



No.: 2000-32
Date: June 23, 2000

FEDERAL HOUSING FINANCE BOARD

Certification Regarding Withdrawal From Membership

WHEREAS, section 608 of the Gramm-Leach-Bliley Act (GLB Act) (Pub. L. No. 106-102, 113 Stat. 1338, 1461 (Nov. 12, 1999)), amended section 6 of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1426) to provide that any member may withdraw from a Federal Home Loan Bank (Bank) by providing written notice to the Bank of its intent to do so, provided that on the date of withdrawal, there is in effect a certification by the Federal Housing Finance Board (Finance Board) that the withdrawal will not cause the Bank System to fail to meet its obligation under section 21B(f)(2)(C) of the Bank Act (12 U.S.C. § 1441b(f)(2)(C)) to contribute to the debt service for the obligations issued by the Resolution Funding Corporation (REFCorp); and

WHEREAS, prior to the enactment of the GLB Act, section 21B(f)(2)(C) of the Bank Act required the Banks collectively to pay \$300 million annually toward the debt service on obligations issued by REFCorp; and

WHEREAS, section 607(a) of the GLB Act amended section 21B(f)(2)(C) of the Bank Act to require each Bank annually to pay 20 percent of its net earnings toward the debt service on obligations issued by REFCorp, which amendment took effect on January 1, 2000 and superseded the requirement for the Banks to pay \$300 million annually toward the REFCorp debt service; and

WHEREAS, section 607(a) of the GLB Act also requires the Finance Board to extend or shorten the period of time that each Bank shall be required to pay 20 percent of its net earnings to REFCorp (or to the U.S. Treasury, if the payment period is extended), as necessary to ensure that variations in the net earnings of the Banks do not alter the Banks' total obligation to REFCorp, when calculated on a present-value basis and measured against a benchmark annuity; and

WHEREAS, on December 31, 1999, the obligation of the Banks to make their final payment to REFCorp in accordance with section 21B(f)(2)(C), as in effect prior to the GLB Act, accrued and the Banks made that payment on January 18, 2000, which payment represented one-quarter of the \$300 million annual payment for calendar year 1999; and

WHEREAS, on April 17, 2000, each of the Banks paid to REFCorp 20 percent of its net earnings for the first quarter of calendar year 2000, in accordance with section 21B(f)(2)(C) of the Bank Act, as amended by the GLB Act; and

WHEREAS, the obligation of the Bank System to contribute toward the REFCorp debt service under section 21B(f)(2)(C) of the Bank Act, as amended by the GLB Act, would be satisfied so long as each Bank contributed 20 percent of its net earnings to REFCorp each year, regardless of the amount of net earnings for each Bank for that year; and

WHEREAS, even if the withdrawal of members were to cause the Banks' REFCorp payments to fall short of the benchmark annuity for a particular year, such withdrawal could not cause the Banks to fail to meet their obligation to contribute 20 percent of the net earnings of each Bank to REFCorp, but would result in the Finance Board extending the period of time over which the Banks would be required to make payments pursuant to section 21B(f)(2)(C) of the Bank Act;

NOW, THEREFORE, IT IS RESOLVED that the Finance Board hereby certifies that the withdrawal of a Bank member will not cause the Bank System to fail to meet its obligation under section 21B(f)(2)(C) of the Bank Act (12 U.S.C. § 1441b(f)(2)(C)) to contribute to the debt service for the obligations issued by REFCorp.

IT IS FURTHER RESOLVED that this certification shall remain in effect until rescinded or superseded by the Finance Board.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Bruce A. Morrison

Bruce A. Morrison
Chairman