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FEDERAL HOUSING FINANCE BOARD

Board Meeting

July 18, 2002

Held at: Daniel Patrick Moynihan United States

Courthouse

500 Pearl Street

New York, New York

John T. Korsmo, Chairman

John C. Weicher

Allan I. Mendelowitz

Franz S. Leichter

J. Timothy O'Neill

1 CHAIRMAN KORSMO: If everyone will please
2 take a seat we will begin.

3 Good afternoon, I have called this special
4 meeting of the Federal Housing Finance Board to order.
5 Thank you all for being here today. It is certainly
6 a great honor and a privilege for all of us members
7 of the Federal Housing Finance Board to first, of
8 course, have the opportunity to be here in New York
9 on this very special day. And I should also mention
10 at least for the three lawyers at this end of the
11 table, that the opportunity to sit up here is a real
12 privilege.

13 We owe a special thanks to Judge Richard C.
14 Casey of the U.S. District Court of the Southern
15 District of New York for arranging the use of the
16 courthouse today. I don't know if Judge Casey is in
17 the room, but if he is, thank you. If not, we'll
18 certainly convey our thanks for this privilege.

19 Also, thank you to representatives from a
20 number of the banks throughout the System who are
21 here today again to help us commemorate and
22 celebrate a couple of special occasions, I know I
23 saw Alex Pollock, the president of the Chicago Bank.
24 I think I was also aware that Dean Schultz from San
25 Francisco, Chuck Thiemann from Cincinnati, Mike Jessee

1 from Boston are also in attendance. If there are
2 any others, I apologize for missing you, but thank
3 you for your participation. I know also that there
4 are several board chairs and vice chairs here. At
5 the risk of offending any of them by missing you, I
6 won't mention any names. But again, we very much
7 appreciate your attendance and your participation.
8 I think it's a tribute about, let me say this,
9 certainly not to the Finance Board, but I think to
10 the leadership of Chairman Collins and President
11 DelliBovi that you are all here, and we appreciate
12 that very much.

13 I should mention that for those of you who
14 may not be aware, that President DelliBovi has
15 selected a jury to rule in his case today. He's
16 selected it very well. These individuals are
17 members of the Board of the Federal Home Loan Bank
18 of New York, and we are delighted that you all could
19 be here today, and we, as I say, could share this
20 opportunity to get together to commemorate a couple
21 of milestones.

22 Today, July 18th, is a historic one for the
23 Finance Board for the Federal Home Loan Bank of New York,
24 and for the entire Federal Home Loan Bank System.
25 As chairman, as I mentioned, it is an honor for me

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1 to bring the Board to this courthouse for these
2 events, and I am sure my colleagues share the same
3 deep appreciation for what will occur here this
4 afternoon. Our agenda lists three items, the first
5 is action on the proposed capital plan for the Federal
6 Home Loan Bank of New York. The second item on the
7 agenda is a resolution in support of the Bank's
8 application to enter into a liquidity facility with
9 the New York City Transitional Finance Authority,
10 and the third item is issuance of a new charter for
11 the Federal Home Loan Bank of New York.

12 In taking these steps, we commemorate an
13 ending, an anniversary, and a new beginning - all
14 three reflecting the fundamental strength and
15 goodness of our country, and the vitality of the
16 Federal Home Loan Bank System.

17 Now, not too many people in public life
18 choose to associate themselves with President Herbert
19 Hoover these days. Just that well-known picture of an
20 unsmiling face, there above the tight, starched
21 color, recalls a darker time, when the Great
22 Depression spread misery throughout our nation and
23 caused doubt about its very survival. But his
24 historical image - and in some cases I believe an
25 unfairly drawn image - cannot detract from the

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1 convictions and love of country President Hoover
2 displayed throughout his life, and certainly during
3 his time in office.

4 In his 1929 inaugural speech, President Hoover
5 declared: "In no nation are the institutions of
6 progress more advanced. In no nation are the fruits
7 of accomplishment more secure. In no nation is the
8 government more worthy of respect. No country is
9 more loved by its people. I have an abiding faith
10 in their capacity, integrity and high purpose. I
11 have no fears for the future of our country. It
12 is bright with hope."

13 I am proud today to associate myself with
14 those remarks, just as I am proud to play a role in
15 a System that grew out of a vision that President
16 Hoover shared with others who helped create that
17 System - a vision where housing and homeownership
18 will always contribute to that bright hope for our
19 nation's future.

20 Seventy years ago next Monday, on July 22nd,
21 1932, President Hoover signed the Home Loan Bank
22 Bill into law. The Act, as his signing statement
23 said, grew out of a National Conference on
24 Homeownership representing every part of the

25 country. The legislation's goal was, and I quote,

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1 "to establish a series of discount banks for home
2 mortgages performing a function for homeowners
3 similar to that performed in the commercial field by
4 the Federal Reserve Banks through their discount
5 facilities."

6 Of course, the Bank System as undergone many
7 transformations through the seven decades since. The
8 Federal Housing Finance Board did not come into
9 existence as the System's regulator until 1989. But
10 throughout its history of change, the System has
11 retained its essential cooperative structure and,
12 more importantly, the fundamental purpose for which it
13 was created: To support, through liquidity and other
14 bank services and missions, the thrifts and
15 eventually other financial institutions that help
16 Americans buy homes.

17 Today, as I know every one in this room is
18 aware, homeownership rates stand at a record 68
19 percent. More than two out of three American
20 families own their homes, helping strengthen their
21 communities, building a future for their families,
22 and, as all have come to appreciate, buttressing
23 continued economic growth when recessionary winds
24 are blowing.

25

So, in a very real way, when we act on the

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1 proposed capital plan for the Federal Home Loan Bank
2 of New York - and when we commemorate the 70th
3 Anniversary of the entire System - we are
4 commemorating those bungalows and row houses in
5 Poughkeepsie, the hundreds of suburban ranch homes outside
6 New Brunswick, New Jersey or San Juan, Puerto Rico,
7 and the new, affordable housing complex in upstate
8 New York, as well as millions of similar examples of
9 the realized American dream, all across the United
10 States.

11 For more Americans to achieve homeownership,
12 to achieve the dream, it is vital that the Federal
13 Home Loan Bank System and its individual members
14 remain strong and stable and, of course, safe and
15 secure.

16 I spoke earlier of many changes the System
17 and the Finance Board have undergone, and of course,
18 the most recent and far-reaching development was
19 enactment of the Gramm-Leach-Bliley Act in 1999.

20 Gramm-Leach-Bliley required the Banks to
21 reaffirm their safety and soundness by adopting
22 modern capital structures. If my colleagues accept
23 New York's capital plan, we will complete that

24 process today, with only implementation to remain for
25 11 Banks.

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1 As is traditional for me to say at this
2 point, the restructuring embraced by
3 Gramm-Leach-Bliley changed the relationship between
4 the Board and the Banks. That legislation clearly
5 gave the Banks - not the Finance Board - authority to
6 prepare a capital plan that best suits the
7 conditions and operation of the bank and the
8 interests of its members. Accordingly, the Banks,
9 their executives and their directors are
10 responsible for designing and proposing capital
11 structures that meet their business plans and best
12 serve the interests of the member financial
13 institutions. The Finance Board's responsibility,
14 in turn, is to ensure that those capital plans were
15 safe, sound and legal.

16 Some of the plans we have considered have met
17 with disagreement on this Board, including several
18 divided votes, but I am confident that we have
19 achieved that goal: Making certain the Bank's
20 capital structures are safe, sound and legal.

21 I now look forward to the final plan, and ask
22 our Managing Director, Dr. Jim Bothwell to present
23 now the first item on our agenda, the proposed

24 capital plan for the Federal Home Loan Bank of New
25 York.

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1 MR. BOTHWELL: Thank you, Mr. Chairman and
2 good afternoon to you, Director O'Neill, Director
3 Leichter, Commissioner Weicher, and Director
4 Mendelowitz.

5 Speaking on behalf of the entire Finance
6 Board staff, it is indeed a distinct pleasure to be
7 here in New York City, Mr. Chairman, at this very
8 special meeting of the Federal Housing Finance Board
9 and observation in observance of the 70th
10 Anniversary of the Federal Home Loan Bank System.
11 It is altogether fitting and proper, Mr. Chairman,
12 that the first item on today's agenda --

13 CHAIRMAN KORSMO: Thank you, Mr. Lincoln. We
14 appreciate that.

15 MR. BOTHWELL: -- is the proposed capital
16 structure plan of the Federal Home Loan Bank of New
17 York, which, as you mentioned in your opening
18 remarks, is the final capital structure plan to come
19 before the Board for approval.

20 This plan, as with most of the other 11
21 capital plans that have come before the Board,
22 involve three related resolutions. The first of

23 these resolutions approves New York Bank's Capital
24 Structure Plan, subject to the Bank receiving the
25 required Finance Board approvals of its internal

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1 market risk model and risk assessment procedures and
2 controls before implementation can occur.

3 The second resolution, Mr. Chairman,
4 specifies the provisions of the Finance Board
5 existing financial management policy that the New
6 York Bank will still be subject to upon implement of
7 its new capital structure; and the third resolution
8 waives the six-month notice requirement for
9 redeeming the Bank's existing stock, thus allowing
10 the New York Bank to convert more quickly to its new
11 more permanent risk bank capital struck as required
12 by Gramm-Leach-Bliley.

13 At this time, Mr. Chairman, I would like to
14 ask Scott Smith, the Acting Director of the Policy
15 Office of the Finance Board to please present the
16 proposed capital structure plan of the Federal Home
17 Loan Bank of New York for the Board's consideration.

18 MR. SMITH: Thank you, Jim.

19 Good afternoon Mr. Chairman and members of
20 the Board. Staff is requesting that the Board of
21 Directors consider and approve three resolutions
22 that are concerned with and constitute approval of

23 the structure component of the New York Federal Home
24 Loan Bank's capital plan.

25 Finance Board staff finds that the most

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1 recent version of the plan, approved by the Bank's
2 board of directors this morning, July 18th, 2002,
3 complies with the Finance Board regulations.

4 The structure of the plan is to tie the
5 Bank's capital stock level very closely to the level
6 of member activity with the Bank. In that respect
7 it represents a modest update of the current capital
8 structure, one that recognizes the growing
9 importance of required member assets and also one
10 that furthers the Bank's goal of reaffirming use of
11 the cooperative business model.

12 The New York plan provides for class B stock
13 only with two subclasses: One for membership stock
14 and one for activity based stock. Because it is an
15 all class B stock structure, and based on staff
16 estimates, the Bank will meet the four percent
17 leveraged capital requirement for unweighted stock
18 and the five percent weighted stock leverage
19 requirement upon conversion and will also meet the
20 risk based capital requirement.

21 At this point in time, in going forward,

22 staff believes that the leverage requirement, rather
23 than the risk based capital requirement, will be the
24 binding constraint on the maximum capital. If
25 approved, the Bank intends to convert to the new

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1 capital structure in 18 months or less.

2 The Bank will also take advantage of the all
3 capital provisions in the regulation by allowing
4 members to opt out of the new capital structure up
5 to 60 days prior time limits of the plan. Also,
6 upon implementation, the Bank will have more
7 permanent capital and the Bank will be required to
8 adopt a more state of the art risk management
9 process, in the capital plan member's minimum
10 investment requirement is equal to the sum of a
11 member's membership stock purchase requirement, and
12 its activity-based stock purchase requirement. The
13 membership stock purchase requirement equals .2
14 percent of a member's mortgage related assets,
15 subject to a minimum set at \$1,000, and with a range
16 within which the percentages can be changed without
17 an amendment; that is from .1 percent to .25
18 percent.

19 The activity based stock purchase requirement
20 is calculated based on the outstanding balances of
21 specific transactions associated with the member and

22 must be carried on the Bank's balance sheet. The
23 percentages are initially set at 4.45 percent for
24 advances, 4.45 percent for acquired member assets or
25 AMA, zero percent for the carrying value of the

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1 derivatives and zero for off-balance sheet items.

2 The plan also provides ranges for these
3 percentage amounts. The ranges for both advances
4 and AMA are from four to five percent, from zero to
5 five percent for derivatives and from zero to the
6 amount that equals the credit risk capital
7 requirement for off-balance sheet items.

8 Finance Board rules provide that the minimum
9 stock purchase requirements established by a capital
10 plan must be set at a level that provides sufficient
11 capital for the Bank to comply with its minimum
12 capital requirement. As a part of this analysis,
13 staff reviewed materials submitted by Bank to
14 support approval of the plan including pro forma
15 financial statements, the assumptions behind these
16 statements and management estimates of the amount
17 and type of stock that would be associated with the
18 pro forma statements. Staff analysis is to have
19 Bank projections indicate that the Bank will have
20 sufficient capital at the moment of implementation.

21 Overall, staff has not identified any
22 apparent structural flaws or other problems in the
23 plan, and the initial proposed minimum investment
24 requirements that would prevent the Bank from
25 maintaining sufficient capital to comply with

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1 statutory and regulatory requirements and to
2 continue to operate in a safe and sound manner.

3 We would be pleased to answer any questions.

4 CHAIRMAN KORSMO: Thank you, Dr. Smith.

5 Do any members of this court -- excuse me.

6 Do any members of this Board have any questions for
7 staff?

8 Seeing no questions, is there a motion to
9 approve the three resolutions that would implement
10 the capital structure plan for the Federal Home Loan
11 Bank of New York?

12 Mr. Leichter?

13 DIRECTOR LEICHTER: Yes, I would like to move
14 their adoption.

15 CHAIRMAN KORSMO: It has been moved that we
16 approve the three resolutions that would implement
17 the capital structure plan for the Federal Home Loan
18 Bank of New York. Is there any discussion of the
19 motion?

20 Director Leichter?

21 DIRECTOR LEICHTER: Yes. I think it's
22 appropriate at this time, as we move to adopt the
23 New York plan, first of all to congratulate the
24 New York Bank for bringing this plan
25 before us. I think we will have more opportunity

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1 later on the make some statements about New York
2 Bank.

3 But what I would like to call attention to is
4 the fact that, with the approval of this plan, we
5 will have approved the capital plans of all 12
6 Banks. I think it's a remarkable achievement,
7 particularly since we have met the timetable in the
8 Congressional mandate, which is most unusual in
9 Washington.

10 And, Mr. Chairman, I want to really
11 acknowledge the fact that when you came in as
12 chairman, you set a very tight, what many thought
13 was an unrealistic schedule, but you saw that it was
14 done, and I really want to acknowledge that and give
15 you the credit for seeing that this was pushed
16 through.

17 And I also want to take this opportunity to
18 thank the staff of the Finance Board that really
19 worked extremely hard to get these 12 plans in a

20 period of six months approved. And I think they
21 just did a remarkable job. I am not going to
22 mention any names, there are too many of them. They
23 worked extremely hard, extremely well.

24 And, of course, we owe thanks to all of the
25 Banks and their staff for their cooperation which

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1 made this possible. At a time when a lot of attention is
2 being paid to GSE's and there seems to be a tendency
3 to lump all GSE's together, it's good to note the
4 differences in the GSE, not only in performance but
5 also in their characterization. And I think we can
6 be extremely proud of our performance. And,
7 hopefully, this will receive some recognition and
8 also recognition of the differences of the Home Loan
9 Bank System from some of our fellow sister GSE's.
10 And as much as suggestions that are being made
11 deserve some serious consideration, it is also good
12 for people to take a look at what is suitable for
13 the Home Loan Bank System, and what may not be
14 suitable for the Home Loan Bank System. I think we
15 can all take great pride in approving the twelfth
16 capital plan and achieving what is really a major
17 recapitalization of the System. It is remarkable, a \$30
18 billion institution that has recapitalized itself. So,
19 hopefully, some attention will be paid to what I

20 think is a very remarkable achievement.

21 Thank you.

22 CHAIRMAN KORSMO: Thank you. Is there any
23 other discussion on the motion?

24 CHAIRMAN KORSMO: Director O'Neill. It's
25 hard to see up here.

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1 DIRECTOR O'NEILL: I just wanted first to
2 thank the New York Bank. As Director Leichter said,
3 this is something that has been duplicated on the
4 earlier 11, but we set out a very complex regulation
5 that you, all 12 banks, had to work to be in accord
6 with. And as our staff notes, this Bank, like the
7 other banks, did a great job in putting something
8 forth that we could get behind. But I guess the
9 other thing I would say is that, to me, this ends up
10 one of the times that had the potential for the
11 greatest instability in the Bank history, because
12 when Gramm-Leach-Bliley made the System totally
13 voluntary, but we didn't have any permanent capital,
14 this could have been a really tragic event, not only
15 for the Federal Housing Finance Board,
16 but for the entire Federal Home Loan Bank
17 System.

18 Now, this is great. Now all 12 Banks do have

19 permanent capital. And I think that, again, as
20 Director Leichter says, a lot of the credit should
21 go to the Chairman for sticking to a very ambitious
22 timetable, but this Director is very relieved now
23 that we have permanent capital at all 12 Banks so
24 that the System can go on for another 70 years.

25 CHAIRMAN KORSMO: Thank you, Director

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1 O'Neill. Any other discussion?

2 Mr. Weicher.

3 DIRECTOR WEICHER: Thank you, Mr. Chairman. I
4 certainly want to associate myself with my
5 colleague's remarks. I am one of those who thought
6 the schedule was ambitious and unrealistic and want
7 to congratulate you on bringing it to a conclusion.
8 While I am relieved that all 12 Banks have the
9 capital on a voluntary membership basis, I am also
10 relieved to bring the second question of the 12
11 capital plan decisions to a conclusion, perhaps more
12 relieved to the latter than the former.

13 I also want to thank the staff. This has
14 been a very tough job for Jim and for Scott and for
15 all the people who have been wading through plans,
16 and briefing us, and answering the array of
17 questions. You have no idea how many questions five
18 different people can come up with as we look at the

19 same document. And I know that hasn't been easy for
20 any of you and I am very grateful for -- I am
21 personally grateful for the help you have given me
22 as I was wearing two hats and making it possible for
23 me to do both jobs at the same time.

24 CHAIRMAN KORSMO: Thank you, Dr. Weicher.
25 Thank you to you, too, guys.

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1 Is there any other discussion of the motion?
2 Who have we not heard from?

3 DIRECTOR MENDELOWITZ: Thank you, Mr. Chairman.
4 I, too, can't pass up the opportunity to note what
5 an auspicious and extraordinary occasion today is.
6 Gramm-Leach-Bliley legislation enacted a statute
7 that called for major change in the Federal Home
8 Loan Bank System, the first major changes really in
9 the 70-year history of the System. It placed a
10 deadline and mandate on the Board to pass a rule
11 with a time frame that was tight and challenging.
12 It placed an obligation on the banks, themselves, to
13 submit plans within a very tight time frame. And
14 then you, Mr. Chairman, set a deadline of great
15 ambition to move the process forward and have the
16 Finance Board approve it. And all of these things
17 took place remarkably and extraordinarily so on the

18 schedules laid out in statutes and by the Finance
19 Board. In order to do that, it took the initiative
20 of a lot of people and I think it's appropriate to
21 note that the passage of the provisions with respect
22 to Home Loan Banks in the Gramm-Leach-Bliley statute
23 represented the leadership provided by Chairman Bruce
24 Morrison, the preparation and passage of the rule
25 that was adopted by the Finance Board in the year

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1 2000 represented the leadership of Commissioner
2 Apgar, and then the approval of the plans over the
3 past several months represented the leadership of
4 Chairman Korsmo.

5 We did all this despite the fact that you can
6 all see as we sit up here this is, in fact, is a
7 very divided Board. This is a Board that is divided
8 three to two, and the fact that we are divided is
9 made apparent by how we sit here. The three lawyers
10 are over there and the two economists are over here.

11 And, John, even though you and I are in the
12 minority, I feel that together we can still have an
13 impact.

14 DIRECTOR WEICHER: If I may comment on that, being
15 in Washington and we are, we are used to being a
16 minority among a sea of lawyers, 40 percent of the
17 vote is far more than we normally get.

18 DIRECTOR MENDELOWITZ: It is, John. It's a lonely
19 existence, but we struggle on.

20 But seriously, I really want to express my
21 appreciation to Chairman Korsmo for the leadership
22 he provided in setting this challenging time frame.
23 And, in fact, seeing that we moved along. And
24 despite everyone's doubts, including as he confessed
25 to me his own, we actually met the deadline in the

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1 schedule.

2 Secondly, I want to thank the staff for the
3 extraordinary effort they made. The leadership
4 provided by the senior staff, by the Managing
5 Director Jim Bothwell; Acting Director of Policy,
6 Research and Analysis, Scott Smith; and the
7 leadership provided by the Acting General Counsel,
8 Arnold Intrater and all of their staff who worked
9 very, very hard on this.

10 Obviously, we wouldn't have had anything to
11 work on if the banks hadn't submitted their plans on
12 time, and also had not been willing to work until
13 the last minute to get them right, and all the give
14 and take back and forth between the Finance Board
15 and the banks. So I do want to thank all of the
16 Bank presidents.

17 Because we are in New York, I have especially
18 seen a lot of President DelliBovi, and I want to
19 thank the chairmen of all the Banks for their
20 efforts and hard work, because we are sitting here
21 in New York today, especially Chairman Collins and
22 all the members of the board of directors who worked
23 so hard on this. If we had known then when we
24 started the process what we know now, we probably
25 could have done it better, faster and with less

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1 contention, but the essence of good decision making,
2 as everyone knows in the real world, is that we have
3 to make decisions in the absence of complete
4 information, we must make decisions where we don't
5 know everything and we have to do the best we can.
6 And I think we have arrived at this day and I think
7 we can all together collectively, the members of the
8 Finance Board, the staff of the Finance Board, the
9 leadership of Home Loan Banks' board, can take great
10 satisfaction that working in a world of imperfect
11 knowledge, we have reached this day of
12 recapitalizing the System and doing it in a way that
13 we can all take pride in and all take satisfaction
14 that we have done it in a way that will provide a
15 modern risk based capital system going forward, that
16 will provide for a safe and sound and stable Home

17 Loan Bank System that will perform its mission for
18 at least the next 70 years in the future.

19 Thank you.

20 CHAIRMAN KORSMO: Thank you, Dr. Mendelowitz,
21 and thank you to all of my colleagues.

22 Is there any other discussion of the motion?
23 Is there any other discussion of the motion? Seeing
24 none, the question is on the motion to adopt the
25 three resolutions: The capital structure plan of

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1 the Federal Home Loan Bank of New York, the motion
2 for waiver of withdrawal notice requirement, and the
3 third resolution involving the financial management
4 policy schemes. Those being the three resolutions
5 that constitute approval of the capital structure
6 plan of the Federal Home Loan Bank of New York, that
7 is the motion.

8 The secretary please call the recall.

9 SECRETARY BAKER: On the motion before the
10 Board, Director Leichter, how do you vote.

11 DIRECTOR LEICHTER: Aye.

12 SECRETARY BAKER: Director O'Neill.

13 DIRECTOR O'NEILL: Aye.

14 SECRETARY BAKER: Director Mendelowitz.

15 DIRECTOR MENDELOWITZ: Aye.

16 SECRETARY BAKER: Director Weicher?

17 DIRECTOR WEICHER: Aye.

18 SECRETARY BAKER: Chairman Korsmo.

19 CHAIRMAN KORSMO: Aye.

20 The motion carried, the motion to adopt the
21 three resolutions implementing the capital structure
22 plan of the Federal Home Loan Bank of New York is
23 approved.

24 Congratulations to the Chairman and the
25 President of the Bank and, indeed, all the Board of

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1 directors and your very hard working staff. This
2 was an impressive effort, and I am glad we had the
3 opportunity to be here in New York today when we
4 took this action.

5 We spoke earlier about today's event
6 commemorating the ending, an anniversary, and a new
7 beginning. You have heard all of my colleagues, in
8 fact, address that issue. I believe our just
9 completed action falls into the first category.

10 With adoption of the capital plan for the Federal
11 Home Loan Bank of New York, and the implementation
12 of the plans for all the Banks, we are concluding
13 one of the most important challenges as Director
14 O'Neill noted, one of the most important challenges
15 to ever face the Federal Home Loan Bank System and

16 the Federal Housing Finance Board, and we are
17 concluding it in a timely fashion, according to the
18 law, the demanding schedule I asked for upon
19 becoming chairman, and my special thanks, obviously,
20 to our staff for making it happen. The process has
21 involved an enormous amount of work by the Finance
22 Board staff and my colleagues, the executives and
23 directors of all 12 banks, and their staffs as well,
24 and to all of you, my sincerest thanks.

25 We can draw two clear principles from this

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1 process as the Board and the banks carried out the
2 dictates of Gramm-Leach-Bliley, first there is great
3 value in conducting open, honest debates about
4 matters of public policy. In addition to five
5 regular Board meetings covering capital plan issues,
6 we held two public hearings devoted solely to
7 gathering information about capital plans, on the
8 record we aired important issues, expressed our
9 disagreements, and we voted. I do not believe we
10 could have approved a plan with as much fairness to
11 banks and with so much input from all directors
12 without the process having been open and public.

13 The second principle established over the
14 course of approving the plans is also critical. It

15 is this: Gramm-Leach-Bliley capital plans are a
16 watershed for the System and the Finance Board. 70
17 years after the System was established a fundamental
18 change has taken place. No longer is the Board the
19 senior partner in operation of Home Loan Banks. The
20 Finance Board, representing the public interest, is
21 now the arm's length regulator for the safety and
22 soundness of the System. Today's action draws
23 clearly the bright red line I speak about so often,
24 bright red line of separation between the Board and
25 the System it regulates. Once the risk based

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1 capital structures are implemented the banks turn to
2 doing what they do, serving their member
3 institutions, carrying out their business plan,
4 working together as a cooperative System, and
5 dealing with an ever changing competitive
6 environment. This environment may well call for new
7 business activities, new to the banks and new to the
8 Finance Board. So the Finance Board must become an
9 even more attentive regulator. The agency must be
10 certain to maintain the resources, staff and
11 regulatory tools to carry out the safety and
12 soundness responsibilities effectively and fairly.
13 We begin immediately.

14 Next month the Board will consider a Code of

15 Conduct to affirm the arm's length separation
16 between the agency and the banks. In addition, we
17 will take steps in the near future to expand and
18 strengthen the Board's supervisory functions.
19 Ultimately, when all of us, the banks and the Board
20 take care to do our jobs, to follow the laws and act
21 according to the highest ethical standard, the
22 System will continue to flourish and it will meet
23 its purpose for the benefit of the nation, the
24 taxpayers, and the home buying public.

25 In preparing these remarks as I often do, I

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1 thought about that bright red line and how it might
2 play into today's events. And we have taken the
3 first step in meeting today's agenda, but I thought
4 of all the work, the sacrifices and successes by the
5 people of the Federal Home Loan Bank of New York
6 under the leadership of President Al DelliBovi under
7 a very difficult and historical time. I had to
8 conclude sometimes the bright red line must mark a
9 red letter day, and the highlight of this bright
10 letter day is the next item on or agenda.

11 We will now turn to consideration of a
12 resolution in support of the Federal Home Loan Bank
13 of New York's application to enter into a standby

14 bond purchase agreement with the Transitional
15 Finance Authority to commit up to \$547 million of
16 Bank funds to principle and interest related to the
17 issuance of \$520 million in recovery bonds. I
18 believe chairman, or excuse me, Managing Director
19 Bothwell will be presenting this item.

20 MR. BOTHWELL: Mr. Chairman, our acting
21 general counsel, Arnold Intrater, will present the
22 resolution for your consideration.

23 MR. INTRATER: Thank you, Mr. Chairman and
24 members of the Board. If you will allow this New
25 York State licensed attorney to digress for just a

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1 second, you have no idea how close I am to standing
2 up and saying "May it please the court." It's been
3 38 years since I have been in a New York State court
4 house, in a New York courthouse. Please make that
5 correction.

6 May it please the Board, the staff is asking
7 you to consider a resolution to ratify and confirm
8 the Finance Board letter of June 28th, 2002, to
9 President DelliBovi of the New York Bank. The
10 staff's letter approved the New York Bank's
11 application to enter into a standby bond purchase
12 agreement with the New York City Transitional
13 Finance Authority. Through this agreement as

14 already stated, Mr. Chairman, the New York Bank will
15 support the issuance of \$547 million of authority
16 recovery bonds which will finance or help finance
17 the restoration of lower Manhattan. After careful
18 review, the staff concluded that the Bank's
19 application does not pose any material risk to the
20 Bank's safe and sound operation. It's consistent
21 with the Bank's capital plan and is permissible
22 under applicable law and Finance Board regulations
23 and we request that you approve the resolution.

24 CHAIRMAN KORSMO: Are there any questions of
25 Mr. Intrater on the part of any members of the

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1 Board? If not, the Chair would entertain a motion
2 to approve the resolution.

3 DIRECTOR O'NEILL: I so move.

4 CHAIRMAN KORSMO: Director O'Neill has moved
5 approval of the resolution.

6 The purpose of the resolution is to, one,
7 ratify and confirm the staff's approval of the New
8 York Bank's new business activity application and
9 related no action position to permit the Bank to
10 enter into a standby bond purchase agreement
11 regarding \$520 million par value of recovery bonds,
12 the proceeds of which will cover costs of restoring

13 lower Manhattan destroyed to September 11th, 2001;
14 and, two, to commend the New York Bank's directors
15 and staff for their dedicated service and
16 significant support of the recovery bonds.

17 Is there any discussion of the motion?
18 Hearing none, the secretary will please call the
19 roll on the motion to approve the resolution
20 concerning the Federal Home Loan Bank of New York's
21 participation in public finance of the
22 reconstruction of lower Manhattan.

23 SECRETARY BAKER: On the motion before the
24 Board, Director Leichter, how do you vote?
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1 DIRECTOR LEICHTER: Aye.
2 SECRETARY BAKER: Director O'Neill?
3 DIRECTOR O'NEILL: Aye.
4 CHAIRMAN KORSMO: Director Mendelowitz?
5 DIRECTOR MENDELOWITZ: Aye.
6 CHAIRMAN KORSMO: Director Weicher?
7 DIRECTOR WEICHER: Aye.
8 SECRETARY BAKER: Chairman Korsmo?
9 CHAIRMAN KORSMO: Aye.
10 The motion is approved and the resolution is
11 adopted.
12 Thank you.

13 We now come to what I will call the new
14 beginning part of agenda. It gives me great
15 pleasure to do so and it also gives me great pause,
16 for issuing a new charter to the Federal Home Loan
17 Bank of New York, a moment of proud restoration, we
18 must also confront the results of a most terrible
19 event, the terrorist attack that took the lives of
20 thousands of our federal countrymen and women on
21 that bright sunny morning of September 11th, 2001.
22 Your dear friends and colleagues and relatives were
23 among those murdered because, quite simply, they
24 were Americans, and the killing and suffering
25 happened not at some vast distance, but right next

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1 door outside your windows with many of you bearing
2 witness.

3 This is a story best told by those who were
4 here, who carried on, but I do want to comment on
5 the leadership I have seen displayed by the people
6 of the New York Bank.

7 Several months ago I had the opportunity to
8 visit the operation center in New Jersey, so I could
9 learn about the Bank's response in the wake of the
10 September 11th attacks. In the face of
11 unprecedented challenges, the Bank renewed

12 operations with speed, with efficiency, and yet with
13 real concern for the people, the staff who are the
14 heart of the Federal Home Loan Bank of New York.
15 This achievement, I believe, stands as testament to
16 the leadership of the Bank and, of course, to the
17 leadership of President Al DelliBovi.

18 Al, when the World Trade Center was first
19 bombed in February of 1993, it was your firm
20 leadership with the full support of the Board and
21 its Chairman Neil Levin that led to the decision to
22 relocate to 7 World Trade Center, a decision that
23 ultimately saved the lives of the Federal Home Loan
24 Bank of New York employees, including, I am sure,
25 many in this room today.

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1 Again, Al, to you, your staff, and the
2 directors of the Federal Home Loan Bank of New York,
3 you embody the fortitude, the resilience, and basic
4 human goodness of the American people. Those
5 qualities that make certain our future is bright
6 with hope, those qualities that rebuke and
7 ultimately defeat those who would destroy us. And
8 now it is my great privilege to ask the Bank to give
9 us the background on the need for a new charter.
10 For that purpose, it is my privilege to call on the
11 Chairman of the Board of directors of the Federal

12 Home Loan Bank of New York, Atwood Collins.

13 MR. COLLINS: Thank you, Mr. Chairman.

14 Before I begin my remarks I would like to
15 introduce Alan Anders, the Deputy Director of the New
16 York City Office of Budget and Management.

17 MR. ANDERS: I'm here to express the
18 gratitude of the Mayor and the City. I'm
19 responsible for the writing the bond financing
20 program for New York City, I report to the budget
21 director for the Mayor. And as I think you know,
22 two days after September 11th, the state legislature
23 authorized our very strongest credit in the bond
24 market, the Transition Finance Authority, to borrow
25 up to two and a half billion dollars for recovery

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1 costs that were not reimbursed by the federal
2 government for revenue losses directly related to
3 9/11. This borrowing that we are anticipating is
4 absolutely essential to this transitional period for
5 the City's finances and we really appreciate your
6 support on that.

7 I would just like to say on a personal basis
8 for many of us, that our offices were right next
9 door to your offices and so probably without knowing
10 it, we stood together on Greenwich Street and

11 watched the two buildings come down.

12 This is a wonderful cooperative effort. It's
13 a very big deal for us in the bond market. I would
14 like to thank you, Mr. Chairman, Mr. President, and Bear
15 Stearns who helped us arrange this, and we appreciate
16 it very much.

17 CHAIRMAN KORSMO: Thank you, Mr. Anders. We
18 very much appreciate you being here with us today to
19 help us celebrate this event.

20 MR. COLLINS: Chairman Korsmo, Directors
21 Leichter, O'Neill, Mendelowitz and Weicher and
22 distinguished guests. I would like to welcome you
23 all to New York City.

24 Mr. Chairman, I would like to thank you very
25 much for holding this meeting in this very special

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1 room. The Home Loan Bank of New York is honored you
2 have chosen our home town for the 70th Anniversary
3 of the Home Loan Bank System.

4 The Home Loan Bank System for these seven
5 decades has provided our member lenders critical
6 availability of funds for housing. I would also
7 like to extend our gratitude to the Federal Housing
8 Finance Board for approving our capital plan.
9 Modernizing the capital plan of the Home Loan Bank
10 System lays the foundation for continued success in

11 support of community banks in our growing
12 neighborhoods in New York State. The events of
13 September 11th shocked New York and this country,
14 but with the resiliency so typical of New York, this
15 was only a temporary setback, and we are moving
16 ahead and we are well on our way to recovery.

17 The Federal Housing Finance Board has been
18 part of this effort, and we appreciate your support
19 of the New York Bank's efforts to reestablish normal
20 operation after the loss of our headquarters at 7
21 World Trade Center.

22 Among the items lost at 7 World Trade Center
23 was the founding document of the New York Home Loan
24 Bank called the Certificate of Organization.
25 Mr. Chairman, we need a new document. I have been

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1 advised by our general counsel the certificate is
2 exactly the same as the other 11 Home Loan Banks,
3 however, differs from our 1932 certificate with two
4 exceptions: One, the headquarters of the Bank are
5 New York, not Newark; and two, the Federal Housing
6 Finance Board is our regulator. Accordingly, I am
7 formally requesting that the Federal Housing Finance
8 Board approve a new Certificate of Organization for
9 the Home Loan Bank of New York.

10 Thank you, Mr. Chairman.

11 CHAIRMAN KORSMO: Thank you, Chairman
12 Collins. We appreciate your remarks.

13 Are there any questions for Chairman Collins
14 or for President DelliBovi? If there are none, I
15 will open or ask for a resolution, excuse me, ask
16 for a motion to approve the resolution to issue a
17 new, grant a restated organizational certificate to
18 replace the original lost in the attack of September
19 11th, 2001, of the Federal Home Loan Bank of New
20 York.

21 DIRECTOR LEICHTER: So moved.

22 CHAIRMAN KORSMO: We have a motion. Director
23 Leichter has moved the motion to adopt the
24 resolution. Is there any discussion of the motion?
25 Any discussion of the motion?

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1 Director Leichter?

2 DIRECTOR LEICHTER: It's really a great honor
3 for me to make this motion and to be here and to be
4 part of the System and also to pay tribute to the
5 New York Bank for the courage and the skill and
6 determination that it showed on September 11th. I
7 think it really exemplifies the dedication and
8 service that exists throughout the whole Home Loan
9 Bank System.

10 Of course, it's been said and deserves to be
11 repeated, the leadership of Al DelliBovi and how,
12 after the 1993 bombing, he and Neil Levin decided
13 that the Bank should move to other headquarters and
14 not be high up in the World Trade towers. And I am
15 glad that we mentioned Neil Levin. I think most of
16 you know, he lost his life in the attack and he was
17 a really a very special, remarkable public servant.

18 Some of you may know this, that Al and I
19 probably go back further working together than
20 anybody else in this courtroom because he and I
21 served together in the New York State legislature in
22 the early 1970s. He represented one of the more
23 conservative districts in Queens that is sometimes
24 referred to as Archie Bunker land, and I represented
25 the West side of Manhattan, which was probably the

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1 most liberal militant community east of Berkley, and
2 we always used to say, he and I never voted the same
3 on any issue. We didn't even vote the same on
4 motions to discharge. To show you how large that
5 gap was between us, it's almost as large as the gap
6 that sometimes seems to exist between presidents of
7 the Home Loan Banks, so you can appreciate this.

8 But those were different days, and we might

9 fight all day, but at the end of the day go out and
10 get a drink together or meal and so on. So Al and I
11 kept in touch over the years, and fate brought us
12 together 30 years later in this System. And Al, of
13 course, was already the president of the New York
14 Home Loan Bank, when I was fortunate enough to be
15 able to join the System, and he gave me some very
16 good advice. So that nobody thinks we crossed any
17 bright red line, and in the spirit of full
18 disclosure, let me tell you what he said to me. He
19 said it's a great System, don't mess it up. Be a
20 vigilant regulator. And I think this Board has been
21 and will continue to be a vigilant regulator. But
22 Al, the leadership you have shown is really very,
23 very special and I don't think it can be said
24 enough.

25 Of course, to all the men and women of the

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1 New York Bank and its directors, what you have done
2 is just remarkable. It so happened on September
3 11th, after the attack, Tim O'Neill, I think Jim
4 Bothwell and I found ourselves in our building. It
5 had been evacuated but we stayed there, and I think
6 within maybe two to three hours of the attack, we
7 were in touch with the New York Bank, and we learned
8 that they were already in operation at the

9 New Jersey backup headquarters.
10 What they did is really just amazing. And if you
11 look at the history of the New York Bank over the 70
12 years, I guess is a microcosm of the changes that
13 have occurred in our financial system, but it also
14 speaks to the incredible strength of the Home Loan
15 Bank System that it has been able to adapt over
16 these years.

17 When you look back at the financial system in
18 1932, and what the financial systems of the United
19 States is now, it is really like comparing the Middle
20 Ages to our modern society. Yet the System, the New
21 York Bank always adapted, has always provided the
22 service that was the mission and purpose of the Home
23 Loan Bank System. We can really be very proud as we
24 celebrate these 70 years, and you couldn't find a
25 more appropriate way of doing it than reissuing a

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1 charter to the New York Bank, and acknowledging the
2 important work that was done, knowing that the
3 work of the New York Bank and the Home Loan Bank
4 System will continue.

5 So, for me, as I said, it's a great
6 honor to be part of this occasion. Thank you.

7 CHAIRMAN KORSMO: Thank you, Director

8 Leichter.

9 Is there any other discussion?

10 Director O'Neill?

11 DIRECTOR O'NEILL: I, too, want to express my
12 appreciation for the leadership of President
13 DelliBovi. We first worked together in 1991, when
14 he was HUD Secretary Kemp's designee to the Federal
15 Housing Finance Board, and I was the Housing Board
16 first Director of Legislative Affairs. Looking back
17 from then to now, few people would have envisioned
18 the strong growth of the System. By the end of
19 1991, System advances were at an all time low, \$79.1
20 billion. Advances at the end of May, 2002, were
21 \$466.1 billion.

22 What was misunderstood at the time by all but
23 a few, was that the Federal Home Loan Bank System
24 added value to and for community bankers. Moreover,
25 the System - and the individual banks - had truly

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1 exceptional professionals running it and serving as
2 directors. I think of George McDonald, the first
3 chairman of the Board of Directors of the Federal
4 Home Loan Bank of Newark - today's New York Bank. He
5 was appointed chairman in October 1932, and served
6 29 years on the Board until his death in 1961. That
7 kind of dedication lives on today throughout the

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System.

Of course, another dedicated professional is Al DelliBovi. In November 1992, he was named president and CEO of the Federal Home Loan Bank of New York. As Chairman Korsmo and Director Leichter just noted, within just four months of settling into his new job, President DelliBovi and the employees of the Federal Home Loan Bank of New York were among the victims of a terrorist bomb at 1 World Trade Center where their offices were located at the time. The Federal Home Loan Bank and its employees survived that attack, but President DelliBovi and the New York Board of Directors decided to move the Bank's headquarters out of the Twin Towers and into the smaller 7 World Trade Center, which occurred in 1994. As we have just heard, that timely act truly saved lives.

Just as the Federal Home Loan Bank System

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today is celebrating its 70th birthday, has shown its resiliency, so has the Federal Home Loan Bank of New York remained resilient, surviving changes in geography, legislation and two terrorist attacks.

So, today, my hat goes off to President DelliBovi, the New York Board of Directors, and all

7 the Bank's employees - past and present - who have made
8 the Federal Home Loan Bank of New York a shining
9 star in the Federal Home Loan Bank System.

10 Thank you.

11 CHAIRMAN KORSMO: Thank you, Director
12 O'Neill. And if my arithmetic is right, Al, you
13 have only got 19 years to go to beat Mr. McDonald.

14 Is there any other discussion of the motion?
15 Professor Weicher?

16 DIRECTOR WEICHER: Thank you, Mr. Chairman.

17 Thinking about this occasion I was reminded
18 of something that I heard more decades ago than I
19 care to remember, back when I was in graduate school
20 in economics at the University of Chicago, and I
21 took economic history from a distinguished scholar
22 of the history of banking and financial institutions
23 and one thing that Professor Hamilton said stuck in
24 my mind.

25 "All the financial reform legislation in

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1 America has come either during wars, or during
2 depression, or during the first term of President
3 Woodrow Wilson."

4 If Professor Hamilton were still alive, he
5 would have to amend that statement. Because of course,
6 the Garn-St. Germain, and the Depository Institutions

7 Deregulation and Monetary Control Act - and FIRREA - all came
8 came in the 1980's - when there wasn't a war and there wasn't
9 a depression, and Woodrow Wilson wasn't president.

10 But the basic truth of the statement, I
11 think, still holds. We establish a financial system,
12 and we keep it pretty much unchanged even though the
13 economy changes, and gradually the financial system
14 becomes somewhat out of date - but we don't bother to
15 do anything about it until some major cataclysm
16 occurs, and then we have to. And the cataclysm of
17 the years leading up to 1980 was of course the
18 extraordinary, peacetime inflation of the 15
19 years before that - unanticipated, erratic, but
20 accelerating double digits over the period.

21 And in the years immediately after FIRREA,
22 the Federal Government systematically reviewed
23 almost all the institutions of the housing finance
24 system, changing the regulatory structure, imposing
25 strong capital requirements almost across the

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1 Board, FHA, the GSE's, and the S&L's. The one
2 exception was the Federal Home Loan Bank System
3 which remained in place. The regulator was changed,
4 but I think it's fair to say that that change was
5 minor. Nothing was done about capital for the

6 System, for the banks in the System. That had to
7 wait for Gramm-Leach-Bliley.

8 As someone watching those changes and
9 participating in them a bit, I thought that many
10 policymakers were expecting the Federal Home Loan
11 Banks to wither away. It also seemed to me that
12 many policymakers thought that the public policy
13 purpose of the Home Loan Bank was to be taxed to pay
14 for part of the cost of resolving the failed
15 thrifts, at least until the banks disappeared.
16 Advances, as Director O'Neill provided us with an
17 overview, were declining very rapidly. S&Ls were
18 vanishing. Most of the staff of the Federal Home
19 Loan Bank Board were assigned to the new Office of
20 Thrift Supervision. The Federal Housing Finance
21 Board was a part-time Board or maybe a full time
22 Board. While that question was being resolved after
23 the fact and it took a while after FIRREA, the Board
24 actually consisted of one person, the Secretary of
25 HUD, Jack Kemp, who delegated his day-to-day

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1 management responsibility to his Deputy Secretary,
2 Alfred A. DelliBovi. And it certainly was
3 day-to-day. There was no administrative structure
4 in place. My recollection now is that the Secretary
5 was signing the paychecks for the staff, but that

6 may be apocryphal.

7 Al, in turn, asked me to be his alternate
8 when he could not attend Board meetings and also to
9 develop a manage a staff to support HUD's new
10 responsibilities. Very briefly in late 1992 I was
11 his successor on the Board. So I saw the new
12 Federal Housing Finance Board, and the left over
13 old Federal Home Loan Banks up close for a while,
14 and among the people I met during those years
15 was Tim O'Neill.

16 Ten years later, I've come back to the Board
17 without much involvement in its activities during
18 the interim. The changes are very striking.
19 Advances are increasing, the banks are playing an
20 innovative role in the housing finance system and we
21 have, as Tim pointed out, we have voluntary
22 membership in the System. Fifteen years ago that
23 was an extraordinarily convoluted issue and the
24 thought of a voluntary System was a beyond the realm
25 of political discourse.

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1 The issues that concern us now tend to be
2 issues arising from the success of the System.

3 I think that is a tribute to the insight of
4 policymakers 70 years ago and the leadership of the

5 members with who have worked at the Home Loan Banks
6 through inflation, the technological revolution
7 and terrorist attacks.

8 The 70th Anniversary of an institution isn't
9 usually a milestone. Seventieth tends to suggest the
10 Biblical lifespan three score years and ten, but
11 that certainly doesn't apply here, and I think
12 this is a very fitting occasion to commemorate the
13 success of the Federal Home Loan Bank System.

14 CHAIRMAN KORSMO: Thank you, Commission
15 Weicher.

16 Is there any other discussion of the motion?

17 Oh, by golly, I think Dr. Mendelowitz would
18 like to make a comment.

19 DIRECTOR MENDELOWITZ: There we go. Before I
20 start my prepared comments, I just wanted to thank
21 Dr. Weicher for the concise and interesting history
22 lesson. I think that the issues he raised and the
23 points he highlighted are worth some bearing in mind
24 when you think about the System going forward.

25 The history of the Federal Home Loan Bank

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1 System is one of resiliency and adaptability. At
2 its birth 70 years ago, the Home Loan Bank System
3 faced the overwhelming financial challenges
4 presented by the Great Depression. Many

5 institutions that were created at that time, served a
6 purpose for a few years and then passed into
7 history. Yet the Federal Home Loan Bank System has
8 endured, adapted, and now 70 years later, is vibrant
9 and needed. Along the way, the System and its
10 members have had some good times and some bad. The
11 Federal Home Loan Banks were born in the midst of
12 financial crisis, weathered other bad financial
13 times, such as a collapse of the S&L industry in
14 the 1980's, and they have arrived at the 70th
15 Anniversary financially strong, and continuing
16 to serve it's important role supporting housing
17 and community economic development. The level of
18 homeownership in the United States, as everyone
19 knows, is the envy of the world. And the Federal
20 Home Loan Bank System has played an important role
21 in that success, as well as helping to maintain the
22 viability of community financial institutions
23 throughout the United States, whether they are in
24 rural locations, like in Puerto Rico, or here in a
25 big metropolis like New York City.

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1 It's appropriate that we meet here in New
2 York to celebrate the 70th Anniversary of the creation
3 of the Federal Home Loan Bank System because the

4 Federal Home Loan Bank of New York has played an
5 important role throughout the history of Federal
6 Home Loan Bank System and will continue to do so
7 into the future. In fact, with the decision that
8 the Finance Board has just made approving the new
9 capital plan of the Federal Home Loan Bank of New
10 York, we have completed the process of approving the
11 modern risk based capital structure to enable the
12 System to continue with its mission in a safe and
13 sound manner for at least the next 70 years.
14 However, no one in 1932 could have anticipated that
15 one of the Federal Home Loan Banks would be placed
16 in harm's way in the front lines of a new war. As
17 we all watched the horrible events of September 11th
18 unfold, we all held our breath and prayed for our
19 friends and colleagues here at the New York Bank.
20 We take comfort from the fact that amidst
21 that horrible tragedy that none of the employees of
22 the Home Loan Bank of New York were harmed.
23 President DelliBovi's decision in 1994 to move the
24 Bank's operations from the 103rd floor of 1 World
25 Trade Center to the adjacent 7 World Trade Center

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1 building was, in retrospect, truly lifesaving. And
2 this observation is not hyperbolic excess, it was
3 truly lifesaving.

4 Although the physical Bank was lost on
5 September 11th, I note with great admiration and
6 respect, that the Federal Home Loan Bank of New York
7 was up and running the very next day meeting the
8 needs of its members and communities in that most
9 difficult and painful time. So I am here today as
10 the independent safety and soundness regulator and
11 as the independent mission regulator, and the two
12 are equally important, because if we fail in either
13 of those regulatory responsibilities, we abdicate
14 our statutory mandate, and responsibilities and oath
15 of office.

16 So I say again, as the independent
17 regulator with respect to safety and soundness
18 of the System, and the independent regulator
19 with respect to the mission of the System,
20 but not as a cheerleader, that I am truly honored
21 to be here with you to celebrate the 70th Anniversary
22 of this remarkable System and to replace the New York
23 Bank's charter.

24 Al and Woody, I hope that this charter will
25

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1 hang on your wall into the future without
2 interruption. Thank you.

3 CHAIRMAN KORSMO: Thank you, Dr. Mendelowitz.
4 Is there any other discussion of the motion? Any
5 other discussion of the motion. Hearing none, I
6 will ask the secretary to please call the role on
7 the motion to approve the resolution to grant a
8 restated organizational certificate to the Federal
9 Home Loan Bank of New York.

10 SECRETARY BAKER: On the motion before the
11 Board, Director Leichter, how do you vote?

12 DIRECTOR LEICHTER: Aye.

13 SECRETARY BAKER: Director O'Neill?

14 DIRECTOR O'NEILL: Aye.

15 SECRETARY BAKER: Director Mendelowitz?

16 DIRECTOR MENDELOWITZ: Aye.

17 SECRETARY BAKER: Director Weicher?

18 DIRECTOR WEICHER: Aye.

19 SECRETARY BAKER: Chairman Korsmo?

20 CHAIRMAN KORSMO: Aye.

21 The motion is carried and the resolution is
22 adopted. Al, is there anything you care to say
23 before we move to adjournment here?

24 I will note that once I have adjourned the
25 meeting, I will ask my colleagues to join Chairman

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1 Collins and President DelliBovi and the
2 representative from the City at the desk down here

3 at which point we will sign the new certificate of
4 incorporation. But before we do that, Al, I thought
5 maybe you might add something.

6 MR. DELLIBOVI: We appreciate you being here.
7 We appreciate all the kind words that have been
8 expressed today, and let me just say that on behalf
9 of the directors and, more importantly, on behalf of
10 the staff of the Bank, who are the people who really
11 make up the Bank as some of you noted and who put
12 the Bank back together, we thank you very much.

13 CHAIRMAN KORSMO: Thank you, Al.

14 Before I adjourn the meeting let me just say,
15 Dr. Mendelowitz didn't make any reference to this.
16 I am thinking maybe he and I are the only ones that
17 haven't had at least a ten year relationship with Al
18 DelliBovi. We have not had that privilege. I did,
19 however, last evening have the privilege of having a
20 true New York experience. And to all my friends
21 from New York, I thank them for that.

22 A couple of the other members of the staff
23 and I attended a Yankees game last night at Yankee
24 Stadium. As a Midwesterner who grew up in the home
25 town of Roger Maris, and having known members of the

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1 Maris family my entire life, it was a fantastic

2 experience, and I think as moving as the fact that
3 George Steinbrenner manages to be able to script the
4 games so that the Yankees win in the bottom of the
5 ninth inning as they did, indeed, again last
6 evening, even more moving than that was when 50,000
7 fans in Yankee Stadium during the 7th inning stretch
8 rows as one and sang God Bless America. And I don't
9 know whether they did that at Yankee Stadium prior
10 to September 11th, but I was certainly privileged
11 and honored to be a part of that crowd last night,
12 and also to lustily join Frank Sinatra in singing
13 New York, New York at the game's conclusion.

14 So thank you to all my friends from New York
15 for allowing us that opportunity. Arnie Intrater
16 was the only one who was with us who had been to
17 Yankee Stadium before, and he noted it was 50 years
18 ago that he had been there. I should note that John
19 Connelly, who is here today, chairman of the Board
20 of Federal Home Loan Bank of Pittsburgh, said he can
21 top that. He was there 52 years ago. I was
22 hoping for the opportunity to break that long
23 streak.

24 MR. INTRATER: I can correct my memory if
25 it's necessary.

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1 CHAIRMAN KORSMO: Thank you all very much for

2 being here. As I said at the outset, while to some
3 extent this is an end, and we are through a very
4 important experience in approving the capital
5 structure plans for each of the 12 Banks, it is very
6 much a beginning, not just for the Federal Home Loan
7 Bank of New York as we reissue their charter, but
8 for the System as a whole and the 12 member Banks,
9 and literally the 8,000 financial institutions that
10 provide such a great service to the home buying
11 public of our country, thank you all for being part
12 of this.

13 Again, I will ask my colleagues when I
14 adjourn the meeting to please join me and the
15 representatives from the New York Bank and we'll
16 have the privilege of affixing our signatures to the
17 new charter.

18 Thank you, again, for all of you being here.
19 Thank you to the Board of the New York Bank and to
20 President DelliBovi, for inviting us. I think this
21 has been a great experience. With that, this
22 meeting of Federal Housing Finance Board is
23 adjourned.

24 Thank you very much.

25