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FHFB MOVES CLOSER TO COMPLETION OF FHLBANK CAPITAL PLAN APPROVALS

The Federal Housing Finance Board today approved the capital structure plans of the Federal Home Loan Banks of Des Moines, Indianapolis, and Topeka, drawing near to completing the approval process of all 12 FHLBanks' capital plans.

The Finance Board, which began the approvals with the FHLBank of Seattle's plan on March 13, has now voted to accept 11 FHLBank capital plans, with only the FHLBank of New York's plan remaining. On May 8, the Board approved the capital plans of the FHLBanks of Atlanta, Boston, and Pittsburgh, followed by the approval of the plans of the FHLBanks of Chicago, Cincinnati, Dallas, and San Francisco on June 12.

"This process has involved a lot of painstaking effort by all involved, including the Federal Home Loan Banks and Finance Board staff," said Finance Board Chairman John T. Korsmo. "But I am pleased to say that we have been able to proceed expeditiously on this vital recapitalization of the Bank System."

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The Finance Board determined that the three capital plans met all statutory and regulatory requirements regarding capital structure and do not compromise the Banks' safety and soundness or that of the FHLBank System. All of the FHLBanks with approved capital plans must still obtain Finance Board acceptance of their internal market risk models and risk assessment procedures and controls prior to implementing their plans. The FHLBank of Seattle has obtained this approval and began implementation of its capital plan on June 30.

At a special Board meeting next Thursday, July 18 in New York City, the Finance Board will consider for approval the FHLBank of New York's capital plan. At the meeting, the Finance Board will also commemorate the 70th anniversary of the Federal Home Loan Bank System. The Federal Home Loan Bank Act, which created the System, was signed into law by President Herbert Hoover on July 22, 1932. The meeting is scheduled for 1 p.m. at the Daniel Patrick Moynihan Federal Courthouse, 500 Pearl Street.

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 similar to those of depository institutions.

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