



NEWS

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FINANCE BOARD APPROVES FOUR MORE FHLBANK CAPITAL STRUCTURE PLANS

The Federal Housing Finance Board today approved the capital structure plans of the Federal Home Loan Banks of Chicago, Cincinnati, Dallas and San Francisco, bringing to eight the number of capital plans that the Board has approved.

The capital plans of the Cincinnati, Dallas and San Francisco FHLBanks passed by unanimous 5-0 votes. The Board approved the Chicago FHLBank's plan by a 4-1 vote. Director Franz Leichter, citing concerns about the plan's emphasis on voluntary capital, cast the lone negative vote.

"All four of these capital plans meet both the letter and the spirit of the Gramm-Leach-Bliley Act, which gave the Federal Home Loan Banks flexibility in designing their plans," said Finance Board Chairman John T. Korsmo. "Our responsibility at the Finance Board is to focus on the safety, soundness and legality of the plans, leaving the business decisions in the plans up to the boards of directors of the Banks."

The Finance Board determined that the four capital plans meet all statutory and regulatory requirements regarding capital structure and do not compromise that Bank's safety and soundness or that of the FHLBank System. All of the FHLBanks whose capital plans have been approved must still obtain Finance Board approval of their internal market risk model and risk assessment procedures and controls prior to implementing their plans.

The Finance Board will consider for approval in July the remaining four capital plans, those of the FHLBanks of Des Moines, Indianapolis, New York and Topeka.

The Gramm-Leach-Bliley Act, signed into law on November 12, 1999, amended the provisions of the FHLBank Act that relate to the capital structure of the FHLBanks. The law mandated the replacement of the existing subscription capital structure with a modern capital structure, with risk-based and leverage capital requirements that are similar to those of depository institutions.