ADVISORY BULLETIN 2011-AB-02

August 9, 2011

Federal Housing Finance Agency
Division of Examination Programs and Support

To: Federal Home Loan Bank Presidents, Chief Financial Officers, and Chief Executive Officer, Office of Finance

From: Wanda DeLeo
Deputy Director, Division of Examination Programs and Support
Federal Housing Finance Agency

Subject: Standard & Poor's Rating Action and Risk-based Capital Calculation for Federal Securities

On August 5, 2011, Standard & Poor's rating agency lowered the long-term rating of U.S. government and federal agency securities from AAA to AA+. With regard to this action, consistent with guidance provided by the federal banking agencies with respect to capital rules, the Federal Housing Finance Agency provides this guidance for the Federal Home Loan Banks: the risk weights for Treasury securities and other securities issued or guaranteed by the U.S. Government, government agencies, and government-sponsored entities do not change for purposes of calculating risk-based capital.

An Advisory Bulletin is a Division of Federal Home Loan Bank Regulation staff document that provides guidance to the Federal Home Loan Banks and the Office of Finance regarding particular supervisory issues. Although an Advisory Bulletin does not have the force of a regulation or an order, it does reflect the position of the Division of Federal Home Loan Bank Regulation on the particular issue, and will be followed by examination staff. Advisory Bulletins are effective upon issuance.