



Federal Housing Finance Board

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August 19, 2003

Mr. Chesley N. Brooks
Chairman
Council of Federal Home Loan Banks
2120 L. Street, NW, Suite 208
Washington, DC 20037

Dear Mr. Brooks:

This replies to your letter of August 11, 2003, on behalf of the Council of Federal Home Loan Banks, requesting that the public comment period for the proposed regulation revising the Federal Housing Finance Board's regulation governing Acquired Member Assets (AMA) programs be extended for an additional ninety days beyond the sixty day period ending on September 2, 2003.

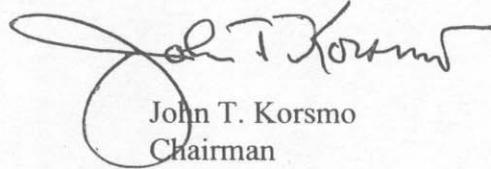
Many current Finance Board regulations focus on prescribing practices rather than requiring FHLBanks to assume responsibility for identifying, assessing, and managing risks. This proposed regulation is intended to begin a reorientation of Finance Board rules to match our new, stronger supervision philosophy. The proposed regulation also invites comment on several matters worthy of consideration by each FHLBank and all members. For example, we are asking whether AMA programs should take additional steps to combat predatory lending. The proposed regulation does not break new policy ground or propose significant expansion of FHLBank authority for AMA programs.

The importance of revising Finance Board regulations to better reflect our supervision approach argues for a constructive exchange among the interested public, FHLBanks, and the Finance Board. It appears, however, that the intention of this proposed regulation is largely misunderstood.

Therefore, in agreement with my fellow Directors, the present rulemaking will be withdrawn by a vote conducted at the September 10, 2003, meeting of the Finance Board. The proposed regulation text will be revised and clarified to better express the objective of placing greater responsibility on FHLBanks to prudently manage AMA programs. A revised proposed regulation will be voted upon at a subsequent meeting. If approved by the Finance Board, that revised proposed regulation will be published for a ninety day public comment period.

I am confident that this solution meets both the safety and soundness interests of this agency and the concerns of the Council of Federal Home Loan Banks.

Yours truly,

A handwritten signature in black ink, appearing to read "John T. Korsmo". The signature is written in a cursive style with a large, looping initial "J".

John T. Korsmo
Chairman