

No: 95-14

Date: August 9, 1995

FEDERAL HOUSING FINANCE BOARD

Interpretation of Financial Management Policy

WHEREAS, the Federal Home Loan Bank of _____ (FHLBank) has entered into four interest rate cap transactions that have final maturities greater than the maximum allowable effective maturity for interest rate exchange agreements set forth in the Federal Housing Finance Board's (Finance Board) Financial Management Policy (FMP); and

WHEREAS, the FHLBank has a unilateral and unconditional right to terminate each of these agreements within the maximum effective maturity limit contained in the FMP at its then current market value; and

WHEREAS, the FHLBank has suggested that, for this reason, the optional termination date should be considered the effective maturity date of each agreement for the purpose of complying with the effective maturity limits in the FMP; and

WHEREAS, the Finance Board agrees that the effective maturity date of interest rate exchange agreements may be considered the optional termination date of an agreement, provided that the FHLBank has the unilateral and unconditional ability to terminate the agreement on or before that date;

NOW, THEREFORE BE IT RESOLVED, that the Finance Board hereby determines that the effective maturity of interest rate exchange agreements may be considered the term from settlement to the date on which a FHLBank has the unilateral and unconditional option to terminate the agreement at its then current market value.

By the Federal Housing Finance Board



Bruce A. Morrison, Chairman