



NEWS

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FHFB Authorizes Temporary Increase on Purchase of Mortgage Back Securities

The Board of Directors of the Federal Housing Finance Board (Finance Board) today by notational vote passed a [resolution](#) authorizing the Federal Home Loan Banks to increase their purchases of agency mortgage back securities (MBS). The resolution is effective immediately.

Pursuant to the resolution, the limit on Federal Home Loan Banks' MBS investment authority would increase from 300 percent of capital to 600 percent of capital for two years. The resolution requires an FHLBank to notify the Finance Board prior to its first acquisition under the expanded authority and include in its notification a description of the risk management principles underlying its purchases. The expanded authority is limited to Fannie Mae and Freddie Mac securities. The securities purchased under the increased authority must be backed by mortgages that were originated consistent with, and subsequent to, federal bank regulatory guidance on nontraditional and subprime mortgage lending.

The expanded authority could provide well in excess of \$100 billion of additional liquidity to the MBS market. The actual increase will depend on portfolio management decisions made at the individual Federal Home Loan Banks and is subject to each Federal Home Loan Bank meeting capital adequacy and other safety and soundness standards.

“The Federal Home Loan Bank System plays a vital role in helping to finance homeownership and strengthening the economy at large,” said Finance Board Chairman Ronald Rosenfeld. “Increasing the agency MBS investment authority for the Banks is another way in which the system can perform its traditional mission.”

The Federal Housing Finance Board is a non-appropriated funds agency that assesses the Federal Home Loan Banks for the costs of its operations.

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>