

# **FEDERAL HOUSING**



## **FINANCE BOARD**

### **5 YEAR STRATEGIC PLAN**

**2000 - 2005**



# MISSION

**Ensure the safety and soundness of the Federal Home Loan Banks, their access to the capital markets, and the accomplishment of their congressionally defined housing finance mission**

## INTRODUCTION

### 1. The Finance Board

The Federal Housing Finance Board (Finance Board) is an independent agency in the executive branch of the U.S. Government. Created by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Finance Board's primary duty is to ensure that the Federal Home Loan Banks (FHLBanks) operate in a safe and sound manner. In addition, consistent with that duty, the Finance Board ensures that the FHLBanks carry out their housing finance and community lending mission and remain adequately capitalized and able to raise funds in the capital markets. The FHLBank Act requires the Finance Board to conduct annual examinations and obtain reports of condition of the FHLBanks. The Finance Board assesses the FHLBanks for the costs of operating the Finance Board.

A five-member board of directors manages the Finance Board. The secretary of the Department of Housing and Urban Development (HUD) serves *ex officio* as a director of the Finance Board. The President appoints the other four directors, with the advice and consent of the Senate. Members of the board of directors hold office for terms of seven years. The President designates one of the four appointed directors to serve as chairperson of the Board of Directors of the Finance Board. Each of the four appointed directors must have experience or training in housing finance or a commitment to providing specialized housing credit. Not more than three directors may be members of the same political party. At least one director must come from an organization with more than a two-year history of representing consumer or community interests in banking services, credit needs, housing, or financial consumer protections. The directors serve on a full-time basis.

### 2. The FHLBank System

The FHLBank System – 12 FHLBanks serving defined areas and the FHLBanks' Office of Finance -- serves the public by enhancing the availability of housing finance, including community-lending credit, through its 7,777 member institutions. It provides a readily available, low-cost source of funds to its members and a means of liquefying home mortgages held in portfolio. The FHLBanks are cooperatives; only members may own the stock of each FHLBank, and the members receive dividends on their investment. Regulated financial depositories and insurance companies engaged in housing finance can apply for membership. Each member must purchase stock in its district FHLBank.

The FHLBank System has a unique role in housing finance. The FHLBanks make loans, called advances, to their members and eligible housing associates (principally housing finance agencies) on the security of mortgages and other collateral pledged by those members and housing associates. Advances generally support mortgage originations, provide term funding for portfolio lending, and may be used to provide funds to any member "community financial institution" (an FDIC-insured institution with assets of \$517 million or less) for loans to small business, small farms, and small agri-business. Since portfolio lenders may originate loans that they are unwilling or unable to sell in the secondary mortgage market, FHLBank advances serve as a funding source for a variety of conforming and nonconforming mortgages. This flexibility

allows FHLBank advances to support important housing markets, including those focused on low- and moderate-income households. For those members that choose to securitize their mortgages, FHLBank advances can provide interim funding.

FHLBank advances can provide funding to smaller lenders that lack diverse funding sources. Smaller community lenders very often do not have access to many funding alternatives available to larger financial entities, including repurchase agreements, commercial paper, and brokered deposits. The FHLBank System gives these lenders access to competitively priced wholesale funding.

FHLBank credit products also help members in their asset-liability management. FHLBanks offer advances matched to the maturity and prepayment characteristics of mortgage loans. Such advances can reduce a member's interest-rate risk associated with holding long-term, fixed-rate mortgages. Alternatively, members can enter interest-rate exchange agreements directly with a FHLBank to reduce their exposure to interest-rate risk. In addition, the FHLBank System serves as a source of liquidity for its members. Access to FHLBank advances for liquidity purposes can reduce the amount of low-yielding liquid assets a member would otherwise need to hold.

Consolidated obligations are the principal funding source for the FHLBanks. These are bonds (maturity of one year or longer) and discount notes (maturity of less than one year). Consolidated obligations are the joint-and-several obligations of the FHLBanks, backed only by the financial resources of the 12 FHLBanks. No FHLBank is authorized to issue individual debt. Consolidated obligations are not obligations of the United States, and the United States does not guarantee them. Moody's Investors Service has rated consolidated obligations Aaa/P-1, and Standard & Poor's has rated them AAA/A-1+.

### 3. Recent Trends

Before the adoption of the 1989 amendments to the FHLBank Act, almost all of the members of the FHLBank System were savings institutions. In part, those amendments expanded membership to commercial banks and credit unions. While the number of members in the System declined in the early 1990's as failed savings associations were liquidated, with a concomitant shrinkage in advances and assets, the System has exhibited remarkable recent growth. Since the end of 1995,

- advances have increased by 231 percent to \$437.8 billion,
- assets have increased by 140 percent to \$656.7 billion,
- investments have increased by 40 percent to \$189.4 billion,
- capital has increased by 105 percent to \$31.3 billion, and
- net income (after the required payment to the Resolution Funding Corporation (REFCorp)) has increased by 121 percent to \$2.211 billion during 2000.

The composition of the membership has changed dramatically. Since the end of 1995, the number of members has increased by 35 percent to 7,777, despite the fact that the number of savings institution members has fallen by 21 percent. Commercial banks represent 73 percent of all members, and 74 percent of members who are borrowers, and hold 46 percent of System capital and 40 percent of advances.

For much of the past five years, the Finance Board has focused on the mission orientation of the FHLBanks' balance sheets. The Finance Board, the Treasury Department, Congress, and others questioned the appropriateness of the FHLBanks arbitraging their agency debt advantage by purchasing investments that had little relation to the mission of the FHLBanks. In the early 1990's, the FHLBanks were permitted to expand their holdings of mortgage-backed-securities and prime money market instruments as a means of generating sufficient net earnings to pay their fixed REFCorp (\$300 million annually) and Affordable Housing Program (increasing to 10 percent of income in 1995) obligations. However, later in the decade, investment portfolios did not shrink as robust advance growth eliminated the earnings "problem."

In response to this scrutiny and the extraordinarily favorable business conditions, the FHLBanks have made significant progress in transforming their portfolios. Investments as a proportion of assets have fallen to 29 percent from 50 percent at the end of 1995. Presently, Mortgage-Backed Securities (MBS) are 43 percent of total investments, with prime money market investments constituting the remainder.

On June 29, 2000, the Finance Board adopted a final rule that became effective on July 17, 2000, governing a FHLBank's purchase of member assets. The acquired member asset (AMA) rule specifies that such assets must be either whole loans eligible to secure advances (excluding mortgages above the conforming loan limit), whole loans secured by manufactured housing, or State and local housing finance agency bonds. In addition, the rule mandates a member or housing associate nexus requirement. All pools of AMAs must have a credit-risk-sharing arrangement with a member or housing associate that limits the FHLBank's credit-risk exposure to no less than investment grade, as determined by a formal rating or a comparable methodology. Furthermore, an FHLBank must hold risk-based capital against all pools not rated double-A or higher. The rule had the effect of removing the pilot status of the FHLBanks' existing AMA programs, and eliminating the previously imposed System-wide cap, which the Finance Board had set at an aggregate \$9 billion.

Currently, the largest AMA program is Mortgage Partnership Finance® (MPF®) developed by the FHLBank of Chicago. Under MPF, an FHLBank acquires mortgages originated by a member or housing associate. The FHLBank assumes all the funding risk, and the member or housing associate bears a significant portion of the credit risk. Assets in all AMA programs of the FHLBanks were less than \$16.1 billion as of December 31, 2000, although such programs have the potential to grow rapidly. MPF-type assets should supplant some of the prime money market and MBS investments of the FHLBanks, as the net yield on MPF-type assets is expected to be higher.

#### 4. Competitive Considerations

Since it regulates only 12 similar entities, the strategic path of the Finance Board is delimited by the competitive conditions facing the entities it regulates. Two factors likely to influence that strategic path are the continual restructuring of depository institutions and technology.

There is a bifurcation among depository institutions. There has been a decade-long reduction in the number of banks and thrifts through merger. While no truly national retail banking franchise has yet emerged, there are numerous multi-state franchises. Despite this consolidation, 6,391 of the 7,777 members are considered "community financial institutions" by virtue of their less-than-\$517 million asset size. While large members hold the majority of advances, smaller members are critical credit providers to their local markets. The FHLBanks can provide funding to these members and communities, especially as banks have experienced increased difficulty in garnering deposits. One challenge facing the FHLBanks over the next five years is how to serve these small members better and, through them, provide additional needed credit to America's communities.

Technology has permitted the bundling and unbundling of cash flows and risks on financial instruments, particularly with regard to mortgages. Technology has been a two-edged sword in that it has made financial markets more efficient, but much more volatile, and investors can receive and act upon information with the click of a mouse. In the near-term, technological advancements could significantly alter the mortgage-origination process thereby affecting the mortgage purchase programs, and the ways in which the FHLBanks access capital markets.

#### 5. New Legislation

The Gramm-Leach-Bliley Act (the GLB Act), signed into law by President Clinton November 12, 1999, will make sweeping changes in the nation's financial services industry including the operations of the FHLBank System and its members.

The legislation includes provisions that offer unprecedented access for community banks to the FHLBank System and also calls for significant changes in the System's collateral requirements for the benefit of community banks. It provides for a new capital structure for the FHLBanks, totally voluntary membership in the System, increased management responsibilities for the 12 FHLBanks and a new formula for annual payments by the FHLBanks to help retire debt from the Savings and Loan bailout.

##### *Small Bank Access*

Many smaller banks that were previously ineligible to join the FHLBank System will be able to become members. Previous law required all insured depository institutions to have at least ten percent of their total assets in residential mortgage loans in order to be eligible to join the System. The new law eliminates that requirement for any "community financial institution" (CFI), basically defined as an FDIC-insured institution with total assets of less than \$517 million.

The provisions in the legislation relating to collateral and FHLBank advances should have a major impact on the ability of System members to obtain long-term advances. Banks with assets of less than \$517 million constitute almost 90 percent of the FHLBank System membership, but they account for a disproportionately small amount of outstanding advances. Since many of the smaller banks have limited residential lending programs, they have not had sufficient amounts of mortgage loans required by law for membership and for use as collateral for advances.

The new law expands both the purposes for which FHLBank members that are CFIs can use long-term advances, and the types of collateral they can pledge for advances. It will allow CFIs to obtain long-term advances for the additional purposes of funding loans for small businesses, small farms, and small agri-businesses, and to post as collateral for its advances secured loans for small business, agriculture or securities representing a whole interest in such loans. The FHLBanks would have the discretion to determine the terms under which they would accept such collateral, including the appropriate amount for the discount, or "haircut," to be used.

Also, under the previous law, a FHLBank could accept "other real estate related collateral" (such as home equity loans and commercial real estate loans) from the member as collateral for its advances. The maximum amount of advances that a member could obtain with this collateral, however, could not exceed 30 percent of the member's capital, which greatly limited the use of such collateral. The new law deletes the 30 percent cap, but the collateral must have a readily ascertainable value and the FHLBank must be able to perfect its security interest.

The GLB Act also eliminated all provisions that discriminated against members that were not qualified thrift lenders (QTL), providing equal access to FHLBank System advances for all members without regard to QTL status. Previously, members who did not have QTL status were limited in how much they could borrow in advances and the total of all FHLBank System advances to non-QTL members could not exceed 30 percent of total System advances.

These provisions of the GLB Act should result in both increased membership in many of the FHLBanks and increased borrowing by their member institutions. The Act charges the Finance Board with adopting new regulations to implement the FHLBank provisions in the Act.

A final rule on "Federal Home Loan Bank Advances, Eligible Collateral, New Business Activities and Related Matters" was published in the Federal Register on July 18, 2000. The regulation required, beginning November 15, 2000, that each Bank's board of directors have in effect at all times a policy that addresses the Bank's management of products offered by the Bank including but not limited to advances, letters of credit and acquired member assets. In addition, each Bank's policy must address appropriate levels of collateral and discounts applied to collateral values for advances and standby letters of credit

## *Capital*

The GLB Act reformed the capital structure of the FHLBanks and requires the Finance Board to adopt risk-based capital rules. The original statutory deadline for the adoption of these rules was November 12, 2000, but that was extended to May 12, 2001. The Finance Board adopted a final risk-based capital rule on December 20, 2000. Each FHLBank will have up to nine months after publication of the final rule in the Federal Register to submit a capital plan, and up to three years to implement the capital plan after the Finance Board approves it. These rules and capital plans may affect the nature and types of business a FHLBank engages in and the amount of risks it can assume. These rules will be an important strategic factor influencing both the FHLBanks and the Finance Board.

In addition to the FHLBanks, the Office of Federal Enterprise Oversight (OFHEO) is in the process of developing capital rules that will affect Fannie Mae and Freddie Mac. These rules will directly affect these two enterprises and may have an indirect affect on the FHLBanks in terms of the amount of business or the price at which that business is transacted.

## *REFCorp Payments*

When the FHLBank Act was amended by FIRREA in 1989, Congress required the FHLBank System to contribute \$300 million annually to the interest owed on obligations issued by the REFCorp. Congress required also that the FHLBanks contribute annually the greater of 10 percent or \$100 million to fund an Affordable Housing Program (AHP).

The new law changes the FHLBanks' REFCorp formula, now requiring the FHLBanks to pay 20 percent of their net earnings toward the REFCorp interest, after deducting AHP expenses and operating expenses. This change will allow contributions to REFCorp to increase and decrease with the FHLBanks' net earnings, and thus encourage the FHLBanks to reduce arbitrage activity that in the past resulted from the need to pay a fixed amount to REFCorp each year. A final rule implementing this provision was published in April 2000.

## *Voluntary Membership and Other Provisions*

Previous law mandated that federally chartered savings associations must be members of the FHLBank System. The new law removed the mandatory membership requirement and authorized voluntary membership for federal savings associations, as is the case now for all other eligible depository institutions. Other provisions in the new law mandate a variety of changes in the management of the FHLBanks, including the elimination of several Finance Board approval requirements, authorizing each FHLBank's board to designate its chairperson and vice-chairperson and setting three-year terms for all board members. The Finance Board took actions in January, 2000 to implement these provisions.



## **Components of the Strategic Plan**

This plan includes three overarching goals and 12 strategic objectives for ensuring that the 12 FHLBanks operate in a safe and sound manner, meet their housing finance mission, and are adequately capitalized. Several of the performance measures within the objectives are ongoing and were included in the Finance Board's previous strategic plan. Others are designed to implement the above-described legislation or to ensure that the agency is responding to the needs of the FHLBanks as they might evolve with the changing nature of the mortgage markets. Still other objectives are intended to ensure that the agency is technologically prepared to evaluate and assist the FHLBanks and their members in meeting community lending needs.

### **Federal Housing Finance Board Evaluation and Planning Process**

The process of evaluating what needs to be accomplished over the next five years and planning the delivery of those accomplishments is one that has taken several avenues.

In its development of the original plan, the Finance Board engaged in intensive discussions, both internal and external. Internally, the Finance Board Directors individually met with staff to develop a vision to guide the Finance Board in the achievement of its mission. Externally, the Finance Board sought and received comments from the FHLBank presidents and directors. The Finance Board used these meetings to find out how the FHLBanks, through their boards and management, viewed the efforts of the Finance Board and how they felt the Finance Board could better accomplish its mission.

The members of the Board of Directors, individually, along with the managing director and staff, met with members of the FHLBank System beyond the industry directors through trade association meetings and other, more informal structures. Their input was invaluable in developing the original plan.

In addition, the Finance Board informally solicited opinions and ideas from the non-profit community, including the Advisory Councils of the FHLBanks and Washington-based representatives of affordable housing and neighborhood reinvestment interests.

The development of the strategic plan was advanced through meetings with senior managers and staff in general. The goals and objectives were derived from these meetings. The goals and objectives were an integral part of the budget planning process. Finance Board senior staff and the managing director were critical to the development of the performance measures and will use these performance measures to create performance plans for their divisions and units. The Finance Board's Directors and assistants met to discuss the draft and to recommend changes for the final version.

Subsequent to the submission of the original draft version of the strategic plan in 1997, the Office of Management and Budget gave direction and guidance to the staff of the Finance Board, as did members of the staff of the Senate Banking Committee and the House Banking Committee. Finance Board directors and staff met with the FHLBank presidents to hear their comments on the draft plan. Staff held a conference call with the chairs and vice-chairs of the

FHLBanks' boards to receive their input on the draft plan. Many of the comments and corrections suggested by congressional staff, FHLBanks' management and board representatives were incorporated into the final strategic plan.

The staff of the Finance Board continues to reach out to the FHLBanks, Members of Congress and other interested parties as new issues arise. This updated plan was developed by Finance Board staff with the approval of the Board of Directors. It does not differ significantly from the earlier plan.

## **GOAL I**

### ***Ensure safety and soundness of the Federal Home Loan Banks***

#### **OBJECTIVE A**

*Examine 12 FHLBanks, the Office of Finance, and the Financing Corporation Annually for Safety and Soundness Compliance*

#### **PERFORMANCE MEASURES**

Examine all FHLBanks, the Office of Finance, and FICO and deliver exam reports to the FHF Board of Directors, all 12 FHLBanks, FICO and the Office of Finance (Annually)

Perform off-site monitoring and oversight of FHLBanks and the Office of Finance to follow-up on actions taken in response to examination findings as well as to identify emerging issues or concerns (Ongoing)

Enhance use of in-house financial model as an off-site and examination monitoring tool (Ongoing)

Incorporate new regulations into exam manual and distribute to FHLBanks (2001)

Maintain examiner corps (Ongoing)

Resolve promptly disputed examination findings pursuant to Finance Board procedures (Ongoing)

#### **STRATEGIES AND INITIATIVES**

The Federal Housing Finance Board (Finance Board) has developed an annual schedule for examinations, which remains constant. Examiners are deployed as necessary because each FHLBank is of a different asset size and may have unique products and operations. Each Bank is examined in accordance with statutory and regulatory requirements. The Office of Supervision will be supported in its activities by the entire staff of the Finance Board, but most specifically and most regularly, by the Office of General Counsel and the Program Assistance Division of the Office of Policy, Research and Analysis. Office of Supervision staff will be trained both formally and through on the job training to maintain expertise in the ever changing financial management field. The Finance Board will work with other regulatory agencies through informal meetings to maximize education about risk assessment, including strategic risk, and methodologies. The Office of Supervision will report to the board of directors of the Finance Board and the boards of directors of each FHLBank and the Office of Finance and the Financing Corporation on examination findings.

**KEY FACTOR**

The competitive employment environment may have an impact on the Finance Board's ability to recruit and retain an adequate and stable examiner corps.

## **GOAL I**

### ***Ensure safety and soundness of the Federal Home Loan Banks***

#### **OBJECTIVE B**

*Continue to develop amendments to regulations related to safety and soundness of the Federal Home Loan Banks*

#### **PERFORMANCE MEASURES**

Proposed regulations published in the Federal Register (Ongoing)

Comments received and incorporated as appropriate (Ongoing)

Final regulations published in the Federal Register (Ongoing)

Final regulations implemented (Ongoing)

#### **STRATEGIES AND INITIATIVES**

The Finance Board, through the Office of General Counsel and the Office of Policy, Research and Analysis will develop the necessary amendments to existing regulations and any new regulations that are needed to ensure the safety and soundness of the Federal Home Loan Banks. The proposals will be prepared for a vote of the Directors of the Finance Board and if approved, the proposals will be published in the Federal Register for comment. Comments will be reviewed and analyzed and final amendments and regulations will be produced for Board vote.

#### **KEY FACTOR**

Board approval will be needed.

## **GOAL I**

### ***Ensure safety and soundness of the Federal Home Loan Banks***

#### **OBJECTIVE C**

*Implement provisions of Gramm-Leach-Bliley legislation*

#### **PERFORMANCE MEASURES**

Regulation on FHLBank Advances, Eligible Collateral, New Business Activities and Related Matters proposed in the Federal Register (2000)

Comments reviewed and incorporated as appropriate (2000)

Final regulations published (2000)

New collateral and member eligibility rules implemented and monitored (Ongoing)

FHLBank proposals for new business activities reviewed by staff within 60 days of submission (Ongoing)

Bank Member Products Policies reviewed by Office of Supervision as part of annual examination (Ongoing)

#### **STRATEGIES AND INITIATIVES**

The Office of Policy, Research and Analysis in conjunction with the Office of General Counsel and the Office of Supervision will draft these regulations for board approval and work to implement them.

#### **KEY FACTOR**

Board approval is needed.

## **GOAL I**

### ***Ensure safety and soundness of the Federal Home Loan Banks***

#### **OBJECTIVE D**

*Establish a risk-based capital structure providing appropriate permanence, flexibility and leverage*

#### **PERFORMANCE MEASURES**

Risk-based capital proposal published in the Federal Register (2000)

Comments reviewed and incorporated as appropriate (2000-2001)

Final risk-based capital regulations published in the Federal Register (2001)

Final risk-based capital regulations implemented (2001 and beyond)

Advanced Notice of Proposed Rulemaking (ANPR) to solicit comments on the capital rule developed and published (2001)

#### **STRATEGIES AND INITIATIVES**

Since passage of the Gramm-Leach-Bliley legislation, the Finance Board has been working closely with the FHLBanks, their trade council, and other stakeholders on an appropriate capital structure for the System. The agency organized outreach efforts to solicit comments from members and the FHLBanks prior to the end of the comment period. It also worked with other financial regulators and tax and accounting experts to address issues related to the new stock issuance that is required by the legislation. The staff developed analytical support for the risk-based capital requirements as well. The ANPR is being developed to allow affected parties to comment on the final capital rule.

#### **KEY FACTOR**

Board approval is needed.

## **GOAL I**

*Ensure safety and soundness of the Federal Home Loan Banks*

### **OBJECTIVE E**

*Review and approve FHLBank capital plans*

### **PERFORMANCE MEASURES**

Work with FHLBanks on questions that arise in preparation of capital plans (2001)

Develop a capital plan review process (2001)

Review and present FHLBank capital plans for approval by the Board of Directors of the Finance Board (2002)

### **STRATEGIES AND INITIATIVES**

The Office of Policy Research and Analysis will work with the Office of General Counsel and the Office of Supervision and the FHLBanks on the development of the capital plans.

### **KEY FACTORS**

Board approval is needed.



## **GOAL I**

### ***Ensure safety and soundness of the Federal Home Loan Banks***

#### **OBJECTIVE F**

*Monitor the FHLBanks for compliance with Finance Board rules, regulations, and policy guidelines and provide technical assistance where appropriate*

#### **PERFORMANCE MEASURES**

Written responses to all requests for interpretations of regulations, policies and rules provided to FHLBanks by Finance Board staff (Ongoing)

Training and technical assistance on all aspects of program and policy compliance, including financial management guidelines, Affordable Housing Program, Community Investment Cash Advance Programs, Community Support Program, membership, elections of industry directors, and mission accomplishment will be provided to the FHLBanks (Ongoing)

Next generation, computer-based applications implemented for membership, Community Support, Community Investment Cash Advances and Designation of Directorships Programs (2001)

#### **STRATEGIES AND INITIATIVES**

The Finance Board through the Office of Policy, Research and Analysis, supported by the Office of General Counsel, and in coordination with the Office of Supervision will monitor and provide compliance assistance as needed to FHLBank management and staff. Finance Board staff will analyze data provided by the FHLBanks to assess compliance with statute, regulations, policies and guidelines. Finance Board staff will move toward more automated solutions for data analysis to enhance compliance monitoring and program analysis.

#### **KEY FACTOR**

As more management responsibilities are devolved to the 12 FHLBanks, there will be an increased need to provide training as well as technical assistance to FHLBank staff.

## **GOAL I**

*Ensure safety and soundness of the Federal Home Loan Banks*

### **OBJECTIVE G**

*Analyze the impacts of industry consolidation and increasing inter-FHLBank competition on the the FHLBank System*

### **PERFORMANCE MEASURES**

Develop a research plan to analyze issues arising from consolidation (2001)

Develop issues papers (2001)

Use issues papers to formulate recommendations to the Board of Directors of the Finance Board (2001-2002)

### **STRATEGIES AND INITIATIVES**

The Office of Policy, Research and Analysis, in conjunction with the Office of General Counsel and Office of Supervision will work to develop board recommendations on this topic. OPRA and other staff will attend relevant conferences and meet with other regulators and agencies as part of this research effort.

### **KEY FACTOR**

Congressional involvement will be important to discover their views especially since legislative changes may be needed.

## **GOAL II**

***Ensure the Federal Home Loan Banks carry out their Congressionally Defined Housing Finance Mission***

### **OBJECTIVE A**

*Implementation of an Acquired Member Assets (AMA) regulation, FHLBank new management and board of director responsibilities regulation*

### **PERFORMANCE MEASURES**

Publish a regulation on FHLBank board membership composition and responsibilities (January 2000)

Evaluate comments and publish in Federal Register in final (2000)

Publish a proposed rule on AMA, Investments and Advances (2000)

Receive and incorporate comments as appropriate (2000)

Published final regulation in the Federal Register (2000)

### **STRATEGIES AND INITIATIVES**

The Office of Policy, Research and Analysis, supported by the Office of General Counsel drafted these regulations.

### **KEY FACTOR**

Board approval provided.

## **GOAL II**

### ***Ensure the Federal Home Loan Banks carry out their Congressionally Defined Housing Finance Mission***

#### **OBJECTIVE B**

*Provide technical assistance and regulatory guidance to FHLBanks on the development of new products and services to meet standards outlined in the AMA Regulation, and the new capital regulation*

#### **PERFORMANCE MEASURES**

Monitor FHLBank Strategic Plans for mission activity (Ongoing)

Approval of AMA programs if appropriate (Ongoing)

Review AMA products and programs to assure compliance with approval criteria and to evaluate their performance (Ongoing)

Implement policy changes to facilitate the development of products and services by the FHLBanks (Ongoing)

#### **STRATEGIES AND INITIATIVES**

The Board of Directors of the Finance Board will provide regulatory and policy guidance to the FHLBanks. The Office of Policy, Research and Analysis and the Office of General Counsel will provide support for policy initiatives. In concurrence with the Office of Supervision, the Office of Policy, Research and Analysis and the Office of General Counsel will monitor new product implementation for compliance with all aspects of the Acquired Member Asset Regulation. The Office of Policy, Research and Analysis will provide assistance to the FHLBanks in the area of new business activities.

#### **KEY FACTOR**

Economic and political factors will affect the implementation of this objective. The performance of existing AMA programs will also affect this objective.

## **GOAL II**

***Ensure the Federal Home Loan Banks carry out their Congressionally Defined Housing Finance Mission***

### **OBJECTIVE C**

*Establish a long-term research program on the implications of technical innovations and industry restructuring on System operations and activities*

### **PERFORMANCE MEASURES**

Conduct research on how GSE-type housing goals might be applied to AMA (2001-2002)

Research the impact of internet-based real estate transactions (2001-2002)

Evaluate the increasing concentration in the financial services industry and its impact on the FHLBank System mission achievement and the Affordable Housing Program (2001-2002)

### **STRATEGIES AND INITIATIVES**

The Office of Policy, Research and Analysis will increase its staff of policy analysts to facilitate this research. It will arrange with other regulators to access their mortgage data.

### **KEY FACTOR**

The competitive employment environment may have an effect on the Finance Board's ability to recruit and retain an adequate corps of policy analysts. Access to key mortgage data set must be established and maintained.

## **GOAL II**

### ***Ensure the Federal Home Loan Banks carry out their Congressionally Defined Housing Finance Mission***

#### **OBJECTIVE D**

*Identification and broad dissemination of appropriate ways for the FHLBanks to achieve their housing finance mission through communication with Congress and various publics through a variety of media*

#### **PERFORMANCE MEASURES**

Provide assistance to the FHLBanks on developing their community lending plans required by CICA (Ongoing)

Continue to refine website content to enhance public and congressional awareness of Finance Board actions to ensure FHLBanks' mission achievement (Ongoing)

#### **STRATEGIES AND INITIATIVES**

Through meetings with FHLBanks' trade council, FHLBanks' staff, chairs and other directors of the FHLBanks, trade associations, other experts and end users in communities, the Office of Policy, Research and Analysis will explore new methods and emerging ideas and in order to serve as a clearinghouse of methods and ideas for the FHLBanks. Working in concert with the Office of Communications, the staff will collect, analyze, and disseminate information through its written and electronic publications. The Finance Board will promote the use of information technology as a method of collecting, identifying and disseminating FHLBanks' mission-related data and program information.

#### **KEY FACTOR**

Economic factors and human resources deployment will affect the ability of the Finance Board to deliver on this objective.

## **GOAL III**

### ***Ensure Federal Home Loan Banks are Adequately Capitalized and Have Access to Capital Markets***

#### **OBJECTIVE**

*Monitor Office of Finance debt issuance and debt servicing functions*

#### **PERFORMANCE MEASURES**

Supervise, review and monitor debt issuance and servicing functions (Ongoing)

Supervise, review, and monitor Office of Finance preparation and issuance of FHLBank System Financial Statements (2001 and ongoing)

#### **STRATEGIES AND INITIATIVES**

The Office of Supervision and the Office of Policy, Research and Analysis will work in concert to monitor compliance, analyze findings, and make recommendations to the Finance Board. The Office of Policy, Research and Analysis, in consultation with the Office of General Counsel, will effect an orderly transfer of responsibility for issuance of the FHLBank System Financial Statements from the Finance Board to the Office of Finance.

#### **KEY FACTOR**

Ability of the Office of Finance to prepare and issue financial statements will require the Office of Finance to hire new staff and to design and implement new systems and procedures.