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FOR IMMEDIATE RELEASE

FHLBank Regulator Announces New MBS Investment Limit

The Federal Housing Finance Board, as regulator for the Federal Home Loan Banks, announced today that it has approved a temporary increase in the regulatory limit for investment in mortgage-backed securities. The new limit is 600 percent of an FHLBank's previous month-end capital, up from the current 300 percent of capital.

In a release posted to its web site, the Finance Board stated that "...the limit on Federal Home Loan Banks' MBS investment authority would increase from 300 percent of capital to 600 percent of capital for two years. The resolution requires an FHLBank to notify the Finance Board prior to its first acquisition under the expanded authority and include in its notification a description of the risk management principles underlying its purchases. The expanded authority is limited to Fannie Mae and Freddie Mac securities. The securities purchased under the increased authority must be backed by mortgages that were originated consistent with, and subsequent to, federal bank regulatory guidance on nontraditional and subprime mortgage lending..."

According to the Finance Board release, this action could provide well in excess of \$100 billion of additional liquidity to the MBS market. This expanded authority is scheduled to expire on March 31, 2010.

The FHLBanks have delivered innovation and service to the U.S. housing market for over 75 years, and currently have 8,100 members in all 50 states, American Samoa, Guam, Puerto Rico, and the Northern Mariana and U.S. Virgin Islands. Please contact Mike Ciota at 703-467-3608 (ciota@fhlb-of.com) for additional information.