



July 10, 2000

President
Federal Home Loan Bank

RE: Proposal for the Mortgage Purchase Program to acquire Federal Housing Administration Loans (2000-APP-06)

Dear :

The Federal Home Loan Bank (FHLBank) submitted a proposal dated May 10, 2000, for the Mortgage Purchase Program (MPP) to acquire Federal Housing Administration (FHA) loans pursuant to the authority of Resolution Number 99-50 (MMA Resolution) and the Terms and Conditions for Approval, Establishment and Operation of FHLBank Single-Family Member Mortgage Assets (MMA) Programs (Terms and Conditions), both of which were approved by the Board of Directors of the Federal Housing Finance Board (Finance Board) on October 4, 1999.

Per the proposal, the FHLBank will purchase FHA-insured single-family mortgage loans from members. The credit risk of the FHLBank is covered by the FHA insurance, by the members' agreement to repurchase loans under certain conditions and by the members' contractual agreement to absorb unreimbursed servicing costs.

The FHLBank is hereby authorized to offer the MPP to acquire FHA loans from its members pursuant to the MMA Resolution and subject to the Terms and Conditions incorporated therein. While these Terms and Conditions include a \$9 billion System-wide cap on MMA, and such cap has been exceeded, the Finance Board has issued a no-action letter stating that Finance Board staff will not take supervisory action against any FHLBank as a consequence of such FHLBank, prior to July 15, 2000, acquiring MMA that would cause aggregate MMA held by the FHLBanks to exceed the System-wide cap (see 2000-NAL-07). Further, the System-wide cap on MMA will be removed upon publication of the final rule on Acquired Member Assets, Core Mission Activities, Investments and Advances, which the Finance Board approved on June 29, 2000.

If at any point in the future, the FHLBank intends to change any aspect of MPP from the terms approved hereby, including the acquisition of loan that are not insured by the FHA, the FHLBank must submit a revised application to Finance Board staff for approval. If you have any questions, please feel free to contact me at (202) 408-2890.

Sincerely,

/s/ William W. Ginsberg

William W. Ginsberg
Managing Director

cc: Board of Directors of the Finance Board