



Federal Housing Finance Board
1777 F Street, N.W., Washington, D.C. 20006
Telephone: (202) 408-2500 Facsimile: (202) 408-1435

February 25, 1998

[REDACTED]
Federal Home Loan Bank of [REDACTED]
[REDACTED]

Dear [REDACTED]

The Office of Supervision (OS) received your letter dated July 17, 1997, requesting that the Federal Housing Finance Board (Finance Board) waive [REDACTED] in overfunding for seven affordable housing program (AHP) projects from the 1990 and 1991 funding rounds. The governing regulations do not provide for a waiver of recapture requirements. We are treating the Federal Home Loan Banks (Bank) letter as a request that the agency take a "no action" position with respect to the enforcement of any recapture obligation in this matter.

The oversubsidization occurred as a result of the Bank's use of its own cost of funds, rather than the member's market loan rate as the discount rate in subsidy calculation. In your letter, you indicate that the Bank believed that it had applied an appropriate discount rate in its calculation. You also note that, in 1992, the Bank made a voluntary contribution of [REDACTED] to the Bank's AHP fund based on the Bank's 1991 earnings.

Given the nature of the error, the Bank's use of appropriate discount rates in more recent funding rounds and the de minimis amount of oversubsidization on a per project basis, the Finance Board staff will not recommend or take supervisory action against the Bank for failure to replenish the AHP fund as a result of this oversubsidization.

Sincerely,

William W. Ginsberg
Managing Director

cc: Mitchell Berns
James L. Bothwell
Deborah F. Silberman
Richard Tucker