



October 5, 2001

President and Chief Executive Officer
Federal Home Loan Bank of

NO-ACTION LETTER: Commitment of Affordable Housing Program Funds for 2001
(2001-NAL-04)

Dear Mr. :

This responds to your request of September 25, 2001 for a no-action letter with respect to extending the timeframe for committing the Federal Home Loan Bank's (FHLBank) remaining allocation of Affordable Housing Program (AHP) funds for fiscal year 2001 beyond year-end and into the first quarter of fiscal year 2002. The FHLBank requests that it not be required to deposit 90 percent of AHP funds uncommitted in 2001 in an Affordable Housing Reserve Fund (Reserve Fund), pursuant to section 10(j)(7) of the Federal Home Loan Bank Act (Bank Act), 12 U.S.C. § 1430(j)(7), and section 951.15(a)(1) of the Federal Housing Finance Board (Finance Board) AHP regulation, 12 C.F.R. § 951.15(a)(1).

Your request is made in the context of extending the FHLBank's application deadline for its AHP 2001 second funding round from October 1 to November 16, 2001. You have indicated that this extension has been necessitated by the terrorist attack of September 11, 2001, which destroyed the FHLBank's offices and which has disrupted the operations of members, project sponsors, and state and local government agencies, all of which are participants in the AHP application submissions. This extension of the application deadline will provide more time for submission of AHP applications, but will result in the FHLBank not being able to make its funding commitments on these applications until after December 31, 2001.

The Bank Act requires that each FHLBank contribute annually a statutorily prescribed amount of its annual net earnings to its AHP. *See* 12 U.S.C. § 1430(j)(5) and 12 C.F.R. § 951.2. The Bank Act further provides that if an FHLBank fails to utilize or commit the full amount of its required annual AHP contribution in any year, 90 percent of the unutilized or uncommitted amount shall be deposited by the FHLBank in a Reserve Fund administered by the Finance Board. *See* 12 U.S.C. § 1430(j)(7) and 12 C.F.R. § 951.15(a)(1). The FHLBank requests a no-action letter that will allow the FHLBank to make commitments for the balance of its 2001 AHP allocation in the first quarter of 2002, and that will not require the FHLBank to deposit these amounts in a Reserve Fund because they have not been committed by the end of 2001.

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Based on the catastrophic events engendering this request and on the expectation that the FHLBank will be able to commit all of the AHP funds available in the 2001 second round within the first quarter of 2002 once the application processing is completed, Finance Board staff will not recommend to its Board of Directors that supervisory action be taken against the FHLBank for failure to commit the full amount of its required 2001 AHP funding allocation by December 31, 2001. The FHLBank will not be required to deposit any AHP funds that are unutilized or uncommitted by December 31, 2001 in a Reserve Fund.

This response represents only the position of Finance Board staff and may be modified or superseded by the Board of Directors of the Finance Board.

If you have any questions, please contact Scott L. Smith, Acting Director, Office of Policy, Research and Analysis, at 202-408-2991, or Mitchell Berns, Director, Office of Supervision, at 202-408-2562.

Sincerely,

James L. Bothwell
Managing Director

cc: Scott L. Smith
Mitchell Berns
Arnold Intrater
Jonathan F. Curtis