



NEWS

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FHFB Authorizes Debt Issuance by the Federal Home Loan Bank of Chicago

The Federal Housing Finance Board voted today to authorize the Federal Home Loan Bank of Chicago to issue subordinated debt for which it would be the sole obligor. Debt issued by the FHLBanks is typically the joint and several obligation of all twelve FHLBanks. The action by the Finance Board allows the Chicago Bank to move forward with its efforts to issue \$1 billion in subordinated debt in June, 2006 as part of a plan to facilitate an orderly redemption by the Bank of excess stock held by its member institutions.

In related actions, the Finance Board also granted a series of waivers and approvals that would allow the Chicago Bank to use subordinated debt in determining compliance with its regulatory leverage requirement and to calculate its maximum permissible holdings of mortgage backed securities and unsecured credit.

In June of 2004, the Finance Board and the FHLBank of Chicago entered into a supervisory Written Agreement, which was amended in October of 2005. As part of today's actions, the Finance Board reduced to \$3,773,700,000 the minimum capital stock the Chicago Bank must maintain pursuant to the Written Agreement. Today's action allows the Chicago Bank to redeem the stock of withdrawing members whose membership may terminate before the subordinated debt is issued.

Finally, the Finance Board directed its staff to prepare further amendments to the Written Agreement to include subordinated debt in the satisfaction of the Bank's capital stock requirement and to establish a requirement that the Bank maintain a ratio of capital plus subordinated debt to assets of at least 4.5 percent.

Copies of today's actions and the amended Written Agreement are available on the Finance Board's website.

[2006-06: Resolution and Order Approving the Issuance of Subordinated Notes by the Federal Home Loan Bank of Chicago](#)

[2006-05: Delegation of Authority to Amend the Written Agreement with the Federal Home Loan Bank of Chicago](#)

[2006-SUP-01: Amendment No. 2 to Written Agreement Between the Federal Home Loan Bank of Chicago and the Federal Housing Finance Board](#)

The Federal Housing Finance Board is an independent agency in the executive branch that oversees the safety, soundness, and mission of the 12 regional Federal Home Loan Banks. The Banks are government-sponsored enterprises created in 1932 to provide low-cost funding for housing finance. They have more than 8,100 financial institutions as members, including commercial banks, savings and loans, insurance companies and federally insured credit unions. More information can be found at <http://www.FHFB.gov>