



No. **2001-07**
Date: **May 2, 2001**

FEDERAL HOUSING FINANCE BOARD

Waiver of Section 951.3(a)(1) of the Affordable Housing Program Rule to Increase Funding for the Federal Home Loan Banks' Homeownership Set-Aside Programs in 2001

WHEREAS, section 10(j)(1) of the Federal Home Loan Bank Act (Bank Act) requires each Federal Home Loan Bank (Bank) to establish an Affordable Housing Program (AHP) pursuant to regulations of the Federal Housing Finance Board (Finance Board) (12 U.S.C. § 1430(j)(1));

WHEREAS, section 10(j)(5) of the Bank Act requires each Bank annually to contribute a statutorily prescribed portion of its annual net earnings to fund its AHP (12 U.S.C. § 1430(j)(5));

WHEREAS, section 951.3(a)(1) of the Finance Board's AHP Regulation authorizes each Bank to set aside annually, in the aggregate, up to the greater of \$1.5 million or 15 percent of its annual required AHP contribution (set-aside contribution amount) to provide funds to members participating in the Bank's homeownership set-aside programs (12 C.F.R. § 951.3(a)(1));

WHEREAS, section 951.3(a)(1) of the AHP Regulation also provides that, in cases where the amount of homeownership set-aside funds members apply for in a given year exceeds the amount available for that year, a Bank may allocate up to the greater of \$1.5 million or 15 percent of its annual required AHP contribution for the subsequent year to the current year's set-aside programs (12 C.F.R. § 951.3(a)(1));

WHEREAS, under section 907.2 of the Finance Board's regulations (12 C.F.R. § 907.2), the Finance Board may waive any provision, restriction or requirement of its regulations, not otherwise required by law, if such waiver is not inconsistent with the law and does not adversely affect any substantial existing rights, upon a determination that application of the provision, restriction or requirement would adversely affect achievement of the purposes of the Bank Act, or upon a showing of good cause;

WHEREAS, in 2000, the Finance Board approved a request from the Federal Home Loan Bank of Pittsburgh (Pittsburgh Bank) for a waiver of section 951.3(a)(1) to authorize the Pittsburgh Bank to increase its maximum allowable set aside contribution amount to 25 percent of its required annual AHP contribution in 2000;

WHEREAS, the Finance Board has received from the Pittsburgh Bank a similar waiver request for 2001, and anticipates waiver requests of a similar nature from other Banks;

WHEREAS, the homeownership set-aside programs of the Banks allocating the currently allowable maximum set-aside contribution amount generally have been oversubscribed within the first three to seven months of each year;

WHEREAS, the Pittsburgh Bank and other Banks have projected that, with the current allowable maximum set-aside contribution amount, they will not have sufficient homeownership set-aside funds available to meet projected demand for such funds in 2001, and that the proposed increase in the allowable maximum set-aside contribution amount would enable the Banks to meet a significantly larger proportion of such demand in 2001;

WHEREAS, the Bank Presidents' Conference of the 12 Federal Home Loan Banks has recommended, and the Finance Board is proposing, an amendment to section 951.3(a)(1) of the AHP Regulation to authorize a Bank to set aside in any year up to the greater of \$3 million or 25 percent of its required annual AHP contribution for its homeownership set-aside programs; and

WHEREAS, a waiver increasing the allowable maximum set-aside contribution amount for 2001 would assist the Banks in meeting their projected demands for homeownership set-aside funds in 2001, until such time as amendment to the AHP Regulation can be completed;

NOW, THEREFORE, IT IS RESOLVED that the Board of Directors of the Finance Board finds good cause to waive, and hereby waives, for all Banks, the allowable maximum set-aside contribution amount in section 951.3(a)(1) of the Finance Board's AHP Regulation (12 C.F.R. § 951.2(a)(1)) to authorize the following:

1. Each Bank, after consultation with its Advisory Council, may set aside, in the aggregate, in 2001, up to the greater of \$3.0 million or 25 percent of its annual required AHP contribution for 2001 to provide funds to members participating in the Bank's homeownership set-aside programs, pursuant to the requirements of 12 C.F.R. part 951;
2. Any homeownership set-aside funds that are not committed or used by the end of 2001 shall be committed or used by the end of such year to fund project modifications or the next highest scoring AHP applications in a Bank's final funding period of the year for its AHP competitive application program; and
3. In cases where the amount of homeownership set-aside funds applied for by members in 2001 exceeds the amount available for such year, a Bank may allocate up to the greater of \$3.0 million or 25 percent of its annual required AHP contribution for 2002 to its homeownership set-aside programs in 2001 pursuant to written policies adopted by the Bank's board of directors.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Allan I. Mendelowitz

Allan I. Mendelowitz
Chairman