

No.: 92-751  
Date: December 21, 1992

FEDERAL HOUSING FINANCE BOARD

Contingent Establishment of Special Asset Accounts

WHEREAS, Section 910.1 of the Federal Housing Finance Board's ("Finance Board's") regulations, 12 C.F.R. § 910.1, provides that the Board will not issue consolidated bonds in excess of 12 times total paid-in capital and reserves under section 16 of the Federal Home Loan Bank Act (the "leverage limit");

WHEREAS, the Finance Board has approved a new final rule to change the leverage limit to 20 times total paid-in capital stock, retained earnings and reserves (excluding loss reserves and deposit reserves pursuant to 12 U.S.C. § 1431(g)), to add categories of assets that qualify for the negative pledge of qualifying assets in 12 C.F.R. § 910.1 and to make other changes to Part 910 of said regulations; and

WHEREAS, the change in the leverage ratio is necessary to the Finance Board's and Federal Home Loan Bank ("FHLBank") System's Congressionally mandated housing finance mission, to be a primary source of funds and assure the adequacy of funds for housing finance; and

WHEREAS, the law firm of Squire, Sanders & Dempsey has provided to the Finance Board its reasoned opinion that the establishment of Special Asset Accounts to supplement capital protection for the benefit of Prior Bonds described below provides adequate substitute assurance to the holders of consolidated obligations outstanding as of the effective date of the final rule;

NOW, THEREFORE, BE IT RESOLVED:

(a) There shall be established Special Asset Accounts ("SAAs") for the benefit of the holders of all consolidated bonds issued on or before the effective date of the final rule revising Part 910 as described above (hereinafter "effective date"). (Bonds issued on or before the effective date are referred to herein as "Prior Bonds." Bonds issued after the effective date are referred to herein as "Subsequent Bonds.")

(b) If at the time of issuance of any Subsequent Bonds, the total paid-in capital stock and reserves under Section 16 of the Federal Home Loan Bank Act, as amended, of all the FHLBanks, as set forth in the most recent FHLBank financial statements, will, upon such issuance, be in an amount less than 1/12 of the total outstanding consolidated bonds, then the FHLBanks shall establish or enhance a SAA in sufficient amount so that the aggregate of assets of all SAAs at the time of such issuance

shall have a value at least equal to the required SAA balance determined as provided in Exhibit I, referred to in paragraph (d). The required SAA balance shall provide to the holders of the Prior Bonds substantially equivalent protection as would have been provided by the leverage limit as it existed prior to the effective date referred to in paragraph (a).

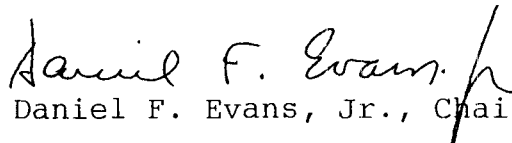
(c) The SAAs shall consist of assets from the categories that qualify for the negative pledge under subsection 910.1(c) of the regulation, as amended.

(d) The SAAs shall be created and maintained as provided in the SAA Operating Procedures attached as Exhibit I to this resolution and incorporated by reference herein, as the same may be modified, consistent with the purposes of this resolution.

(e) The right to supplement or amend this resolution is hereby reserved; provided however, that no revocation or material relaxation of the restrictions or requirements contained in or imposed by subparagraphs (a) through (c) and this paragraph (e) shall be effected while there are any Prior Bonds outstanding unless there shall have been deposited with the Treasurer of the United States, noncallable (or called) direct obligations of the United States of America or obligations fully guaranteed by the United States of America of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient to pay in full (together with any other moneys placed in trust and irrevocably committed for such payment and without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom) the principal of and interest to date of maturity or to such date designated for redemption and any redemption premium on all Prior Bonds the holders of which have not consented to such revocation or relaxation.

(f) Notwithstanding anything in this resolution to the contrary, (i) this resolution shall become effective on the effective date referred to in paragraph (a) above; and (ii) except as provided in paragraph (c) above, any amendment to the negative pledge in 12 C.F.R. 910.1(c) shall not be deemed to be effective as applied to the Prior Bonds until all Prior Bonds are no longer deemed to be outstanding, whether through defeasance or otherwise (except that the clarification set forth in the proviso following 12 C.F.R. 910.1(c)(6) is immediately applicable to assets that are subject to a lien or pledge for the benefit of any one or more issues of senior bonds, whether they are Prior Bonds or Subsequent Bonds).

By the Federal Housing Finance Board

  
Daniel F. Evans, Jr., Chairman