

FEDERAL HOUSING FINANCE BOARD

OPEN MEETING

Wednesday, March 9, 2005
Washington, D.C.

The Board meeting convened, pursuant to notice, at 4:30 p.m., at 1777 F Street, N.W., Second Floor Board Room, Washington, D.C.

MEMBERS PRESENT:

RONALD A. ROSENFELD, Chairman
FRANZ S. LEICHTER
JOHN C. WEICHER
ALLAN I. MENDELOWITZ
ALICIA R. CASTANEDA

STAFF PRESENT:

CHRISTOPHER BOSLAND
STEPHEN CROSS
DARIS MEEKS
SCOTT SMITH
JAY JACOBSEN
JOHN FOLEY
CHARLES JONES
JOHN GARDNER
CHRISTIE SCIACCA
ELLEN HANCOCK
JACQUELINE WESTMORELAND
CHRISTOPHER MORTON
MARK TENHUNDFELD
NEIL CROWLEY
SHELIA WILLIS
DOUGLAS DUVALL
THOMAS JOSEPH

P R O C E E D I N G S

CHAIRMAN ROSENFELD: Good afternoon, everyone. I call this meeting of the Federal Housing Finance Board to order. Today we will have an open session to consider one item.

We will now deal with the public portion of today's meeting. The only item on the agenda is consideration of a proposed amendment to the capital plan for the Federal Home Loan Bank of Seattle.

Steve, who's going to be making the presentation?

MR. SMITH: Ellen Hancock.

CHAIRMAN ROSENFELD: Okay, Ellen, go ahead.

MS. HANCOCK: Thank you. Good afternoon.

The Federal Home Loan Bank of Seattle is requesting Finance Board approval of an amendment to its capital plan. The bank's proposing to amend the section of its plan that deals with the transferability of capital stock. The amendment would allow a member whose membership is about to be or has already been terminated because of consolidation into a nonmember institution to transfer responsibility for any outstanding activity-based stock purpose requirement to an affiliated member of the bank.

The transfer of responsibility would permit the transfer of acquired stock to accompany the associated transferred advances and credit enhancement obligations of

mortgage purchase program or MPP loans to the affiliated member of the bank.

An amendment is necessary because the bank's capital plan presently states that the activity-based stock purchase requirement associated with MPP is the responsibility of the institution that sold the mortgage loans to the bank. The bank's capital plan has no provision to transfer that responsibility if the credit enhancement obligations of MPP loans are transferred to another member.

The proposed change to the capital plan would allow the transfer of an MPP stock purchase requirement. Advances and the stock that capitalizes those advances, as well as the credit enhancement obligations for MPP loans, already can be transferred to an affiliate member of the bank under other provisions of the bank's capital plan and Finance Board regulations. The proposed amendment would create a limited exception to the MPP stock purchase requirement and would allow the transfer of this stock purchase responsibility to a bank member that is also acquiring the credit enhancement obligations.

In addition to this substantive amendment, the bank is also proposing several technical, conforming or stylistic changes to this section of the capital plan.

The proposed amendment being considered by the Finance Board is limited in scope and would not alter the basic capital structure or stock purchase requirements

previously approved by the Finance Board and now in effect at the bank. The proposed amendment would not result in any economic consequences for the bank. The amendment addresses a situation that was not contemplated by the bank at the time of approval of its plan.

The amendment would allow the bank to maintain capital stock and related business activity with a member institution, rather than a nonmember. One of the main principles of the bank's capital plan is that capital stock should be contributed by members in proportion to the distribution of products and services to the members.

Based on our review, we have concluded that the proposed amendment complies with all regulatory requirements. We also have consulted with the Finance Board's examiner-in-charge for Seattle and its Seattle bank analyst. Based on those consultations, we believe that the amendment does not present any safety and soundness concerns. We recommend that the Finance Board approve this amendment to the Seattle bank capital plan.

CHAIRMAN ROSENFELD: Thank you very much.

Is there any discussion from the Board? Mr. Weicher?

DIRECTOR WEICHER: Mr. Chairman, in looking through the material I was a little bit confused by the statement at the top of page 7 with respect to the bank's ability to repurchase \$32 million of Class B stock, Class B-

2--I beg your pardon--stock. And I'm wondering if that has any ramifications for what is being proposed here.

MR. JOSEPH: The statement goes to the issue that even though this would create more B-2 stock than currently existed, the bank itself has an internal policy which limits the amount of B-2, sets a capital requirement or that they're going to have an operating ratio of 4.4 percent, and because of that, they would only be able to repurchase a much lower amount than the total amount of B-2 that was created by the transfer. So that while the total amount that would be created by the transfer was--

DIRECTOR WEICHER: \$93 million.

MR. JOSEPH: 93; I think that's the total. It would just be an extra \$73 million, that they're really limited to a much smaller percentage, even if the member who was going to take on that stock wanted to have it repurchased.

The bank now has a policy that they'll have a capital ratio of 4.4 percent and that they'll only repurchase excess B-2 stock and they'll do it on a monthly basis upon--they'll consider doing it on a monthly basis if a member makes a request, but they're not required to.

CHAIRMAN ROSENFELD: Thank you.

Are there any other questions?

Director Leichter, any question or comment?

DIRECTOR LEICHTER: No.

DIRECTOR CASTANEDA: No, Mr. Chairman.

CHAIRMAN ROSENFELD: If there's nothing else I will accept a motion to approve the resolution.

DIRECTOR LEICHTER: So moved.

CHAIRMAN ROSENFELD: Would the secretary please call the roll?

MS. WILLIS: On the item before the Board, Director Leichter, how do you vote?

DIRECTOR LEICHTER: Yes.

MS. WILLIS: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. WILLIS: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Yes.

MS. WILLIS: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. WILLIS: Chairman Rosenfeld?

CHAIRMAN ROSENFELD: Yes.

The motion is adopted.

Thank you all and this actually ends our meeting.

[Whereupon, at 4:38 p.m., the meeting adjourned.]