitized copies of scanned files are available for staff reference in FFB’s digital document library.

Performance Measure 1E: Percentage of loan transactions processed accurately and on time.

In fiscal year 2016, the FFB achieved its performance goal of completing 100% of loan transactions on time. The FFB successfully processed 875 loan disbursements, 4,081 transaction pricings, and 38,706 loan repayments without incident.
Goal 2: Increase savings to taxpayers by expanding customer base and types of services offered.

The FFB continues to provide innovative and customized solutions to Federal borrowing needs. FFB staff is recognized as a key source of specialized expertise in Federal program finance with information technology to support sophisticated financial solutions. The FFB will continue to meet this goal by delivering a range of creative products to customers in a timely manner.

**Performance Measure 2A: Persuade a new Federal credit program to finance its loans through the FFB.**
The FFB did not meet this performance goal in fiscal year 2016 but is in active discussions with Federal entities concerning the development of two new programs that, if implemented, would be financed by the FFB in the first half of 2017.

Performance Measure 2B: Increase outreach to publicize FFB financing options by establishing an annual target for presentations to potential customer Federal agencies.

During fiscal year 2016, the FFB consulted with four Federal organizations about financing new loan programs. Two of these consultations have led to substantive negotiations on financing terms, which will continue into fiscal year 2017.

Goal 3: Enhance system capabilities to support business processes and modernize the FFB’s Loan Management and Control System

Information technology is crucial to the FFB in fulfilling its mission. During the year, the FFB invested heavily in technology to improve operational efficiency and provide stakeholders with the most useful and accurate information.

Performance Measure 3A: Modernize the FFB’s core lending and accounting system by converting legacy code to more widely supported programming language.

The FFB’s core lending and accounting system, the Loan Management Control System (LMCS), has supported the FFB’s activities since the 1980’s. LMCS is highly reliable, accurate, and essential to the day-to-day operations. To ensure LMCS’s continued viability,
the FFB is working on a multi-year initiative to transition the system to newer and more widely-supported technologies, including conversion of the legacy FORTRAN code into more widely-supported programming languages.

![Conversion Completion Percentage](image)

To measure its success against this goal, the FFB tracks the lines of code it has converted against a deadline of converting the entire system by the end of fiscal year 2017. The FFB’s fiscal year 2016 goal was to complete 55 percent of the code conversion. The FFB exceeded its goal by completing 56.4 percent of the code conversion. By the end of fiscal year 2016, the FFB converted 248 program modules, totaling 63,564 lines of code. The FFB’s fiscal year 2017 goal is the successful conversion of all FORTRAN code.

**Performance Measure 3B: Percentage of change requests processed in conformance with enhanced Change Management processes.**

![Change Request Processing](image)
In 2014, the FFB implemented enhanced processes for the review, tracking, testing, and approval of system changes to improve change control process, and begun tracking compliance with these new procedures in 2015. In fiscal year 2016, the FFB processed 100 percent of its 110 change requests in conformance with its procedures. Of the 110 change requests that were processed, 84 of the items were related to FFB’s ongoing operations and maintenance of LMCS, while the remaining 26 items were related to FFB’s modernization effort.

**Performance Measure 3C: Modernize the FFB’s external website to improve the appearance and navigation to enhance the effectiveness of the website for the public.**

The FFB did not meet its 2016 goal of deploying an updated website. The delay in deployment resulted from the FFB’s pursuit a more cost-effective means to update and manage its website through a shared service provider. This change in strategy required additional planning which extended the FFB’s timeline for this initiative. In September 2016, the FFB executed an interagency agreement with the General Services Administration to provide the platform and tools to update the FFB’s website, and is currently developing the designs for the new site. Accordingly, the FFB is including the successful deployment of its public facing website in its 2017 goals.

**Goal 4: Further enhance the expertise of the FFB by committing resources to employee development.**

The FFB’s goal is to deliver management and organizational excellence through effective management and maintaining and developing a highly skilled workforce. The FFB will continue to improve its management processes and employee development programs.
**Performance Measure 4: Percentage of employees participating in career development programs.**

The FFB has been successful in attracting and retaining a highly motivated and diverse workforce. The FFB makes staff training, retention, and development a priority to ensure that employees have the specialized skills to provide high quality service to customers. In fiscal year 2016, FFB achieved its performance goal in this area by having 90 percent of its staff participate in a career development.

In addition to attending training at commercial providers, our employees took advantage of development opportunities offered by Treasury, the Federal Acquisition Institute, the Treasury Executive Institute, and Treasury’s Bureau of the Fiscal Service.
Performance Measures: Definition, Verification and Validation, and Accuracy
Performance Measures: Definition, Verification and Validation, and Accuracy

**Performance Measure 1A:** Number of material weaknesses in internal control systems identified by independent auditors.

**Definition:** Material weaknesses as identified in the annual audit are eliminated.

**Verification and Validation:** This measure will be verified through the FFB’s annual audit. Material weaknesses are listed in the annual audited financial statements.

**Accuracy:** The measurement will be exact.

**Performance Measure 1B:** Percentage of monthly activity reports published on the FFB website within two weeks of the subsequent month.

**Definition:** This measure is the number of monthly activity reports that are posted on the FFB website within two weeks of the subsequent month. Success will be 90 percent of reports posted within the stated timeframe.

**Verification and Validation:** This measure will be verified by comparing the time stamp of posting confirmations received by Treasury’s Office of the Chief Information Officer with the date of the press releases and counting those releases which were posted within two weeks of the subsequent month.

**Accuracy:** The measurement will be exact.

**Performance Measure 1C:** Number of meetings of the FFB Board of Directors in fiscal year 2016.

**Definition:** This measure is the number of FFB Board of Directors meetings with a quorum of Board Members present. Success will be two meetings in 2016.

**Verification and Validation:** This measure will be verified by counting the number of Board of Directors meetings that occur within the fiscal year.

**Accuracy:** The measurement will be exact.
**Performance Measure 1D:** Number of legacy paper files submitted for digital imaging and archiving.

**Definition:** This measure is the number of inactive accounting and/or loan files held in paper copy only that the FFB has submitted to Treasury's records office for digital imaging and archiving. Success will be 200 or more files submitted for imaging and archiving.

**Verification and Validation:** This measure will be verified using a file tracker created and maintained by the FFB to perform a file-level tracking of all legacy files it has submitted for digitization and archiving.

**Accuracy:** The measurement will be exact.

---

**Performance Measure 1E:** Percent of loan transactions processed accurately and on time.

**Definition:** This measure is the number of loan disbursements and payments processed on time and accurately. Success will be 100 percent of loans processed accurately and on time.

**Verification and Validation:** This verification is achieved by internal and external auditing.

**Accuracy:** The measurement will be exact.

---

**Performance Measure 2A:** Persuade new federal credit programs to finance their loans through the FFB.

**Definition:** This measure is the number of new federal credit programs that finance through the FFB during the fiscal year. Success is one or more new participants.

**Verification and Validation:** This verification will be achieved by counting the number of new programs with loan balances, showing that a new loan program has begun financing through the FFB. This information will also be listed in the annual audited financial statements.

**Accuracy:** The measurement will be exact.
Performance Measure 2B: Increase outreach to publicize FFB financing options by establishing an annual target for presentations to potential customer Federal agencies.

Definition: This measure is the process of publicizing the FFB’s achievements by distributing information about the FFB and its pricing, and by scheduling meetings and making presentations to interested parties. The focus of these outreach efforts is to make as widely available as possible FFB services, expertise, and financing capabilities. Success is the facilitation of three or more presentations and/or continuing substantive discussions or negotiations with Federal entities on financing terms or program development.

Verification and Validation: This verification is achieved by counting the number of presentations made and informal meetings with interested parties.

Accuracy: The measurement will be exact.

Performance Measure 3A: Modernize the FFB’s core lending and accounting system by converting legacy code to a more widely supported programming language.

Definition: This measure is the number of separate lines of code that have been converted from legacy FORTRAN code. Success is meeting the respective percentage benchmarks for each fiscal year.

Verification and Validation: The FFB will maintain a requirements traceability matrix to track completion and progress of the code conversion.

Accuracy: The measurement will be exact.

Performance Measure 3B: Percentage of change requests processed in conformance with enhanced change management processes.

Definition: This measure is the percent of change requests that are processed in accordance with the FFB’s 2014 procedures governing configuration management, change control, and deployment. Success is 100 percent compliance.

Verification and Validation: The FFB maintains records of all change requests and related processing on a shared file management platform. These records will be used to track compliance with the FFB’s change management processes.

Accuracy: The measurement will be exact.
Performance Measure 3C: Modernize the FFB’s external website to improve the appearance and navigation to enhance the effectiveness of the website.

**Definition:** A newly designed version of the FFB website will be completed and deployed for access by the general public by the end of fiscal year 2016.

**Verification and Validation:** Verification will be deployment of an updated version of the FFB website accessible by the public.

**Accuracy:** The measurement will be exact.

Performance Measure 4: Percent of employees participating in career development programs.

**Definition:** Success is 90 percent or greater of all employees receiving ongoing career training.

**Verification and Validation:** This verification is achieved by counting the number of employees that have completed in-house or external training.

**Accuracy:** The measurement will be exact.