

No.: 93-74
Date: September 22, 1993

FEDERAL HOUSING FINANCE BOARD

Authority Permitting Each Federal Home Loan Bank
to Access the Regulatory Leverage Capacity of the System

WHEREAS, the Federal Housing Finance Board ("Finance Board") revised its regulations regarding leverage of the Federal Home Loan Bank System ("Bank System") effective January 29, 1993, to increase the permitted ratio of senior bonds (as defined in 12 C.F.R. 910.0 (c)) and unsecured senior liabilities (as defined in 12 C.F.R. 910.0 (d)) (collectively referred to herein as "covered liabilities") to total capital to 20:1;

WHEREAS, the Finance Board withheld access to the increased leverage authority by requiring in Resolution No. 92-766 that the Bank System's Office of Finance continue to issue consolidated obligations ("COs") as if the 12:1 leverage limit were still in effect;

WHEREAS, the Finance Board believes that, due to an increase in advance demand and a decline in Federal Home Loan Bank ("Bank") deposit levels, the Banks now require access to the increased leverage authority available under regulation in order to effectively fulfill their housing finance mission;

WHEREAS, the Finance Board believes that, in order to ensure that appropriate controls are in place to monitor use of the new leverage capacity, as well as to provide each Bank sufficient ability to manage the level and the leveraging of its capital, the Banks should be both individually and collectively governed by the leverage limit; and

WHEREAS, the Finance Board will have an opportunity to review these individual and collective leverage limits within the context of proposed revisions to its Financial Management Policy which are to be presented for Finance Board review within the next 60 days;

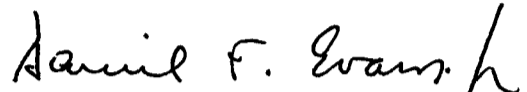
NOW, THEREFORE, BE IT RESOLVED, that the Finance Board hereby amends Resolution No. 92-766 by deleting the last sentence of paragraph 7 which limits the amount of COs issued by the Bank System's Office of Finance to 12 times the Bank System's outstanding capital stock; and

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FURTHER RESOLVED, that each Bank is hereby authorized to enter into funding transactions using COs, deposits, and other covered liabilities, so long as entering into such transactions does not cause the Bank's total covered liabilities to exceed 20 times the Bank's total capital stock, retained earnings and reserves (excluding the Bank's loss reserves).

By the Federal Housing Finance Board



Daniel F. Evans, Jr., Chairman