



NEWS

**1777 F Street, N.W., Washington, D.C. 20006
(202) 408-2818**

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**Contact: Steve Hudak: 202/408-2807
Bill Glavin: 202/408-2546**

FINANCE BOARD COMPLETES CAPITAL PLAN APPROVALS, COMMEMORATES 70th ANNIVERSARY OF FHLBANK SYSTEM

NEW YORK CITY – At a special Board meeting today in Manhattan, the Federal Housing Finance Board approved the capital structure plan of the Federal Home Loan Bank of New York, completing the approval process of all 12 FHLBanks’ capital plans.

In addition, the Finance Board passed a resolution in support of the New York Bank’s efforts to back a \$1 billion bond issue for disaster recovery relating to the World Trade Center destruction. The Bank is slated to enter into a standby purchase agreement with the Transitional Finance Authority to act as a backup source of liquidity for \$520 million of the Recovery Bonds.

The Finance Board also marked the 70th anniversary of the FHLBank System by re-issuing a new charter to the FHLBank of New York. The Bank’s original 1932 charter was lost when its offices at 7 World Trade Center were destroyed in the September 11th terrorist attack.

“Today’s events embrace an anniversary, an ending, and also a new beginning,” Korsmo said. “In issuing a new charter to the Federal Home Loan Bank of New York, we commend the Bank and its people, who in the face of unprecedented challenges renewed operations with speed, efficiency and courage.”

President Herbert Hoover signed the Federal Home Loan Bank into law on July 22, 1932, creating a system of wholesale banks to provide low-cost financing to its member institutions. The Federal Home Loan Bank System, which began solely with savings and loans, now embraces 12 Federal Home Loan Banks with nearly 8,000 member financial institutions, including S&Ls, commercial banks, credit unions, and insurance companies.

“Throughout its history of change, the System has retained its essential cooperative structure and, more importantly, the fundamental purpose for which it was created: To support, through liquidity and other Bank services and missions, the thrifts and eventually other financial institutions that help Americans buy homes,” Korsmo said.

He highlighted the Board’s completion of the capital plan process as a significant step in the System’s history. In keeping with the 1999 Gramm-Leach-Bliley Act’s requirements, each of the 12 Federal Home Loan Banks has now adopted a modern capital structure with risk-based and leverage capital

requirements similar to those of depository institutions.

In addition, the legislation placed business decisions solely with the individual Banks, while elevating the Federal Housing Finance Board's status as an independent, arms-length regulator.

"Seventy years after the system was established, a fundamental change has taken place," Korsmo said. "No longer is the Board a senior partner in the operation of Home Loan Banks. The Finance Board, representing the public interest, is now the arms-length regulator for the safety and soundness of the System."

As is the case for all the FHLBanks, the New York FHLBank must still obtain Finance Board acceptance of its internal market risk models and risk assessment procedures and controls prior to implementation of its capital plan.