



No.: **1999-33**
Date: **May 28, 1999**

FEDERAL HOUSING FINANCE BOARD

Temporary Change to the Leverage Limit For Year 2000 Liquidity Purposes

WHEREAS, depositor behavior in anticipation of Year 2000 disruptions may affect the liquidity of depository institutions and, as a consequence, Federal Home Loan Banks (FHLBanks) may experience increased demand for funds late in 1999;

WHEREAS, potential Year 2000 disruptions may cause investors to seek extremely liquid assets late in 1999, and, as a consequence, the FHLBanks may experience difficulty selling consolidated obligations during this period;

WHEREAS, the Federal Housing Finance Board's (Finance Board) Financial Management Policy (FMP) Resolution Number 1996-45, dated July 3, 1996) and the debt authorization for the Office of Finance (Resolution Number 1998-59, dated December 2, 1998) limit the amount of consolidated obligations each FHLBank may have outstanding to 20 times capital, and section 910.1(b) of the Finance Board regulations, 12 C.F.R. § 910.1(b), similarly limits the aggregate amount of senior bonds the Federal Home Loan Bank System (Bank System) may have outstanding to 20 times capital;

WHEREAS, the Finance Board wishes the FHLBanks to have adequate flexibility to provide credit to members for Year 2000 liquidity purposes and several FHLBanks formally and informally have requested relief from the Finance Board's leverage limits;

WHEREAS, in accordance with section 910.6(b)(2)(i) of the Finance Board's regulations, 12 C.F.R. § 910.6(b)(2)(i), a nationally recognized securities rating agency which rates the Bank System's senior bonds has provided written evidence that temporarily raising the System-wide leverage limit as specified below will not adversely effect the ratings of Bank System securities;

WHEREAS, under section 902.6 of the Finance Board's regulations, 12 C.F.R. § 902.6, any party may request a waiver of a provision, restriction or requirement of the Finance Board's regulations not otherwise required by law if such waiver is not inconsistent with the law, does not adversely affect any substantive existing right and the Finance Board finds, *inter alia*, that the application of the restriction would adversely affect achievement of the purposes of the Bank Act, or upon a showing of good cause; and

WHEREAS, the Finance Board has determined that temporary relief from current leverage limits is necessary to enhance the Bank System's Year 2000 preparedness by allowing the FHLBanks to provide additional Year 2000-related credit to members and to warehouse liquid assets in anticipation of funding Year 2000-related advances.

NOW, THEREFORE, IT IS RESOLVED that the Board of Directors of the Finance Board hereby waives the following regulations, policies and provisions for the period up to and including June 30, 2000, at which time such regulations, policies and provisions, or their successors, will once again become effective:

- (i) Section 910.1(b) of the Finance Board regulations (12 C.F.R. § 910.1(b)), which establishes a System-wide leverage limit of 20 times total capital;
- (ii) Paragraph IV. C. of the FMP, which applies a 20 to 1 leverage limit to each individual FHLBank; and
- (iii) Paragraph 2.a. of the Resolution Number 1098-59, dated December 2, 1998, authorizing the Office of Finance to issue consolidated obligations, which restricts the issuance of debt to that which will not cause the Bank System's or the individual FHLBank's financial leverage to exceed the limits established by regulation or policy (both 20 to 1).

IT IS FURTHER RESOLVED that effective through June 30, 2000, the leverage limitation for both the Bank System and for each FHLBank shall be 25 to 1, and that during this period non-mortgage investments for a FHLBank with a leverage ratio greater than 20 to 1 shall not exceed 12 percent of that FHLBank's outstanding consolidated obligations. For purposes of applying this standard, non-mortgage investments shall be defined as total investments minus mortgage-backed securities, pilot program assets, binding commitments for advances, member deposits and member capital in the FHLBank.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Bruce A. Morrison

Bruce A. Morrison
Chairman