



December 16, 1999

President and Chief Executive Officer  
Federal Home Loan Bank

NO-ACTION LETTER: Multifamily Mortgage Loan Purchase (1999-NAL-06)

Dear Mr. :

We have received your letter of December 3, 1999 requesting a no-action letter and amending your previous request of October 28, 1999 for approval for the Federal Home Loan Bank (FHLBank) to purchase from a member a participation interest in a pool of multifamily mortgage loans under the Federal Housing Finance Board (Finance Board) Financial Management Policy (FMP).

Statement of Facts

The FHLBank proposes to purchase from a member an 80 percent participation interest (FHLBank Participation Interest) in a pool of approximately 280 multi-family loans (Mortgage Pool) secured by first lien mortgages having an unpaid principal balance totaling approximately \$303 million. The member will retain a 20 percent participation interest in the Mortgage Pool. All the loans and mortgages in the Mortgage Pool will be either transferred or pledged to the FHLBank to secure the member's full recourse obligation with respect to the FHLBank Participation Interest. The member's participation interest will also be pledged to the FHLBank to secure the FHLBank Participation Interest. The transaction will result in an initial 25 percent over-collateralization of the FHLBank Participation Interest. The FHLBank has further advised that the member will be required to maintain over the life of the Mortgage Pool a 25 percent over-collateralization of the outstanding recourse obligation pursuant to the FHLBank's credit and collateral policies and procedures.

Finance Board Regulatory Interpretation 1999-RI-19, dated December 1, 1999, stated that the FHLBank proposal fulfilled the requirements of and was therefore authorized under the FMP, subject to a review and finding by the Office of Supervision (OS) that appropriate policies, procedures and controls were in place prior to the loan pool purchase. The OS advised the FHLBank that it would be unable to complete such a review prior to the end of 1999. The member and the FHLBank wish to consummate the transaction prior to year-end 1999. The OS indicated that if the transaction were structured similar to an advance, the FHLBank could complete the transaction without OS review.

## Conclusions

Assuming that the transaction is consummated as set forth above, and as further detailed in the FHLBank letter of October 28, as amended by the FHLBank letter of December 3, Finance Board staff will not recommend or take enforcement action as a result of the transaction, provided that the FHLBank monitors the collateral (including but not limited to the loans and mortgages in the Mortgage Pool) securing the member's full recourse obligation to the FHLBank, and requires that the full recourse obligation remain fully collateralized (as if it were an extension of credit) at all times in accordance with the FHLBank's credit and collateral policies applicable to advances.

This conclusion is based on the factual representations made in your correspondence of October 28, 1999 and December 3, 1999 and on the correspondence from the member. Any change in those facts may warrant a different conclusion.

If you have any questions concerning the No-Action Letter, please contact Mitchell Berns at (202) 408-2562.

Sincerely yours,

*/s/ William W. Ginsberg*

William W. Ginsberg  
Managing Director

cc: Mitchell Berns  
James L. Bothwell  
Scott L. Smith  
Deborah F. Silberman