

No. : 96-73
Date: October 11, 1996

FEDERAL HOUSING FINANCE BOARD

Affordable Multi-family Participation Program for the
Federal Home Loan Bank of Atlanta

WHEREAS, the Federal Home Loan Bank of Atlanta (FHLBank) has requested Federal Housing Finance Board (Finance Board) approval of a pilot program that would permit the FHLBank to acquire financial interests in multi-family housing loans originated by the Community Investment Corporation of North Carolina (CICNC); and

WHEREAS, CICNC is an affordable housing loan consortium established to finance affordable multi-family housing in the state of North Carolina; and

WHEREAS, the vast majority of CICNC members are members of the FHLBank; and

WHEREAS, the FHLBank proposes to purchase participation interests in CICNC loans held by FHLBank members and participation interests in new loans originated by the CICNC; and

WHEREAS, the participation interests will be in loans for multi-family housing developments in which at least 51 percent of the units must be for residents with income levels no greater than 60 percent of the median income in metropolitan areas and 80 percent of the median income in non-metropolitan areas; and

WHEREAS, the FHLBank has provided a legal opinion concluding that the FHLBank has the authority to invest in these assets under sections 11(h) and 16(a) of the Federal Home Loan Bank Act, which authorizes the FHLBank to invest funds not required for advances in "such securities as fiduciary and trust funds may be invested in under the laws of the State"; and

WHEREAS, the Finance Board believes that the pilot program satisfies the three criteria in section II.B.12 of the Finance Board's Financial Management Policy governing the eligibility of new housing and community development-related investment activity: (1) the FHLBank has indicated it will ensure the appropriate levels of expertise, establish policies, procedures and controls, and provide for any reserves required to effectively limit and manage risk exposure and preserve the FHLBank's and the System's triple-A rating; (2) the FHLBank's participation will provide long-term affordable multi-family housing finance that might not be otherwise be available, particularly in rural areas, due to limitations on members' financial capacity to participate in CICNC projects; and (3) the program will promote the 'cooperative nature of the System by enhancing the liquidity and marketability of member CICNC participation interests, which will enable these institutions to participate in additional multi-family lending projects.

NOW THEREFORE BE IT RESOLVED THAT, the Finance Board hereby approves the FHLBank's request to establish a pilot program under which it may acquire up to \$50 million in participation interests in multi-family loans originated by the CICNC, subject to the following conditions:

- 1) The FHLBank shall ensure that CICNC members retain at least a 20 percent interest in the loan participated, with higher minimum retention levels required where appropriate;
- 2) The majority of interests purchased shall be from FHLBank members;
- 3) To the extent FHLBank members are interested in purchasing interests in CICNC participations, the Bank shall make an effort to share its participation interests with such members, ensuring that such members understand their responsibility to undertake due diligence separate and apart from that performed by the FHLBank;
- 4) The FHLBank shall attempt to ensure that members selling participation interests to the FHLBank use the proceeds to finance new investments in CICNC projects;
- 5) The board of the FHLBank shall ensure, and certify to, the existence of appropriate expertise, policies, procedures, and controls prior to program implementation;
- 6) The board of the FHLBank shall establish, prior to program implementation and on an on-going basis, adequate reserves;
- 7) The board of the FHLBank shall take appropriate precautions, in structuring its program oversight, to avoid the appearance of a conflict of interest for board directors with direct responsibility for approving transactions under the program; and
- 8) The board of the FHLBank shall require monthly program progress reports from management during the first year of the program (and at least quarterly reports thereafter), shall file written evaluations of such reports, and shall provide copies of its evaluations and the management reports to the Finance Board.

FURTHER RESOLVED THAT, program implementation will be contingent upon confirmation by the Finance Board's Office of Supervision that appropriate program policies, procedures, controls, and reserves have been established by the FHLBank.

By the Board of Directors of the
Federal Housing Finance Board


Bruce A. Morrison, Chairman