

investment grade, *e.g.*, less than AA. Until a Bank implements its capital structure plan and complies with the capital requirements of 12 CFR part 932, it must hold retained earnings against any outstanding AMA with an estimated credit rating of less than the second highest category of investment grade. The amount to be held is to be determined in accordance with Table 1 set forth in the proposed rule, which assigns a factor to particular credit rating categories. This provision simplifies § 955.6(a) of the current rule by eliminating the provision that would allow Banks to also hold general allowance for losses in meeting their risk-based capital requirement. Because the Banks do not hold general allowance for losses, this provision has no practical effect. *See* 12 CFR 955.6(a).

The proposed rule also would make clear that a Bank's risk-based capital requirement for its AMA is governed by § 955.9 only until it has implemented its capital structure plan and has complied with the capital requirements of 12 CFR part 932. After that time, a Bank would be governed solely by part 932 with respect to the risk-based capital requirement for AMA. This provision codifies a position previously stated by the Finance Board. *See* final AMA rule, 65 FR at 43978.

The proposed rule also would make a technical correction to apply the risk-based capital requirement to multi-family AMA, as well as single-family AMA.

The proposed rule would delete current § 955.6(b) regarding the recalculation of the credit enhancement, as provisions for dealing with a decline in the estimated credit rating of an AMA asset or pool of assets would be included under proposed § 955.5(a)(4), discussed above.

I. Acquisition Restrictions on Certain Loans

The Finance Board seeks comment on whether it should take measures to prevent a Bank from acquiring loans or assets backed by loans, through its AMA program, where the loans have certain features or were made under circumstances that may be considered "predatory" or "abusive." If the Finance Board seeks to limit the Banks' authority to acquire such loans, or assets backed by such loans, what specific measures would need to be incorporated in the rule? Among the issues on which the Finance Board seeks comments are:

(a) Whether the Finance Board should address concerns regarding the acquisition of loans or assets backed by loans where the loans have certain features or were made under

circumstances that may be considered "predatory" or "abusive," by adopting a new regulatory provision that would require each Bank to develop policies to preclude acquiring such loans, or assets backed by such loans;

(b) Whether the Finance Board should address the acquisition of loans or assets backed by loans where the loans have certain features or were made under circumstances that may be considered "predatory" or "abusive," through specific and detailed guidance to each Bank, as other Federal financial institution regulators have done with respect to the institutions they regulate; and

(c) How loans covered by such regulation or guidance should be identified.

III. Paperwork Reduction Act

The Finance Board's information collection related to AMA assets under the current rule has been reviewed and authorized by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995, as implemented by OMB in regulations at 5 CFR part 1320. The OMB control number is 3069-0058. As described more fully in part F of the **SUPPLEMENTARY INFORMATION** regarding information collection under the proposed section 955.7, the proposed rule makes a series of minor changes to the information presently collected under the current information collection. Because the information collection changes contained in this proposed rule are neither substantive nor material, no additional review or approval is required from OMB. Thus, the Finance Board has not submitted any information to OMB for review.

IV. Regulatory Flexibility Act

The proposed rule, if adopted as a final rule, will apply only to the Banks, which do not come within the meaning of "small entities," as defined in the Regulatory Flexibility Act (RFA). *See* 5 U.S.C. 601(6). Therefore, in accordance with section 605(b) of the RFA, 5 U.S.C. 605(b), the Finance Board hereby certifies that the proposed rule, if promulgated as a final rule, will not have a significant economic impact on a substantial number of small entities.

List of Subjects

12 CFR Part 900

Credit, Federal home loan banks, Reporting and recordkeeping requirements.

12 CFR Part 932

Capital, Credit, Federal home loan banks, Housing, Investments, Reporting and recordkeeping requirements.

12 CFR Part 955

Credit, Federal home loan banks, Housing, Reporting and recordkeeping requirements.

Accordingly, the Finance Board hereby proposes to amend parts 900, 932 and 955, chapter IX, title 12, *Code of Federal Regulations*, to read as follows:

PART 900—GENERAL DEFINITIONS APPLYING TO ALL FINANCE BOARD REGULATIONS

1. The authority citation for part 900 continues to read as follows:

Authority: 12 U.S.C. 1422b(a).

2. Revise the definition of "acquired member assets" to read as follows:

§ 900.2 Terms relating to Bank operations, mission and supervision.

* * * * *

Acquired member assets or *AMA* means assets acquired in accordance with, and satisfying the applicable requirements of, §§ 955.3, 955.4 and 955.5 of this chapter.

* * * * *

PART 932—FEDERAL HOME LOAN BANK CAPITAL REQUIREMENTS

3. The authority citation for part 932 continues to read as follows:

Authority: 12 U.S.C. 1422a(a)(3), 1422b(a), 1426, 1440, 1443, 1446.

§ 932.4 [Amended]

4. Amend the first sentence in § 932.4(e)(2)(ii)(E) by:

- a. Removing the phrase "described in § 955.2 of this chapter"; and
- b. Removing "§ 955.3" and adding, in its place, "§ 955.5".

§ 932.9 [Amended]

5. Amend the first sentence of § 932.9(a)(3) by removing the phrase "acquired member assets identified in § 955.2(a)(3) of this chapter or are otherwise".

6. Revise part 955 to read as follows:

PART 955—ACQUIRED MEMBER ASSETS

Sec.

955.1 Definitions.

955.2 Authorization to invest in AMA.

955.3 Asset requirement.

955.4 Member or housing associate nexus requirement.

955.5 Credit risk-sharing requirements.

955.6 Restructuring of AMA.