



NEWS

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FEDERAL HOUSING FINANCE BOARD AND FEDERAL HOME LOAN BANK OF CHICAGO ANNOUNCE AMENDMENTS TO WRITTEN AGREEMENT

The Federal Housing Finance Board (Finance Board) and the board of directors of the Federal Home Loan Bank of Chicago (Chicago FHLBank) announced today that they have agreed to certain amendments to the June 30, 2004 Written Agreement between the Chicago FHLBank and the Finance Board.

Under today's amendments to the Written Agreement, the Chicago FHLBank must maintain capital stock at least equal to its current level and a regulatory capital ratio (capital stock plus retained earnings to total assets) of not less than 4.5 percent. Previously, the Written Agreement required only that the Bank maintain a regulatory capital ratio equal to at least 5.1 percent of assets. The Chicago FHLBank may not redeem or repurchase any capital stock from a member if doing so would violate either of these minimum capital requirements.

Today's amendments also require the Chicago FHLBank to submit to the Finance Board by December 15, 2005 a Retained Earnings and Dividend Policy (Retained Earnings Policy) and revisions to its Business Plan strategies to enhance and improve the earnings and capital of the Bank. Until the Finance Board has accepted the Retained Earnings Policy and the revised Business Plan strategies, the Chicago FHLBank may not declare or pay a dividend without the prior written approval of the Finance Board. This restriction is in addition to that established by Advisory Bulletin 2005-AB-07, which states that until an FHLBank's registration with the SEC becomes effective, it should declare a dividend only following consultation with and approval by the Finance Board's Office of Supervision.

In light of actions taken and announced separately today by the Chicago FHLBank's board of directors, including the suspension of redemptions of member excess stock, the Finance Board approved the Chicago FHLBank's request to pay a third quarter dividend at an annualized dividend rate of 3.75 percent. The dividend will be in the form of a stock dividend, which will not reduce the Bank's level of regulatory capital.

A copy of the amended written agreement is available on the Finance Board's website.

The Federal Housing Finance Board is an independent agency in the executive branch that oversees the safety, soundness, and mission of the 12 regional Federal Home Loan Banks. The Banks are government-sponsored enterprises created in 1932 to provide low-cost funding for housing finance. They have more than 8,100 financial institutions as members, including commercial banks, savings and loans, insurance companies and federally insured credit unions. More information can be found at <http://www.FHFB.gov>