

36. *Bank Real Estate Owned*—Indicates whether the mortgage is on a property that was in the Bank's real estate owned (REO) inventory.

37. *Number of Units*—Indicates the number of units in the mortgaged property.

38. *Geographically Targeted Indicator*—Numeric code that indicates loans made in census tracts classified as underserved by HUD.

39. *Public Subsidy Program*—Indicates whether the mortgage property is involved in a public subsidy program and which level(s) of government are involved in the subsidy program (*i.e.*, Federal government only, other only, Federal government, etc.).

40. *Unit Class Level*—The following data apply to unit types in a particular mortgaged property. The unit types are defined by the Banks for each property and are differentiated based on the number of bedrooms in the units and on the average contract rent for the units. A unit type must be included for each bedroom size category in the property;

A. Unit Type XX-Number of Bedroom(s)—the number of bedrooms in the unit type;

B. Unit Type XX-Number of Units—the number of units in the property within the unit type;

C. Unit Type XX-Average Reported Rent Level—the average rent level for the unit type in whole dollars; and

D. Unit Type XX-Average Reported Rent Plus Utilities—the average reported rent level plus the utility cost for each unit in whole dollars; and

E. Unit Type XX-Affordability Level—the ratio of the average reported rent plus utilities for the unit type to the adjusted area median income;

F. Unit Type XX-Tenant Income Indicator—indicates whether the tenant's income is less than 60 percent of area median income, greater than or equal to 60 percent but less than 80 percent of area median income, greater than or equal to 80 percent but less than 100 percent of area median income, or greater than or equal to 100 percent of area median income.

41. *Interest Rate*—Note rate on the loan.

42. *Debt Service Coverage Ratio*—Ratio of net operating income to debt service.

43. *Total Number of Units*—Indicates the number of dwelling units in the mortgaged property.

44. *Default Status*—Numeric indicator for whether the loan is currently in default.

45. *Termination Date*—Date on which the loan terminated.

46. *Termination Type*—Numeric indicator for whether the loan terminated in a prepayment, foreclosure, or other types of termination.

47. *ARM Index*—Index used for the calculation of interest on an ARM.

48. *ARM margin*—Margin added to the index for calculation of the interest on an ARM.

49. *Prepayment Penalty Terms*—Numeric indicator for types of prepayment penalties.

PART 956—FEDERAL HOME LOAN BANK INVESTMENTS

Sec.

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AUTHORITY: 12 U.S.C. 1422a(a)(3), 1422b(a), 1429, 1430, 1430b, 1431, 1436.

SOURCE: 65 FR 43985, July 17, 2000, unless otherwise noted.

§ 956.1 Definitions.

As used in this part:

Deposits in banks or trust companies has the meaning set forth in §969.3 of this chapter.

Derivative contract has the meaning set forth in §930.1 of this chapter.

Financial Management Policy means the Financial Management Policy For The Federal Home Loan Bank System approved by the Finance Board pursuant to Finance Board Resolution No. 96-45 (July 3, 1996), as amended by Finance Board Resolution No. 96-90 (Dec. 6, 1996), Finance Board Resolution No. 97-05 (Jan. 14, 1997), and Finance Board Resolution No. 97-86 (Dec. 17, 1997).

GAAP means Generally Accepted Accounting Principles.

Investment grade means:

(1) A credit quality rating in one of the four highest credit rating categories by an NRSRO and not below the fourth highest credit rating category by any NRSRO; or

(2) If there is no credit quality rating by an NRSRO, a determination by a Bank that the issuer, asset or instrument is the credit equivalent of investment grade using credit rating standards available from an NRSRO or other similar standards.

Repurchase agreement has the meaning set forth in §930.1 of this chapter.

[65 FR 43985, July 17, 2000, as amended at 66 FR 8320, Jan. 30, 2001]

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§ 956.2 Authorized investments.

In addition to assets enumerated in parts 950 and 955 of this chapter and subject to the applicable limitations set forth in this part, in the Financial Management Policy and in part 980 of this chapter, each Bank may invest in:

- (a) Obligations of the United States;
- (b) Deposits in banks or trust companies;
- (c) Obligations, participations or other instruments of, or issued by, the Federal National Mortgage Association or the Government National Mortgage Association;
- (d) Mortgages, obligations, or other securities that are, or ever have been, sold by the Federal Home Loan Mortgage Corporation pursuant to 12 U.S.C. 1454 or 1455;
- (e) Stock, obligations, or other securities of any small business investment company formed pursuant to 15 U.S.C. 681(d), to the extent such investment is made for purposes of aiding members of the Bank; and
- (f) Instruments that the Bank has determined are permissible investments for fiduciary or trust funds under the laws of the state in which the Bank is located.

§ 956.3 Prohibited investments and prudential rules.

(a) *Prohibited investments.* A Bank may not invest in:

- (1) Instruments that provide an ownership interest in an entity, except for investments described in §§ 940.3(e) and (f) of this chapter;
- (2) Instruments issued by non-United States entities, except United States branches and agency offices of foreign commercial banks;
- (3) Debt instruments that are not rated as investment grade, except:
 - (i) Investments described in § 940.3(e) of this chapter;
 - (ii) Debt instruments that were downgraded to a below investment grade rating after acquisition by the Bank; or
- (4) Whole mortgages or other whole loans, or interests in mortgages or loans, except:
 - (i) Acquired member assets;
 - (ii) Investments described in § 940.3(e) of this chapter;

(iii) Marketable direct obligations of state, local, or tribal government units or agencies, having at least the second highest credit rating from a NRSRO, where the purchase of such obligations by the Bank provides to the issuer the customized terms, necessary liquidity, or favorable pricing required to generate needed funding for housing or community lending;

(iv) Mortgage-backed securities, or asset-backed securities collateralized by manufactured housing loans or home equity loans, that meet the definition of the term “securities” under 15 U.S.C. 77b(a)(1); and

(v) Loans held or acquired pursuant to section 12(b) of the Act (12 U.S.C. 1432(b)).

(b) *Foreign currency or commodity positions prohibited.* A Bank may not take a position in any commodity or foreign currency. A Bank may participate in consolidated obligations denominated in a currency other than U.S. Dollars or linked to equity or commodity prices, provided that the Bank meets the requirements of § 966.8(d) of this chapter, and all other applicable requirements related to issuing consolidated obligations.

[65 FR 43985, July 17, 2000, as amended at 66 FR 8320, Jan. 30, 2001]

§ 956.4 Risk-based capital requirement for investments.

Each Bank shall hold retained earnings plus general allowance for losses as support for the credit risk of all investments that are not rated by a NRSRO, or are rated or have a putative rating below the second highest credit rating, in an amount equal to or greater than the outstanding balance of the investments multiplied by:

- (a) A factor associated with the credit rating of the investments as determined by the Finance Board on a case-by-case basis for rated assets to be sufficient to raise the credit quality of the asset to the second highest credit rating category; and
- (b) 0.08 for assets having neither a putative nor actual rating.

§ 956.5 Authorization for derivative contracts and other transactions.

A Bank may enter into the following types of transactions:

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- (a) Derivative contracts;
- (b) Standby letters of credit, pursuant to the requirements of 12 CFR part 961;
- (c) Forward asset purchases and sales;
- (d) Commitments to make advances; and
- (e) Commitment to make or purchase other loans.

[66 FR 8320, Jan. 30, 2001]

§ 956.6 Use of hedging instruments.

(a) *Applicability of GAAP.* Derivative instruments that do not qualify as hedging instruments pursuant to GAAP may be used only if a non-speculative use is documented by the Bank.

(b) *Documentation requirements.* (1) Transactions with a single counterparty shall be governed by a single master agreement when practicable.

(2) A Bank's agreement with the counterparty for over-the-counter derivative contracts shall include:

(i) A requirement that market value determinations and subsequent adjustments of collateral be made at least on a monthly basis;

(ii) A statement that failure of a counterparty to meet a collateral call will result in an early termination event;

(iii) A description of early termination pricing and methodology, with the methodology reflecting a reasonable estimate of the market value of the over-the-counter derivative contract at termination (standard International Swaps and Derivatives Association, Inc. language relative to early termination pricing and methodology may be used to satisfy this requirement); and

(iv) A requirement that the Bank's consent be obtained prior to the transfer of an agreement or contract by a counterparty.

[66 FR 8321, Jan. 30, 2001]

PART 960—OFF-BALANCE SHEET ITEMS [RESERVED]

12 CFR Ch. IX (1–1–02 Edition)

PART 961—STANDBY LETTERS OF CREDIT

Sec.

961.1 Definitions.

961.2 Standby letters of credit on behalf of members.

961.3 Standby letters of credit on behalf of housing associates.

961.4 Obligation to Bank under all standby letters of credit.

961.5 Additional provisions applying to all standby letters of credit.

AUTHORITY: 12 U.S.C. 1422b, 1429, 1430, 1430b, 1431.

SOURCE: 63 FR 65699, Nov. 30, 1998, unless otherwise noted. Redesignated at 65 FR 8256, Feb. 18, 2000.

§ 961.1 Definitions.

As used in this part:

Applicant means a person or entity at whose request or for whose account a standby letter of credit is issued.

Beneficiary means a person or entity who, under the terms of a standby letter of credit, is entitled to have its complying presentation honored.

Confirm means to undertake, at the request or with the consent of the issuer, to honor a presentation under a standby letter of credit issued by a member or housing associate.

Document means a draft or other demand, document of title, investment security, certificate, invoice, or other record, statement, or representation of fact, law, right, or opinion that is presented under the terms of a standby letter of credit.

Issuer means a person or entity that issues a standby letter of credit.

Presentation means delivery of a document to an issuer, or an entity that has undertaken a confirmation at the request or with the consent of the issuer, for the giving of value under a standby letter of credit.

Residential housing finance means:

(1) The purchase or funding of "residential housing finance assets," as that term is defined in § 950.1 of this chapter; or

(2) Other activities that support the development or construction of residential housing.

SHFA associate means a housing associate that is a "state housing finance