



MUNICIPAL OFFICE COMPLEX
8401 W. MONROE STREET
PEORIA, AZ 85345

**VISTANCIA COMMUNITY FACILITIES
DISTRICT BOARD
SPECIAL MEETING NOTICE & AGENDA
Tuesday, November 15, 2011
7:01 PM
(to follow Regular City Council Meeting)
CITY COUNCIL CHAMBER**

**CONVENE:
ROLL CALL:**

DISTRICT BOARD:

Chairperson
Bob Barrett

Vice Chairperson
Cathy Carlat

Board Members
Ron Aames
Joan Evans
Carlo Leone
Dave Pearson
Tony Rivero

District Manager
Carl Swenson

CONSENT AGENDA

CONSENT AGENDA: All items listed with "C" are considered to be routine or have been previously reviewed by the Board, and will be enacted by one motion. There will be no separate discussion of these items unless a Board Member so requests; in which event the item will be removed from the General Order of Business, and considered in its normal sequence on the Agenda.

CONSENT – New Business:

1C Minutes

Discussion and possible action to approve the Vistancia Community Facilities District Board Special Meeting Minutes of September 6, 2011.

2C Investment Report, Quarter Ended September 30, 2011

Discussion and possible action to accept the Investment Report for the Quarter Ended September 30, 2011.

CALL TO THE PUBLIC: (NON-AGENDA ITEMS)

If you wish to address the District Board, please complete a Speaker Request Form and return it to the Clerk before the call to order for this meeting. The District Board is not authorized by state law to discuss or take action on any issue raised by public comment until a later meeting.

ADJOURNMENT

NOTE: Documentation (if any) for items listed on the Agenda is available for public inspection, a minimum of 24 hours prior to the District Board Meeting, at any time during regular business hours in the Office of the City Clerk, 8401 W. Monroe Street, Room 150, Peoria, AZ 85345.

Accommodations for Individuals with Disabilities. *Alternative format materials, sign language interpretation, assistive listening devices or interpretation in languages other than English are available upon 72 hours advance notice through the Office of the City Clerk, 8401 West Monroe Street, Room 150, Peoria, Arizona 85345 (623)773-7340, TDD (623)773-7221, or FAX (623) 773-7304. To the extent possible, additional reasonable accommodations will be made available within the time constraints of the request.*

MINUTES OF THE VISTANCIA COMMUNITY FACILITIES DISTRICT BOARD
CITY OF PEORIA, ARIZONA
COUNCIL CHAMBER
September 6, 2011

A **Special Meeting** of the Vistancia Community Facilities District Board was convened at 8401 West Monroe Street in open and public session at 7:51 p.m.

Members Present: Board Chairperson Bob Barrett; Vice Chairperson Cathy Carlat; Board Members, Ron Aames, Joan Evans, Carlo Leone, Dave Pearson and Tony Rivero.

Members Absent: None

Other Municipal Officials Present: Carl Swenson, District Manager; Susan Daluddung, Deputy District Manager; Susan Thorpe, Deputy District Manager; Steve Kemp, District Counsel; Wanda Nelson, District Clerk; Andy Granger, Engineering Director; Katie Gregory, Interim Management and Budget Director; Chris Jacques, Planning and Community Development Director; Bo Larsen, Public Information Manager; Bill Mattingly, Public Works and Utilities Director; Brent Mattingly, Finance Director; Roy Minter, Police Chief; Wynette Reed, Human Resources Director; Claudia Luján, Assistant to the District Manager; Rhonda Geriminsky; Chief Deputy District Clerk.

Audience: Approximately 15 members of the public were present.

Note: The order in which items appear in the minutes is not necessarily the order in which they were discussed in the meeting.

CONSENT AGENDA: All items listed with a "C" are considered to be routine or have been previously reviewed by the District Board and will be enacted by one motion. There will be no separate discussion of these items unless a Board Member so requests; in which event the item will be removed from the General Order of Business and considered in its normal sequence on the Agenda.

CONSENT – New Business:

Chairperson Barrett asked if any Board Member wished to have an item removed from the Consent Agenda. Having no requests from the Board, motion was made by Vice Chairperson Carlat, seconded by Board Member Rivero, to approve the Consent Agenda.

Upon vote, the motion carried unanimously 7 to 0.

1C Minutes

Approved the June 21, 2011 VCFD minutes.

2C Investment Report for the Year Ended June 30, 2011

Reviewed and accepted the Annual Investment Report for the Year Ended June 30, 2011.

CALL TO THE PUBLIC: (NON-AGENDA ITEMS)

None.

ADJOURNMENT:

Being no further business to come before the District Board, the meeting was duly adjourned at 7:51 p.m.

Bob Barrett, District Chairperson

ATTEST:

Wanda Nelson, District Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct summary of the proceedings of the Special Meeting of the Vistancia Community Facilities District held on the 6th day of September, 2011. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 15th day of November, 2011.

(Seal)

Wanda Nelson, District Clerk

**CITY OF PEORIA, ARIZONA
VISTANCIA COMMUNITY FACILITIES DISTRICT
DISTRICT COMMUNICATION**

VCFD Agenda Item: 2C

Date Prepared: October 31, 2011

District Meeting Date: November 15, 2011

TO: Carl Swenson, District Manager
FROM: Brent D. Mattingly, Chief Financial Officer *BDM*
THROUGH: Susan Thorpe, Deputy District Manager
SUBJECT: Investment Report for the Quarter Ended September 30, 2011

Purpose:

This is a request for the District Board to review and accept the Investment Report for the Quarter Ended September 30, 2011.

Background/Summary:

The Finance Department has prepared an annual report in compliance with Peoria's adopted Investment Policy. The report summarizes the District's investment activity for the period from July 1, 2011 to September 30, 2011. The District's total investment portfolio earned an average yield of 0.49% for the 1st Quarter of FY 2012. This represents investment income of \$19,696 for the quarter. The average cash balance of the District's portfolio during the quarter was \$19,683,164 and the ending balance for the total investment portfolio was \$18,148,689 which represents all securities and money market funds.

Previous Actions:

There are no previous actions for this item.

Options:

The District Board may select the following options:

- A:** Accept the Quarterly Investment Report as presented
- B:** Not accept the Quarterly Investment Report and request additional information from staff

Staff's Recommendation:

Staff recommends that the District Board review and accept the Annual Investment Report for the Quarter Ended September 30, 2011 as presented.

Fiscal Analysis:

This item has no financial implications.

Narrative:

The annual report provides comparative investment yields, portfolio composition, average maturity lengths, comparisons of market value and book value, and a brief summary of the economy. An Inventory Holdings Report, which itemizes each security in the District's investment portfolio by fund, security type, and cusip number has been included as Exhibit 2. A brief glossary of security definitions has also been included as Exhibit 3.

Exhibit(s):

Exhibit 1: Investment Report for the Quarter Ended September 30, 2011

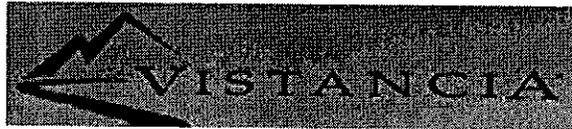
Exhibit 2: Inventory Holdings Report for the Quarter Ended September 30, 2011

Exhibit 3: Glossary of Security Definitions

Contact:

Deborah Card, Treasury Manager, X7148
Title DEF

**VISTANCIA COMMUNITY FACILITIES
DISTRICT
PEORIA, ARIZONA**



INVESTMENT PERFORMANCE REPORT

Annual Report

Period Ended

September 30, 2011

Brent D. Mattingly

District Chief Financial Officer

TABLE OF CONTENTS

Section	Description	Page
I.	INTRODUCTION.....	2
II.	INVESTMENT POLICY COMPLIANCE	3
III.	INVESTMENT PERFORMANCE	3
	A. Portfolio Composition.....	3
	B. Average Invested Cash Balances.....	4
	C. Investment Income.....	4
	D. Comparative Investment Yields	4
	E. Average Maturity of Portfolio.....	5
	F. Comparison of Market Value and Book Value	5
V.	ECONOMIC REVIEW	6
VI.	SUMMARY DATA	7

I. INTRODUCTION

This report reflects investment activity for the period of June 30, 2011 to September 30, 2011 for the District's investment management program. The District's funds are invested in accordance with the City's Investment and Portfolio Policies, approved and adopted in January 1992 by the City Council, with revisions approved in June 2005. The policy requires that the investment program meet the following criteria, listed in order of importance:

- Safety - *Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.*
- Liquidity - *The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements.*
- Yield - *The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, while taking into account the City's strict risk constraints.*

In keeping with these principles, staff continued to invest the District's funds only in allowable, safe securities and to structure the maturity of the investment portfolio to assure liquidity. Short-term needs (6 months or less) are being met by investments in overnight repurchase agreements, commercial paper, and money market funds. Funds not required to meet specific short-term needs are invested primarily in Treasury Notes and U.S. Government Agency Securities.

Only after the safety and liquidity requirements are met does staff attempt to maximize earnings. For the Quarter Ended September 30, 2011, the weighted average annualized yield on investments was as follows:

Table 1

AVERAGE ANNUALIZED INVESTMENT YIELD					
	FY11 Q1	FY11 Q2	FY11 Q3	FY11 Q4	FY12 Q1
CFD Bonds, Series 2002 (Reserve)	0.87	0.87	0.47	0.70	0.97
CFD Bonds, Series 2005	0.81	0.82	0.54	0.56	0.76
CFD Bonds, Series 2006	0.50	0.45	0.44	0.43	0.38
Total Portfolio	0.58	0.54	0.46	0.47	0.49

The quarter's average yield of 0.49% for the total portfolio represents an increase of 0.02% from the total portfolio annualized yield of 0.47% experienced for the Quarter Ended June 30, 2011.

II. INVESTMENT POLICY COMPLIANCE

The City's Investment Policy, as approved by City Council, applies to all the financial assets and funds held by the City of Peoria, including Vistancia Community Facilities District funds. All investments follow the provisions established in that Policy.

III. INVESTMENT PERFORMANCE

A. Portfolio Composition. All investment proceeds are diversified by security type and institution to minimize market volatility risk and credit risk. The Policy stipulates maximum investment levels by market sector to insure diversification. Diversification is further accomplished through the laddering of maturities, which mirror anticipated cash flows for the various funds. If not matched to specific cash flows, the funds are invested with a priority of liquidity and safety until specific cash flow needs are identified.

The table below illustrates the diversification structured into the portfolio composition with dollar amounts and percentages by investment type (market sector). The table shows the overall conservative nature of the portfolio and its diversified structure. The fluctuation in percentages between fiscal quarters represents a shifting of value between market sectors from the varying economic conditions throughout the year. The concentration on Treasury Notes and Agency Securities illustrates the portfolio's safety priority.

Table 2

TOTAL PORTFOLIO COMPOSITION (In Millions of Dollars)								
Security Type	FY 11 – Q2		FY 11 – Q3		FY 11 – Q4		FY 12 – Q1	
	Amt	%	Amt	%	Amt	%	Amt	%
Money Market	2.8	13.9	5.9	28.9	5.5	27.0	2.7	15.1
Agency Securities	12.0	59.1	9.0	44.1	9.4	46.0	9.9	54.5
Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury Notes	3.0	14.8	3.0	14.8	3.0	14.8	3.0	16.6
Commercial Paper	2.5	12.2	2.5	12.2	2.5	12.2	2.5	13.8
Repurchase Agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTALS:	20.3	100.0	20.4	100.0	20.4	100.0	18.1	100.0

B. Average Invested Cash Balances. The average investment cash balance for the portfolio for the Quarter Ending September 30, 2011 was \$19,683,164 as compared to \$20,421,915 for the Quarter Ended June 30, 2011.

Fluctuations in the quarterly balances shown in the chart below represent normal cash flows throughout the fiscal year, the addition of new bond proceeds, investment of earned interest, and the spend down of existing bond proceeds for capital projects.

C. Investment Income. Total investment income for the 1st Quarter of FY12 was \$19,696 which represents a decrease of 20.4% from the \$24,755 earned in the 4th Quarter of FY11.

D. Comparative Investment Yields. Since the Investment Policy restricts investment primarily to the U.S. fixed income and money markets, the portfolio performance is measured directly against these markets for comparison purposes. The maximum maturity of securities purchased for the portfolio is restricted to five (5) years. The weighted average maturity cannot exceed 365 days. The actual weighted average maturity for the 1st Quarter of FY 12 was 266 days, in keeping with the investment policy requirement for liquidity and safety. The average rates of comparable benchmarks are shown in the table below.

Table 3

COMPARATIVE ANNUALIZED INVESTMENT YIELDS				
	FY 11 Q2	FY 11 Q3	FY 11 Q4	FY 12 Q1
Total Portfolio	0.54	0.46	0.47	0.49
3 Month T-Bill	0.13	0.12	0.04	0.02
Money Market Fds	0.01	0.01	0.01	0.01
6 Month T- Bill	0.18	0.16	0.10	0.06
1 Year T-Bill	0.25	0.26	0.19	0.12
2 Year Treasury	0.48	0.68	0.55	0.27

E. Average Maturity of the Portfolio. For the Quarter ended September 30, 2011, the average maturity of the portfolio was 266 days as compared to 199 days on June 30, 2011. Matching maturities to known cash flows requires the maintenance of a somewhat short portfolio. Cash not needed to match immediate cash flow needs (within a nine month rolling horizon of liabilities) is normally extended somewhat to take advantage of higher yields. Longer maturities are used to capture yields at purchase and to capture capital gains during the period.

F. Comparison of Market Value and Book Value. The book value of the portfolio is captured on an amortized cost basis recognizing the position in the

securities on a straight-line amortization of premiums and discounts. Book and market values do not include accrued interest on the securities. The market value reflects the *then current* market price at which these securities could be sold in the open market. A comparison of book and market reflects the changes in market rates as well as the performance of the portfolio against the market. Since the shortest portion of the portfolio is matched against anticipated cash flows, rate changes will more directly affect their relative gain/loss positions. A summary of market and book values for the total portfolio for the Quarter are shown below.

Beginning Book Value	\$20,447,472
Beginning Market Value	\$20,460,059
Ending Book Value.....	\$18,148,689
Ending Market Value	\$18,149,083

At quarter's end, the market value of the portfolio exceeded the book value of securities resulting in an overall unrealized gain in value of \$394.

ECONOMIC REVIEW AS OF 9-30-11:

Gross Domestic Product (GDP): Historically, the U.S. economy has grown at around a 3% rate as measured by its Gross Domestic Product (GDP). First quarter (annualized) GDP growth was revised several times from an initial 1.8% to a final reading of 0.4%. Second quarter 2011 GDP growth, was originally reported at 1.3%, and was revised downward to 1.0% before finally being adjusted back to 1.3%. The December 2010 stimulus was expected to add ½ to one full percentage point to GDP growth in 2011. So, it's quite possible that without the tax breaks, GDP might have been *negative* in the first half instead of growing at its disappointing 0.8% pace. Despite the slow growth, few economists actually expect a near term recession; instead, most predict a prolonged period of sub-par GDP and an accommodative Fed policy for another two years.

Nonfarm Payrolls: The labor market ended the quarter on a decidedly sour note with an even weaker jobs report than forecasters had anticipated. The Bloomberg economist survey showed a median nonfarm payrolls gain of only 68k jobs for the month of August. As it turned out, payroll growth was *zero*, and downward revisions to the prior three months subtracted another 58k. Local governments continued to cut expenses as another 20k government workers disappeared from payrolls. Job gains have now averaged 35k for the last three months. The general rule of thumb is the economy needs to create 125k to 150k jobs each month simply to absorb all the new workers entering the labor force, while around 200k jobs are needed in order to significantly reduce the unemployment rate. Unemployment was unchanged at 9.1% in August.

U.S. Home Sales: The housing market continued to show weakness despite a new record low on 30-year fixed mortgage rates. Freddie Mac reported an average of 4.01% for the week ending Sept 29, 2011, easily the lowest rate since Freddie began calculating weekly mortgage data. With the average price on an existing home down another 5% year-over-year to a 9-year low of \$168,300, affordability is at record highs, but the homebuyer isn't interested. ...Or maybe it's a question of not needing a home. According to Bank of America Merrill Lynch analysts, in a typical year there are about 1.2 million households created as a result of population growth. The severe recession reduced this to an annual pace of only 400,000. For all of 2011, there will be an estimated 750,000 new households, nearly matching the total from 2010. This paltry amount will seemingly have little impact on the 18 million vacant properties identified by the latest U.S. Census.

Retail Sales: In years gone by, there was little correlation between consumer confidence and actual consumer spending. Sometimes, Americans were even more likely to go spend money when they were unhappy. But staggering debt levels and tighter credit conditions seem to have changed all that. With confidence approaching historical lows, and wages and salaries declining for the first time in 10 months, spending has slowed to a crawl. Retail sales were *unchanged* in August, and over the past three months have risen at an annualized rate of just 1.7%, the slowest pace in a year. If the employee portion of the payroll tax is cut again as part of the recently proposed American Jobs Act, consumer spending could see a boost. But in all fairness, the much larger payroll tax cut and extension of the Bush tax cuts, both passed late last year, have yet to translate into increased consumption. This is another conundrum whose fix will depend on significant future job growth.

SUMMARY DATA

Table 4

PORTFOLIO COMPOSITION Vistancia CFD Bonds, Series 2002				
Security Type	FY 11 – Q2 Ending 12/31/10	FY 11 – Q3 Ending 03/31/11	FY 11 – Q4 Ending 06/30/11	FY 12 – Q1 Ending 09/30/11
Money Market	\$56,836	\$1,065,365	\$13,832	\$7,160
Agency Securities	\$2,002,895	\$1,000,000	\$2,050,409	\$2,049,979
Treasury Notes	\$0	\$0	\$0	\$0
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$0	\$0	\$0	\$0
Repurchase Agreements	\$0	\$0	\$0	\$0
Totals:	\$2,059,731	\$2,065,365	\$2,064,241	\$2,057,139
Avg Yield	0.87	0.47	0.70	0.97
Avg Maturity (Years)	0.93	0.72	1.35	2.13

Table 5

PORTFOLIO COMPOSITION Vistancia CFD Bonds, Series 2005				
Security Type	FY 11 – Q2 Ending 12/31/10	FY 11 – Q3 Ending 03/31/11	FY 11 – Q4 Ending 06/30/11	FY 12 – Q1 Ending 09/30/11
Money Market	\$355,320	\$354,190	\$1,006,431	\$5,385
Agency Securities	\$1,999,710	\$1,999,858	\$1,350,136	\$2,349,959
Treasury Notes	\$0	\$0	\$0	\$0
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$0	\$0	\$0	\$0
Repurchase Agreements	\$0	\$0	\$0	\$0
Totals:	\$2,355,030	\$2,354,048	\$2,356,567	\$2,355,344
Avg Yield	0.82	0.54	0.56	0.76
Avg Maturity (Years)	0.92	0.74	0.76	1.70

Table 6

PORTFOLIO COMPOSITION				
Vistancia CFD Bonds, Series 2006				
Security Type	FY 11 – Q2 Ending 12/31/10	FY 11 – Q3 Ending 03/31/11	FY 11 – Q4 Ending 06/30/11	FY 12 – Q1 Ending 09/30/11
Money Market	\$2,415,384	\$4,491,812	\$4,505,239	\$2,721,465
Agency Securities	\$8,040,630	\$6,014,985	\$6,009,942	\$5,504,626
Treasury Notes	\$3,009,000	\$3,004,500	\$3,017,316	\$3,012,115
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$2,498,160	\$2,490,375	\$2,494,167	\$2,498,000
Repurchase Agreements	\$0	\$0	\$0	\$0
Totals:	\$15,963,174	\$16,001,672	\$16,026,664	\$13,736,206
Avg Yield	0.45	0.44	0.43	0.38
Avg Maturity (Years)	0.40	0.39	0.41	0.38

City of Peoria Detail of Security Holdings As of 09/30/2011

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value
Vistancia Project 2002 - Reserve Fund													
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					7,160.00	100.000	7,160.00	7,160.00	100.000	7,160.00
3134G2TR3	07/29/11	AGCY STEP	FHLMC	0.450	07/28/13	07/28/12	ONE TIME	500,000.00	100.000	500,000.00	500,000.00	99.900	499,500.00
3134G2SUT	07/29/11	AGCY STEP	FHLMC	0.750	07/28/14	10/28/11	QRTLY	500,000.00	99.995	499,975.00	499,979.32	100.032	500,160.00
3134G2H39	09/29/11	AGCY CALL	FHLMC	0.800	09/29/14	03/29/12	QRTLY	1,050,000.00	100.000	1,050,000.00	1,050,000.00	99.720	1,047,060.00
Total for Vistancia Project 2002 - Reserve Fund								2,057,160.00		2,057,135.00	2,057,139.32		2,053,880.00
Vistancia Project 2005 - Reserve Fund													
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					5,385.00	100.000	5,385.00	5,385.00	100.000	5,385.00
313374U24	07/29/11	AGCY CALL	FHLB	0.330	08/10/12	01/28/12	ONE TIME	1,000,000.00	99.998	999,975.00	999,979.36	99.970	999,700.00
3134G2TR3	07/29/11	AGCY STEP	FHLMC	0.450	07/28/13	07/28/12	ONE TIME	500,000.00	100.000	500,000.00	500,000.00	99.900	499,500.00
3134G2SUT	07/29/11	AGCY STEP	FHLMC	0.750	07/28/14	10/28/11	QRTLY	500,000.00	99.995	499,975.00	499,979.32	100.032	500,160.00
3134G2H39	09/29/11	AGCY CALL	FHLMC	0.800	09/29/14	03/29/12	QRTLY	350,000.00	100.000	350,000.00	350,000.00	99.720	349,020.00
Total for Vistancia Project 2005 - Reserve Fund								2,355,385.00		2,355,335.00	2,355,343.68		2,355,765.00
Vistancia Project 2006 - Construction													
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					2,721,465.28	100.000	2,721,465.28	2,721,465.28	100.000	2,721,465.28
3024A1YJ6	02/23/11	CP - DISC	FCAR Owner Trust		11/18/11			2,500,000.00	99.553	2,488,833.33	2,499,000.00	99.977	2,499,422.50
3137EACF4	12/23/10	AGCY BULET	FHLMC	1.125	12/15/11			3,000,000.00	100.741	3,022,230.00	3,004,677.57	100.200	3,006,000.00
912828NB2	04/13/11	TREAS NOTE	U.S. Treasury	1.000	04/30/12			3,000,000.00	100.727	3,021,796.88	3,012,114.84	100.510	3,015,300.00
313374U24	07/26/11	AGCY CALL	FHLB	0.330	08/10/12	01/28/12	ONE TIME	2,500,000.00	99.998	2,499,937.50	2,499,948.40	99.970	2,499,250.00
Total for Vistancia Project 2006 - Construction								13,721,465.28		13,754,262.99	13,736,206.09		13,741,437.78
Total for City of Peoria				18,134,010.28		18,166,732.99	18,148,689.09		18,149,082.78				



City of Peoria

Security Definitions

AGENCIES - The following are Government-Related Enterprises, originally created by an act of Congress.

FFCB	Federal Farm Credit Bank
FHLB	Federal Home Loan Bank
FNMA	Federal National Mortgage Association or "Fannie Mae"
FHLMC	Federal Home Loan Mortgage Corporation or "Freddie Mac"

COMMERCIAL PAPER

FCAR Owner Trust	Ford Credit Asset Receivable
GE Capital Corp	General Electric Capital Corp
Johns Hopkins Health System	
Toyota Motor Credit	

GLOSSARY

Federal Farm Credit Bank (FFCB): The Federal Farm Credit Bank System is the oldest of the government sponsored enterprises, created by an act of congress in 1916. Its mission is to provide a reliable and low cost source of funds to support agriculture in the United States. FFCB debt obligations are highly liquid and its senior debt is AAA-rated. Yields on FFCB obligations are often slightly lower than yields on FHLB, FNMA or FHLMC obligations because they issue fewer bonds and are in demand as portfolio diversifiers.

Federal Home Loan Bank (FHLB): The Federal Home Loan Bank system was created by an act of Congress in 1932 as a system of 12 regional banks that provide funds to its member banks. FHLB's primary mission is to support residential and community lending. Its membership of more than 8,000 financial institutions includes savings banks, commercial banks, credit unions and insurance companies active in housing finance. FHLB debt obligations are highly liquid and its senior debt is AAA-rated.

Federal National Mortgage Association (FNMA or “Fannie Mae”): Fannie Mae was chartered in 1938 under the Federal National Mortgage Association Act to provide a secondary market for mortgage loans in the United States, by purchasing existing home loans and pooling them together to create mortgage-backed securities that can then be sold to investors, along with a guaranty of the timely payment of principal and interest on the underlying loans. Fannie Mae was privatized in 1968, and operated as a private stockholder-owned company for 40 years before the housing market collapse forced them into federal government conservatorship in September 2008. Fannie Mae currently continues operation under government control and has been instrumental in the government’s attempts to revive the housing sector. Fannie Mae debt obligations are highly liquid and its senior debt is AAA-rated.

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”): Freddie Mac was created by an act of Congress in 1970 as a shareholder-owned company to further expand the secondary market for mortgage loans in the United States. Freddie Mac buys existing mortgages and pools them together to create mortgage-backed securities that can then be sold to investors, thereby providing liquidity to lenders who can then make additional loans. Along with Fannie Mae, Freddie Mac was placed into government conservatorship in September 2008, but continues full operations under government control and has been instrumental in the government’s attempt to revive the housing sector. Freddie Mac securities are highly liquid and its senior debt is AAA-rated.

Federal Agency – A general term for a debt instrument issued by Fannie Mae, Freddie Mac, FFCB and FHLB among others. These are widely considered to be among the safest types of fixed income securities, although they are not explicitly guaranteed by the Federal government.