



Federal Housing Finance Board

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May 11, 2007

Mr. William H. Ott, Jr.
Interim President and Chief Executive Officer
Federal Home Loan Bank of Atlanta
P.O. Box 105565
Atlanta, GA 30348-5565

Re: Federal Home Loan Bank of Atlanta: Approval of New Business Activity
Notice (2007-APP-01)

Dear Mr. Ott:

On February 23, 2007, the Federal Home Loan Bank of Atlanta (Atlanta Bank) filed with us a notice of new business activity (Notice). That Notice requested approval to participate in the Global Mortgage Alliance Program (GMAP). GMAP is designed to provide Atlanta Bank members an alternative liquidity facility through which the members can sell mortgage loans to a private sector entity.

As described in your Notice, the Atlanta Bank would provide certain services under GMAP that are similar to functions currently undertaken in its Mortgage Purchase Program (MPP). As discussed below, the Bank would market GMAP to its members, verify member participants meet the program's operation and servicing standards, transfer settlement proceeds and monthly principal and interest payments, and provide oversight of overall quality control reviews to ensure underlying loans and member attributes meet program standards. This program is not, however, an acquired member asset (AMA) program, and the Bank itself will not acquire or hold any mortgage loans under the GMAP. As a consequence the Atlanta Bank will not need to manage the interest rate risk associated with the acquisition of these mortgages.

We approve the Notice, based on the facts, circumstances, and assurances represented to us in your Notice, which includes all accompanying materials. The approval is solely for the activities specified in your Notice. Therefore, any material changes to GMAP, as that program is described in your Notice, without a separate new business activity approval from the Finance Board would negate this approval. A material change would include, but not be limited to, changes to the services the Atlanta Bank will provide under GMAP, eligible loan types, responsible lending guidelines, allowable property types, and member eligibility criteria for participation in GMAP, or other changes in the program or its operations that would affect the type or credit quality of loans sold to Global Mortgage

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Alliance, LLC (GMA) by participating members. As established in your Notice, the Bank shall not sell any of its existing AMA loans into GMAP without receiving prior approval from the Finance Board. The Bank also will ensure that a member's decision to participate in GMAP will have no effect on the member's relationship with the Atlanta Bank or its ability to access any other products (except AMA), including advances, offered by the Bank or affect the terms on which such products will be offered.

Overview

The Bank currently purchases mortgages from members through its Mortgage Partnership Finance (MPF) program and MPP. In both of these AMA programs the Bank purchases and holds the loans until they are paid off by the borrower or the obligation is otherwise discharged. Holding loans in portfolio exposes the Bank to risks, particularly interest rate risk arising from the potential mismatch between the funding and prepayment of those loans.

By contrast, GMAP will allow members to sell mortgage loans directly to another Atlanta Bank member, GMA. The Bank will facilitate the sale of the mortgage loans by its participating members, coordinate members' on-going participation in the program, and facilitate transactions related to the servicing of the loans. The Bank will receive a fee for providing these services.

After acquisition of the loans, GMA will transfer the loans to a wholly-owned subsidiary. That subsidiary will deposit the loans into a trust, which, in turn, will issue private-label securities backed by participating members' mortgage loans. The Atlanta Bank shall not participate in the securitization of the loans or the marketing of the private-label securities to investors. The Atlanta Bank's name or logo shall not be used in marketing the securities, and no representations shall be made that these are securities of the Atlanta Bank or the Bank System. Marketing materials for the securities shall not represent that the Atlanta Bank is a partner of GMA or any of its affiliates in GMAP or that GMAP is joint venture between the Atlanta Bank and GMA or any of its affiliates. The securities' disclosures may discuss the contractual relationship between the Atlanta Bank and GMA and describe the services the Atlanta Bank provides to GMA.

Further, GMA shall obtain commitments from its Wall Street partners to provide financing prior to any securitization of loans. GMA has obtained such commitments for its initial securitization. The Atlanta Bank shall not provide advances to GMA to finance the purchase of mortgages from participating members or to support the securitization of these loans.

The Bank's Permissible Role

The Bank is permitted to facilitate the sales of fixed-rate mortgages from participating members to GMA and the transfer of funds associated with the sale and servicing of the loans between GMA and participating members. The Bank may maintain and update documents and guides related to GMAP as instructed by GMA and may provide GMA with advice as to any potential changes. The Bank's permissible activities with regard to the GMAP are similar to functions it undertakes pursuant to its own AMA programs, and the Bank will generally use the staff, processes, and procedures currently used for managing the AMA programs in performing these services for the GMAP. The permissible activities are described below.

Marketing Services. The Bank may market GMAP to its members with its other products and services. This marketing effort may include descriptions of the GMA program in Bank publications, in conferences and other meetings with Bank members, and in telephone calls to members.

As set forth in the Notice, the Bank will "carefully distinguish" that GMAP is not a Bank program. It shall state that access to GMAP is a benefit that the Bank provides to members, but that the program itself is offered by an unaffiliated, private-sector entity. All program documents, such as the application, master commitments, and similar contracts or guides related to the program, shall be branded with the GMA label and not with that of the Bank. Similarly, e-GMA, an internet-based loan delivery and pricing system, shall be branded with the GMA logo and not with the Bank's logo. Any electronic links from the Bank's website to the GMA/GMAP website shall be structured to show that a member is leaving the Bank's website before the member is connected to the GMA/GMAP website.

The e-GMA shall be operated independently of any similar system for the Bank's AMA programs to avoid any confusion between GMAP and the Bank's mortgage purchase programs. The Bank will own the e-GMA platform and may provide access to, and maintenance for, the e-GMA. However, GMA will own the name and any trademarks associated with GMAP and the e-GMA.

Member Eligibility. The Bank may identify potential GMAP participants from its members. The Bank may analyze members' applications to participate in GMAP to verify that the prospective participant meets the program's origination and/or servicing standards. The GMAP committee at the Bank (Committee), which may be comprised of Bank employees who also serve on the MPP committee, will be responsible for the application review and will serve as a forum to discuss other issues related to GMAP. GMA will retain the sole authority and responsibility to approve any Bank member to participate in GMAP.

Only Bank members may sell or service loans under GMAP. The requirements for a member to sell or service loans in GMAP shall be as specified in the "GMAP Guide." Members that participate in GMAP may not also sell mortgage loans into the Bank's AMA programs. The Bank has stated that its focus going forward will be on GMAP and that members that wish to sell mortgages will be directed to GMAP.

Funds Transfer. The Bank may establish demand deposit accounts for GMAP member-participants and GMA to facilitate financial transactions associated with the program. Through these accounts, the Bank will receive loan settlement proceeds from GMA and remit proceeds to the correct participating member. The Bank also will transfer monthly principal and interest payments from the member-servicers to GMA.

The Bank's role in these transactions shall be limited to making the transfer as instructed by the relevant account holders. The Bank shall not guarantee any payments due for the sale of the loans or any monthly payments of interest or principal. If a participating member does not have sufficient funds at the Bank to cover scheduled payments, the Bank will notify GMA of the amount of the shortfall, but GMA will pursue collection of the funds.

Interface with Members. The Bank may coordinate the application process for members seeking to participate in GMA. This coordination will include providing members with the application, obtaining information necessary to consider the member's application, and initially reviewing the applications. After GMA approves a member's participation in GMAP, the Bank may establish the member's access to the e-GMA and coordinate execution of all necessary agreements.

The Bank may also provide various customer services to members participating in GMAP. The Bank may answer member questions about GMAP and its requirements; respond to member inquiries about use of the e-GMA, including answering questions on how to enter data, execute commitments and similar technical matters; and assist members with any issues that arise with the sale and funding process, as directed by GMA.

Bank personnel may monitor reports that are automatically generated by the e-GMA that track member fulfillment of commitments. The Bank may keep GMA alerted to any developments and any potential problems indicated by the reports and contact specific members on GMA's behalf to determine if GMA needs to take further action. The Bank may also maintain certain files for GMA, including the original application files related to participating members and service providers.

Post-purchase Quality Control Review. Independent parties hired by GMA will conduct periodic on-site audits to ensure a member's continued eligibility. The Bank may coordinate the on-site audits, review the results, and advise GMA on the results. The Bank may provide oversight to all post-purchase quality control reviews to ensure that these reviews meet the requirements of the GMA program, and that the underlying loans and member activities also meet program standards. The Bank may make recommendations to GMA about the scope of these quality control reviews as well as to actions that may be needed with regard to specific members or the program generally based on the results of the reviews. GMA remains responsible, however, for deciding what, if any, actions should be taken, and any specific changes to the review process or any actions resulting from a review will have to be approved by GMA.

The Bank may review member compliance with GMAP Guide requirements to provide monthly reports and analyses and assist GMA when requested in correcting any problems. The Bank may also review and analyze data and reports concerning GMAP and participating member performance and advise GMA whether such information may warrant any action on the part of GMA. The Bank may also assist GMA in reviewing the activities of the program's master servicer and master custodian.

Participation by Other FHLBanks. If another Bank wishes to participate in GMAP in the future, the other Bank shall be responsible for obtaining Finance Board approval. The Atlanta Bank's activities with regard to other participating Banks shall be limited to providing the back-office functions for the loan transactions and maintaining the e-GMA platform.

Eligible Loan Type

Loans sold by members shall meet the criteria and underwriting standards as set forth in the GMAP Guide. These criteria require, along with other conditions, that loans sold in GMAP:

- Are first lien deeds of trust or mortgages;
- Have fixed-rate level-payment mortgages, with amortization;
- Are not interest-only or negative amortization mortgages;
- Have original terms up to but not greater than 30 years;
- Are not more than 12 months old from origination date at the time of purchase, without prior written approval by GMA or its affiliates;
- Have credit scores no more than 180 days old as of the delivery date;
- Are legal, valid and enforceable obligations of the respective mortgagor;
- Are documented using single-family Uniform Mortgage Instruments;
- Are in compliance with all applicable state, local, and federal laws and regulations;

- Are eligible for inclusion in Standard and Poor's rated structured finance transactions, securitizations, and other transactions; and
- Are fully disbursed with all construction items completed prior to purchase.

Anti-Predatory Lending Policies

GMAP has established "guidelines to promote responsible lending," which are binding on participants. These guidelines meet the standards of the Finance Board's Advisory Bulletin 2005-AB-08, *Guidance on Federal Home Loan Bank Anti-Predatory Lending Policies*, dated August 25, 2005. Consistent with the Notice, GMAP will not take federal preemption into account in enforcing these responsible lending guidelines on participating institutions. GMAP will not purchase loans that do not comply with the requirements of applicable anti-predatory lending and other credit-related consumer protection laws and regulations.

These guidelines also provide that GMAP participants shall not sell to GMA loans that have certain characteristics, including loans that:

- Exceed the annual percentage rate or points and fees thresholds of the Home Ownership and Equity Protection Act of 1994 and its implementing regulations ("HOEPA");
- Violate any federal, state, or local anti-predatory lending, abusive lending, or other credit-related consumer protection law or regulation designed to prevent or regulate abusive lending practices;
- Are classified as "high-cost," "high-risk," "high-fee," "high-rate," "covered," or other similar category based on interest rate (APR), points and fees, or other charges or compensation, as defined under any state, federal, or local law, rule, regulation, or ordinance ("APL Law");¹
- Include prepaid, single premium credit insurance;
- Include prepayment penalties;
- Include mandatory arbitration agreements; or
- Cannot be rated using Standard and Poor's LEVELS® program, or that Standard and Poor's has declined to rate.

Loan Pricing

Pricing for GMAP loans shall be established by GMA; the Bank shall have no role in pricing the loans. Participants shall be able to access current prices offered for loans on

¹ The meaning of "APL Law" is construed broadly to include any such law, rule, regulation or ordinance aimed at predatory lending, abusive lending or other similar terms or practices or intended to provide consumer protection and regulate abusive lending practices in home mortgage loan transactions.

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an ongoing basis via e-GMA. The Bank represents that the pricing offered under GMAP will generally be most attractive to its small and medium-sized community bank members.

Private-Label Securitization

The GMAP loans will be securitized using a senior/subordinated structure, where the subordinated tranches provide the credit enhancement for the more senior securities. The Bank shall not be involved in the structuring or the sale of these securities in any way.

Senior securities will likely be registered with the Securities and Exchange Commission and sold in public offerings, although for the first few transactions the senior securities may be placed in private offerings to institutional investors. The subordinated securities will not be registered and will be offered in private placements to institutional investors, including institutional investors affiliated with GMA. In all cases, the offerings shall meet requirements of applicable securities laws. The Bank is under no obligation, and does not intend, to invest in any of the securities.²

Finally, the Bank shall ensure that the Finance Board has access to any information needed to verify the Bank's compliance with the terms of this approval letter. This may include the submission of periodic reports on GMAP activity, including individual or aggregate loan information, in a format and content to be determined subsequent to this approval. If you have any questions, please contact Michael J. Powers, Portfolio Manager, at (202) 408-2534.

Sincerely,



Stephen M. Cross
Director
Office of Supervision

² The senior tranches of these private-label securities would likely qualify as acceptable investments for the Banks under Finance Board regulations. Any Bank, including the Atlanta Bank, that wished to invest in these securities would be subject to all applicable Finance Board regulations and limitations with regard to such investments, including the restriction that a Bank's total holdings of mortgage and asset-backed securities may not exceed 300 percent of its capital.