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FEDERAL HOUSING FINANCE BOARD TO CONTINUE WORK ON PROPOSED RULE GOVERNING ACQUIRED MEMBER ASSETS (AMA)

Federal Housing Finance Board Chairman John T. Korsmo said today he supported allowing additional time for public input on a proposal to revise the regulations that govern the Federal Home Loan Banks' Acquired Member Asset (AMA) programs.

Korsmo said proposed regulatory changes now under discussion represent an effort to place greater responsibility for managing the AMA programs on the Federal Home Loan Banks, while reflecting the Finance Board's stronger focus on safety and soundness regulation.

"The importance of revising Finance Board regulations to better reflect our supervision approach argues for a constructive exchange among the interested public, FHLBanks, and the Finance Board," Korsmo wrote in a letter to Chesley N. Brooks, chairman of the Council of Federal Home Loan Banks and CEO of Omnibank, N.A., Houston, Texas.

The Council of Federal Home Loan Banks, which represents 11 of the 12 Banks, had requested a 90-day extension of the comment period on the proposed rule, which the Finance Board adopted unanimously on June 18, 2003. The comment period is set to end on Sept. 2.

Instead, Korsmo said he will ask the Federal Housing Finance Board to vote to withdraw the proposed regulation at its Sept. 10th meeting, allowing for consideration of a new proposed rule at a later time. The revised language will seek to "better express the objective of placing greater responsibility on FHLBanks to prudently manage AMA programs," he said.

Current AMA regulations went into effect on July 17, 2000, authorizing Banks to acquire certain loans or securities backed by those loans from their members and housing associates as a way to promote their housing finance mission.

The proposed changes do not break new policy ground or allow significant expansion of Federal Home Loan Bank authority for AMA programs, Korsmo noted in his letter.

"Many current Finance Board regulations focus on prescribing practices rather than requiring FHLBanks to assume responsibility for identifying, assessing, and managing risks," Korsmo wrote.

"This proposed regulation is intended to begin a reorientation of Finance Board rules to match our new,

strong supervision philosophy. The proposed regulation also invites comment on several matters worthy of consideration by each FHLBank and all members," he said.

A copy of Chairman Korsmo's letter is available [here](#)

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