

Purpose of Manual

Introduction

The Federal Housing Finance Board (Finance Board) Examination Manual (Manual) contains information and procedures for the examination of the Federal Home Loan Banks (FHLBanks), Office of Finance, and the Financing Corporation. The Manual is a resource for examiners on matters involving examination scope, issues, process, and procedures. The Manual also sets forth standards and expectations regarding supervision of the FHLBanks and the Office of Finance. Descriptions of applicable legal standards are for guidance, and are not legal or regulatory references or legal opinions.

Purpose of the Manual

The Manual's purpose is to document examination objectives and procedures to provide guidance to examiners, and to promote an effective and efficient examination process. Finance Board examiners assess the quality of an FHLBank's corporate governance, market, credit and operational risk management, condition and performance, and affordable housing and community investment activities, using a risk-based examination approach that calls upon examiners to determine the level of risk, the quality of risk management, and whether the institution has identified and is controlling the key risks arising from its activities and operations. The assessment of the Office of Finance is based primarily on the quality of corporate governance and operational risk management.

Examiners assign component and composite ratings in accordance with the Federal Home Loan Bank Rating System (FHLBRS), and where needed, examiners direct that corrective actions should be taken. The examination process should identify existing weaknesses and cases of apparent noncompliance, as well as practices that could manifest into problems, and emerging issues. Examiners may also recommend steps to correct deficiencies.

The Manual should also promote consistency in the examination process. While nothing in the Manual should be construed to strictly drive the scope of examinations, the standards for each area scoped must be consistently applied.

Recommendations for revisions to the Manual will be taken at any time and the Manual will be updated semi-annually.