



***Federal Housing Finance Board  
Office of Supervision***

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*Date:* January 24, 2001

*To:* Federal Home Loan Bank Presidents, Chief Credit Officers, and Directors of Internal Audit

*From:* Mitchell Berns, Director  
Office of Supervision

*Subject:* Securing AMA Credit Enhancements

*Background:* Part 955 of the Federal Housing Finance Board (Finance Board) regulations, entitled "Acquired Member Assets" (AMA), became effective on July 17, 2000. The AMA regulation gave Federal Home Loan Banks (FHLBanks) the authority to hold assets acquired from or through FHLBank System members or housing associates subject to certain requirements. One of the requirements is that the member selling the asset retain a portion of the asset's inherent credit risk. The member's retained credit exposure (CE) along with other credit support that may be present, is known as the credit enhancement for the asset or pool of assets. The member's retained CE is used to reimburse an FHLBank for losses incurred on the AMA assets. Section 955.3(b)(3) states that, "The portion of the credit enhancement that is an obligation of a Bank System member or housing associate shall be fully secured."

*Guidance:* The requirement that the member's retained CE be fully secured is comparable to the requirement that advances be fully secured set forth in the Federal Home Loan Bank Act and in §950.2(c) of the Finance Board regulations. An FHLBank should ensure that it maintains a security interest in collateral sufficient to fully secure the member's retained CE, over and above the collateral necessary to support any advance or other obligation of the member to the FHLBank. An FHLBank should document any variations between its procedures and practices for securing the CE and those applicable to securing advances, and the reasons therefore.