



August 22, 2000

President
Federal Home Loan Bank

NO-ACTION LETTER: Inadvertent Provision of Services to Nonmember (2000-NAL-08)

Dear Mr. :

This responds to your request of July 19, 2000, for a No-Action Letter regarding the Federal Home Loan Bank (FHLBank) provision of FHLBank products and services to Bank (Bank) during the time period of January 1, 2000 through June 14, 2000, when Bank was not a member of the FHLBank.

In the FHLBank's request, management reports that they became aware of Bank's nonmember status on April 18, 2000. On April 19, 2000, the FHLBank notified the Office of General Counsel (OGC) of the Federal Housing Finance Board (Finance Board) that FHLBank management recently had been made aware that the original Bank charter did not survive the [REDACTED] – Bank merger, which occurred on December 31, 1999, despite FHLBank management's belief at the time of the merger that the original charter would remain in place.

The FHLBank's request included a transaction activity summary from January 1, 2000 to June 14, 2000. According to the FHLBank, no transactions were conducted with Bank after April 18, 2000, the date the Bank became aware of Bank's nonmember status, except for the filling of two existing Mortgage Partnership Finance delivery commitments on April 21, 2000, and the payment of a capital stock dividend of [REDACTED] on May 31, 2000. The request also stated that, following disclosure of its nonmember status, Bank withdrew its first round 2000 Affordable Housing Program applications. The FHLBank reported that Bank became a member of the FHLBank on June 15, 2000.

Under the circumstances, including the prompt action taken by Bank to become a member of the FHLBank, Finance Board staff will not recommend to its Board of Directors that supervisory action be taken against the FHLBank, nor will Finance Board staff undertake any such supervisory action for the FHLBank's noncompliance with statutory and regulatory provisions restricting the provision of FHLBank products and services to FHLBank members, for the period from January 1, 2000 to June 14, 2000, with respect to the matters fully disclosed within the FHLBank's request. This letter expresses only the position of Finance Board staff, and may be modified or superseded by the Board of Directors of the Finance Board. Because this letter is

based upon the FHLBank's representations as to when it became aware of Bank's nonmember status and the FHLBank's interactions and activities conducted with Bank from January 1, 2000 to June 14, 2000, any change in the facts or circumstances from those presented may warrant a staff recommendation that the Finance Board take appropriate supervisory action. A review of subsequent FHLBank initiatives to ensure that future instances of this nature do not occur will be performed as a part of the regular on-site examination by the Office of Supervision later this year.

If you have any questions, please contact Mitchell Berns, Director, Office of Supervision, at 202-408-2562.

Sincerely,

/s/ James L. Bothwell

James L. Bothwell
Managing Director

cc: Mitchell Berns