



NEWS

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FEDERAL HOUSING FINANCE BOARD TO HOLD HEARING IN CLEVELAND ON TWO FHLBANKS' PROPOSED CAPITAL PLANS

The Federal Housing Finance Board (FHFB) will hold a field hearing on Wednesday, June 5, in Cleveland to take testimony on new capital plans being proposed by the Federal Home Loan Banks of Cincinnati and Chicago.

The hearing begins at 10 a.m. at the Cleveland Airport Marriott, 4277 West 150th Street.

An independent agency in the Executive Branch of the U.S. government, the Federal Housing Finance Board regulates the 12 Federal Home Loan Banks. These FHLBanks were created in 1932 to improve the supply of funds to local lenders that, in turn, finance loans for home mortgages.

The Gramm-Leach-Bliley Act of 1999 amended the provisions of the Federal Home Loan Bank Act governing the capital structures of the FHLBanks. The law – part of a larger package of financial and banking reforms – directed the Banks to replace their existing subscription capital structure with a modern capital structure, with risk-based and leverage capital requirements similar to those of depository institutions.

FHFB Chairman John T. Korsmo said he was holding a Finance Board hearing outside of Washington, D.C., to reaffirm the importance of the capital plan process, including the proposals from the Chicago and Cincinnati FHLBanks. In addition, he said, he wanted to make it more convenient for the FHLBanks' directors to outline their reasoning behind their respective approaches.

“These Banks are proposing capital structures that represent a marked departure from the practices that dominated the Federal Home Loan Bank System before Gramm-Leach-Bliley,” Chairman Korsmo said. “As a regulator, the Finance Board’s primary mission is ensuring the ‘safety and soundness’ of the FHLBanks, even as their directors look for new and more responsive ways of serving their members.”

Oral testimony will be limited to members of the boards of the Chicago and Cincinnati FHLBanks. Members of the Cincinnati Board will testify first, and the hearing is expected to conclude by 4:30 p.m.

The FHFB has already approved capital plans for the FHLBanks of Seattle, Atlanta, Pittsburgh and Boston. The Board is on schedule to complete the review and approval process for the remaining FHLBanks by August.

Copies of the Chicago and Cincinnati plans are available on the FHFb website at:
http://www.fhfb.gov/pressroom/pressroom_capplans.htm