



No.: **1999-44**
Date: **August 30, 1999**

FEDERAL HOUSING FINANCE BOARD

Waiver of the Requirement to Use Moody's and Standard and Poor's Credit Ratings in Sections II.B.9, 10 and 11 of the Financial Management Policy to Allow the Federal Home Loan Bank of Boston to Use Fitch IBCA, Inc. to Provide the Required Credit Ratings

WHEREAS, section II.B.9 of the Financial Management Policy (FMP), *see* Res. No. 96-45 (July 3, 1996), Res. No. 96-90 (December 6, 1996), Res. No. 97-05 (January 14, 1997), and Res. No. 97-86 (December 17, 1997), authorizes the Federal Home Loan Banks (FHLBanks) to invest in other MBS, CMOs and REMICs rated Aaa by Moody's and AAA by Standard & Poor's and

WHEREAS, section II.B.10 of the FMP authorizes the FHLBanks to invest in asset-backed securities collateralized by manufactured housing loans or home equity loans and rated Aaa by Moody's or AAA by Standard & Poor's; and

WHEREAS, section II.B.11 of the FMP authorizes the FHLBanks to invest in marketable direct obligations of state or local government units or agencies, rated at least Aa by Moody's or AA by Standard & Poor's, where the purchase of such obligations by a FHLBank provides to the issuer the customized terms, necessary liquidity, or favorable pricing required to generate needed funding for housing or community development; and

WHEREAS, the Federal Home Loan Bank of Boston (Boston Bank) wishes to use credit ratings provided by Fitch IBCA, Inc. (Fitch IBCA) for the credit ratings required by sections II.B.9, 10 and 11 of the FMP; and

WHEREAS, to provide as much flexibility as possible to the FHLBanks in obtaining useful research and the ratings required for long-term investments, the proposed Financial Management and Mission Achievement regulation, which will replace the FMP, allows the FHLBanks to use ratings from any credit rating organization regarded as a "Nationally Recognized Statistical Rating Organization" (NRSRO) by the Securities and Exchange Commission; and

WHEREAS, Fitch IBCA, Moody's, Standard & Poor's, Duff & Phelps and Thomson BankWatch, Inc. are recognized by the Securities and Exchange Commission as NRSROs; and

WHEREAS, the use of comparable credit ratings by an NRSRO satisfies the investment quality concerns that form the basis of the rating agency requirements of the current FMP, and is in keeping with the proposed Financial Management and Mission Achievement regulation;

NOW THEREFORE IT IS RESOLVED that the Finance Board hereby waives the requirement to use Moody's and Standard & Poor's credit ratings of sections II.B.9, 10 and 11 of the FMP, provided that in lieu of such credit ratings, the Boston Bank uses credit ratings of Fitch IBCA as follows: (i) for purposes of Section II.B. 9 of the FMP, a credit rating of AAA by Fitch IBCA, (ii) for purposes of Section II.B.10 of the FMP, a credit rating of AAA by Fitch IBCA, and (iii) for purposes of Section II.B.11 of the FMP, a credit rating of AA by Fitch IBCA.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Bruce A. Morrison

Bruce A. Morrison, Chairman