

No: 96- 114
Date: December 23, 1996

FEDERAL HOUSING FINANCE BOARD

DIRECTIVE TO OFFICE OF FINANCE REGARDING
ORANGE COUNTY COMPLAINT

WHEREAS, the Federal Housing Finance Board (Finance Board) is an independent agency in the executive branch of the United States Government, 12 U.S.C. 1422a(a)(2);

WHEREAS, the Finance Board is authorized to issue consolidated bonds and debentures (consolidated obligations), for which the Federal Home Loan Banks (FHLBanks) shall be jointly and severally liable, to raise funds for the FHLBanks (12 U.S.C. § 1431(b), (c));

WHEREAS, section 2B of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1422b) provides that in no event shall the Finance Board delegate any function to any joint office of the FHLBank System, except for the delegation of ministerial functions including issuing consolidated obligations pursuant to section 11(b) of the Bank Act (12 U.S.C. § 1431(b));

WHEREAS, the Finance Board has adopted regulations delegating authority to the Office of Finance (OF) to issue consolidated obligations pursuant to section 11 of the Bank Act, 12 U.S.C. 1431, 12 C.F.R. §§ 900.30, 941.4(c)(1), and specifying the operations of the OF, 12 C.F.R. Part 941;

WHEREAS, the membership of the OF's Board of Directors consists of two FHLBank Presidents and a private citizen, 12 C.F.R. § 941.7(c);

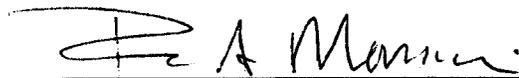
WHEREAS, the OF has no formal independent 'existence apart from the FHLBanks and acts as agent for the Finance Board in the issuance of consolidated obligations, 12 C.F.R. § 941.8(b)(1);

WHEREAS, on or about December 5, 1996 the County of Orange, a political subdivision of the State of California, filed a complaint in the United States Bankruptcy Court in the Central District of California (Case No. SA 9422272 JR; Chapter 9; Adversary No. 96-02187) against each of the twelve FHLBanks and the OF (Complaint); and

WHEREAS, the Finance Board believes that the Complaint against the OF is in effect and in fact a Complaint against the Finance Board and that, to protect the interests of the United States and to avoid any potential conflicts of interest among the Finance Board, the OF and the FHLBanks, the involvement and direction of the Finance Board in litigating the Complaint insofar as it relates to the OF is necessary and appropriate;

NOW, THEREFORE, BE IT RESOLVED, that the Finance Board directs that no director, officer, employee or agent of the OF shall have authority to take any action with respect to litigation of the Complaint without the direction or approval of the Finance Board.

By the Board of the Directors of
the Federal Housing Finance
Board


Bruce A. Morrison, Chairman