

No.: 91-465
Date: September 24, 1991

FEDERAL HOUSING FINANCE BOARD

Approval Of Staff Proposal Regarding the Offering
of Correspondent Banking Services by the FHLBanks

WHEREAS, the Federal Housing Finance Board ("Finance Board") has evaluated the provision of correspondent services by the FHLBanks; and

WHEREAS, the Finance Board has reviewed the findings of a special study conducted by Deloitte and Touche designed to evaluate the policy reasons for the offering of these services; and

WHEREAS, the Finance Board has reviewed comments from the FHLBanks regarding the Deloitte Study and the provision of the correspondent services;

NOW, THEREFORE, BE IT RESOLVED, that the Finance Board directs each FHLBank that offers correspondent services to:

- (1) Annually provide to the Finance Board a report summarizing how the FHLBank's correspondent services have assisted its members in providing housing finance;
- (2) Adequately price correspondent services to ensure they contribute meaningfully to the Bank's net income; and
- (3) Prepare an analysis, in conjunction with other Banks offering such services, of possible inter-District operational efficiencies that could be realized in the delivery of these services and provide the Finance Board with recommendations in this area.

BE IT FURTHER RESOLVED, that the Federal Housing Finance Board directs staff to:

- (1) Begin an immediate review of the Private Sector Adjustment Factor ("PSAF") to ensure that this model allows for a proper evaluation of the profitability of these services; and

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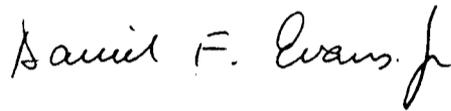
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(continued)

- (2) Conduct a comprehensive review of the cost accounting practices used by the FHLBanks engaging in correspondent services and develop a set of uniform accounting policies and practices to be applied by all Banks involved in this area.

By the Federal Housing Finance Board



Daniel F. Evans, Jr., Chairman