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FEDERAL HOUSING FINANCE BOARD

Policy to Govern the Availability
of FHLBank Advances to Capital Deficient Members

WHEREAS, the FHLBanks have not been required to make determinations regarding the potential viability of their borrowing members, other than for the purpose of limiting their own exposure to financial loss; and

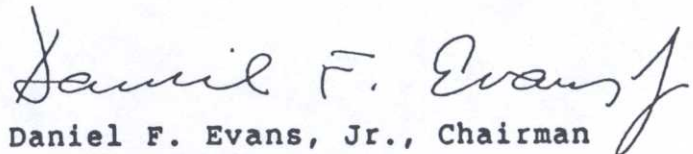
WHEREAS, the Finance Board agrees that such determinations are more appropriately made by a member's primary federal regulator;

WHEREAS, the Finance Board believes it may be both prudent management and appropriate public policy to require that the FHLBanks limit the availability of advances to certain undercapitalized members; and

WHEREAS, the Finance Board also believes it appropriate to take the initiative in coordinating the exchange of appropriate financial information between the FHLBanks and the members' primary federal regulators in order to facilitate the regulators' oversight of the management of financial institutions that do not meet their minimum capital requirements;

NOW, THEREFORE, BE IT RESOLVED, that the Finance Board hereby approves the attached policy guidelines to govern the availability of FHLBank advances to capital deficient members.

By the Federal Housing Finance Board


Daniel F. Evans, Jr., Chairman

FHLBANK ADVANCES TO CAPITAL DEFICIENT MEMBERS

The following guidelines have been adopted by the Federal Housing Finance Board to govern the availability of FHLBank advances to capital deficient members.

I. Advances to Insolvent Members

A. New Advances

A FHLBank shall not make new advances available to a tangibly insolvent member, unless:

- (1) The member's primary federal regulator or insurer submits a written request to the Finance Board that such advances be made; and
- (2) Upon notification from the Finance Board of such request, the relevant FHLBank determines that such advances may be safely made.

B. Renewal of Maturing Advances

A FHLBank may renew advances to tangibly insolvent members for terms of up to 30 days if the Bank determines that such advances may be safely made. However, a FHLBank shall honor a written request from such member's primary federal regulator or insurer that FHLBank advances not be renewed. Such requests shall be submitted through the Finance Board.

II. Advances to Capital Deficient Members

A FHLBank may make new advances available without restriction to any member that has failed one or more of its regulatory capital requirements, so long as the member remains solvent on a tangible capital basis. However, a FHLBank will honor a written request from such member's primary federal regulator or insurer that advance availability be limited or eliminated. Such requests shall be submitted through the Finance Board.

III. Reporting

Each FHLBank shall provide to the Finance Board, in a format to be prescribed, a monthly report of FHLBank advances and commitments outstanding to each of its members. The Finance Board will, at the request of any member's primary federal regulator or insurer, provide information regarding the member's outstanding FHLBank advances and commitments. This shall by no means preclude a FHLBank from providing requested information directly to the regional office of such primary federal regulator or insurer.

The above policy guidelines shall be formally communicated to the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation ("FDIC"), the Office of Thrift Supervision ("OTS"), the Resolution Trust Corporation ("RTC"), and the National Credit Union Administration. The Finance Board endeavors to work closely with these agencies to facilitate their oversight of the management of financial institutions that do not meet all of their capital requirements.