

FEDERAL HOUSING FINANCE BOARD

Authority to Issue Federal Home Loan Bank
Consolidated Obligations

Whereas, section 11(c) of the Federal Home Loan Bank Act ("Act")[12 U.S.C. 1431 (c)] places authority to issue Federal Home Loan Bank ("FHLBank") consolidated bonds or notes ("consolidated obligations" or "COs") with the Federal Housing Finance Board ("Finance Board"); and

Whereas, Section 2B(b) of the Act [12 U.S.C. 1422b (b)] authorizes the Finance Board to delegate ministerial functions, including issuing consolidated obligations, to a joint office of the Federal Home Loan Bank System ("System"); and

Whereas, the Office of Finance ("OF") under the management of its Board of Directors ("OF Board") has been established by the Finance Board as a joint office of the System to act as the Fiscal Agent for the FHLBanks;

NOW, THEREFORE, BE IT RESOLVED, that:

1. The OF Board is authorized to approve the offering, issuing, and, as necessary, the re-opening of FHLBank System COs in an aggregate amount not to exceed \$150 billion during the period beginning with the adoption of this resolution and ending December 31, 1993.
2. The OF Board is authorized to approve the offering, issuing, and, as necessary, the reopening of consolidated obligations with any of the following characteristics:
 - debt with a fixed rate and fixed maturity, in either coupon or discount form;
 - debt whose principal may be called or redeemed in whole or in part;
 - debt whose coupon rate may vary in predetermined increments or based upon the movement of domestic and/or foreign financial indices, provided, however, that in no event may the coupon rate exceed 24%;
 - debt whose outstanding principal balance may vary over time in predetermined increments or based upon the movement of domestic and/or foreign financial indices, provided, however, that in no event may the principal balance due at maturity be more than 200% of the original principal;

debt whose cash flows are substantially the same as matching advances,

3. The OF Board is authorized to approve the offering, issuing, and, as necessary, the reopening of consolidated obligations with any of the following characteristics which, when structured in conjunction with hedge transactions authorized under the Financial Management Policy, pass the associated interest rate or basis risk to the hedge counterparty:

debt whose coupon rate may vary based upon the movement of one or more domestic and/or foreign financial indices, provided, however, that in no event may the coupon rate exceed 24%;

debt whose outstanding principal balance may vary over time based upon the movement of one or more domestic and/or foreign financial indices, provided, however, that in no event may the principal balance due at maturity be more than 200% of the original principal balance;

debt whose coupon rate is based upon the relationship between or among domestic and/or foreign financial indices including transactions which multiply the effects of changes in indices;

debt denominated in any foreign currency whose exchange rate risk relative to the U.S. Dollar is effectively hedged.

- 4 . For consolidated obligations whose interest rates or principal are tied to domestic or foreign financial indices:

the indices must be publicly available and verifiable independent of selling group members or underwriters;

the indices must be recognized by the International Swap Dealers Association; and

if the indices pertain to a foreign country, that country must be assigned a Country Risk Rating not lower than II by Thomson Bankwatch as of the CO trade date;

5. The ultimate cost of funds, exclusive of option premiums, raised through the issuance of COs but, where applicable, incorporating the effects of a swap or other derivative product or component, shall not exceed the following parameters:

up to 100 basis points above comparable maturity U.S. Treasury issues; or

up to 100 basis points over the 11th District Cost of Funds Index ("COFI"); or

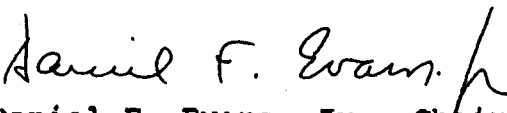
no less than 15 basis points below the U.S. Dollar London Interbank Offered Rate ("LIBOR").

6. In the case of COs issued with stated rates based upon market indices other than those identified specifically in paragraph 5, such rates shall not exceed spreads over, or, as appropriate, under those indices such that, when swapped or executed in conjunction with other derivative products or components, the net realizable spread does not exceed those spreads identified in paragraph 5.
7. The OF shall ensure compliance with leverage constraints applicable to the issuance of COs and for that purpose, capital stock, and, where appropriate, retained earnings and deposits, shall be counted as of the CO trade date rather than settlement date. COs shall not be issued however, if, immediately following such issuance, the ratio of COs outstanding to capital stock would exceed 12:1,
8. The Chairman of the OF Board, or in the absence of the Chairman, the Vice Chairman, may direct the OF to issue COs at rates that exceed those authorized herein; provided, that upon such issuance, the Chair or Vice Chair shall promptly forward to the Finance Board a written certification that the funding generated from such issues will be placed by the participating Bank(s) either at a profitable spread or as part of the FHLBank's Affordable Housing or Community Investment Programs. COs may be issued, however, at rates that exceed those authorized herein without the Chairman's or Vice Chairman's involvement and certification if participating FHLBanks certify in writing that they will be used to fund essentially identical advances,
9. The OF Board is authorized to approve the terms and Conditions under which FLB Bank COs will be issued, subject to paragraphs 1 through 9 above.
10. The Chairman of the OF Board, or in the absence of the Chairman, the Vice Chairman, with the concurrence of the Deputy Executive Director of the Finance Board, or his designee, may authorize the maximum amount, and structural limitations set forth herein to be exceeded provided that the Chair or the Vice Chair report the nature and magnitudes of the exceptions and their justification immediately to the Finance Board.
11. The provisions of numbered paragraph 2 of Finance Board Resolution 92-728.1, dated September 23, 1992, limiting the types of structured COs that can be issued and constraining CO issuance according to the ratio of COs outstanding to capital stock are hereby withdrawn, effective with the adoption of this resolution.

12. The OF Board will submit to the Finance Board a formal request for authorization to issue FHLBank COs for the year 1994 no later than December 31, 1993,

RESOLVED FURTHER, that the Finance Board, in its sole discretion may, at any time, revise or revoke the above authorizations.

By The Federal Housing Finance Board


Daniel F. Evans, Jr., Chairman