**Number:** 2006-05
**Date:** April 18, 2006

# FEDERAL HOUSING FINANCE BOARD

Delegation of Authority to Amend the Written Agreement with the Federal Home Loan Bank of Chicago

WHEREAS, on June 30, 2004, the Federal Housing Finance Board (Finance Board) and the Federal Home Loan Bank of Chicago (Bank or Chicago Bank) entered into a written agreement (Written Agreement), which was amended on October 18, 2005;

WHEREAS, the Written Agreement currently imposes a minimum capital requirement on the Chicago Bank, under which the Bank must maintain a ratio of capital stock plus retained earnings to total assets of 4.5 percent, as well as an aggregate amount of outstanding capital stock of $3,978,268,612;

WHEREAS, the capital requirements imposed by the Written Agreement were intended, in part, to preserve the then-current levels of capital at the Chicago Bank while the Bank developed plans to stabilize its capital structure by reducing the amount of excess capital stock (*i.e.,* stock owned above and beyond the amounts otherwise required to be owned), establish dividend and retained earnings policies, and revise its business strategies, so that it could convert to the new capital structure authorized by the Gramm-Leach-Bliley Act;

WHEREAS, the Chicago Bank has submitted the above-described policies and business strategies and has developed a plan to redeem a significant portion of its excess stock, all of which are under review by the Finance Board;

WHEREAS, there are certain members of the Chicago Bank the membership of which has terminated as a result of mergers into institutions that are not members of the Bank and there are other members that have filed notices to withdraw from membership and that have termination dates that will occur prior to the implementation of the Bank's plan to redeem a portion of its excess stock;

WHEREAS, collectively, those above-described institutions hold approximately $205,000,000 of Chicago Bank stock;

WHEREAS, the Bank has represented to the Finance Board that it currently has the capacity to redeem the stock held by the above-described members in the normal course of business and while remaining in compliance with the 4.5 percent minimum capital ratio;

WHEREAS, section 2A(a)(3) of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1422a(a)(3)) requires the Finance Board to ensure that the Federal Home Loan Banks operate in a financially safe and sound manner; and

WHEREAS, the Finance Board has determined that the Chicago Bank could redeem the stock held by the above members without jeopardizing the safety and soundness of the Bank and believes that the Written Agreement should be amended to allow for such redemptions.

NOW, THEREFORE IT IS RESOLVED, that the Director of the Office of Supervision hereby is authorized and directed to amend the Written Agreement by revising the individual minimum capital requirement, such that the Chicago Bank shall be required to maintain an aggregate amount of outstanding capital stock of at least $3,773,700,000, and to approve any requests from the Chicago Bank to redeem the stock of any institutions whose membership has terminated as of the date of this resolution or will terminate prior to July 1, 2006, as the result of the expiration of the statutory 6 month notice period.

By the Board of Directors of the
Federal Housing Finance Board

*/s/ Ronald A. Rosenfeld*

Ronald A. Rosenfeld
Chairman