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Appendix A to Part 955—Reporting Requirements for AMA That Are Single-Family

Residential Mortgage Loans or Single-Family Residential Mortgage Loans Backing AMA

Appendix B to Part 955—Reporting Requirements for AMA That Are Multi-Family

Residential Mortgage Loans or Multi-Family Residential Mortgage Loans Backing AMA

Authority: 12 U.S.C. 1422a(a)(3), 1422b(a), 1426, 1430, 1430b, 1431.

§ 955.1 Definitions.

As used in this part:

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

AMA Product means an AMA structure defined by a specific set of terms and conditions.

Investment grade means a credit quality rating in one of the four highest credit rating categories provided by an NRSRO.

Pool means a group of assets acquired under a given master commitment or similar agreement.

Residential real property has the meaning set forth in § 950.1 of this chapter.

§ 955.2 Authorization to invest in AMA.

Each Bank is authorized to invest in assets that qualify as AMA, subject to the requirements of this part and part 980 of this chapter.

§ 955.3 Asset requirement.

Assets that qualify as AMA shall be limited to the following:

(a) Whole loans that are eligible to secure advances under §§ 950.7(a)(1)(i), (a)(2)(ii), (a)(4), or (b)(1) of this chapter, excluding:

(1) Single-family mortgage loans where the loan amount exceeds the limits established pursuant to 12 U.S.C. 1717(b)(2); and

(2) Loans made to an entity, or secured by property, not located in a state;

(b) Whole loans secured by manufactured housing, regardless of whether such housing qualifies as residential real property under state law; or

(c) Other assets that are created by a member or housing associate in cooperation with a Bank, where the assets are backed by whole loans that meet the requirements of paragraphs (a)

or (b) of this section, provided that the Bank must initially acquire substantially all of such assets and the assets do not constitute interest only strips (IO), principal only strips (PO), or other interests in the underlying loans that have risk characteristics that are similar to IO or PO instruments.

§ 955.4 Member or housing associate nexus requirement.

(a) In the case of assets described in §§ 955.3(a) and (b), a Bank shall acquire the assets, by means of either a purchase or a funding transaction, only from:

(1) A member or housing associate of the Bank;

(2) A member of another Bank, pursuant to an arrangement with that other Bank; or

(3) Another Bank.

(b) In the case of assets described in § 955.3(c):

(1) The whole loans underlying the assets shall be acquired only from:

(i) A member or housing associate of the Bank;

(ii) A member of another Bank, pursuant to an arrangement with that other Bank; or

(iii) A Bank, if approved by the Finance Board under § 955.6; and

(2) The assets may be sold by a Bank only to other Banks or to members of any Bank.

§ 955.5 Credit risk-sharing requirements.

(a) *Required credit risk-sharing structure.* (1) *Product requirement.* For each AMA Product, the Bank shall implement, and have in place, a credit risk-sharing structure under which a member or housing associate provides the credit enhancement necessary to enhance an asset or pool of assets acquired by the Bank to a credit quality that is equivalent to investment grade.

(2) *Asset requirement.* For each AMA asset or pool of assets to be acquired, a Bank shall specify the particular credit rating within investment grade to which the credit quality of the asset or pool of assets shall be equivalent, after accounting for the credit enhancement provided by the member or housing associate.

(3) *Satisfaction of credit enhancement requirement.* For each AMA Product, prior to the acquisition of any asset or pool of assets and throughout the life of the asset or pool of assets on the Bank's books, the Bank shall have in place a process and methodology that, to the satisfaction of the Finance Board:

(i) Determines the applicable credit enhancement required under paragraphs (a)(1) and (a)(2) of this section; and

(ii) Demonstrates that the economic value of the credit enhancement

provided by the member or housing associate is sufficient to meet the applicable credit enhancement required under paragraphs (a)(1) and (a)(2) of this section.

(4) *Decline in estimated credit rating.*

If the estimated credit rating of an asset or pool of assets declines to a credit rating below the credit rating required by the Bank at the time of acquisition of the asset or pool of assets, the Bank, at its discretion, shall either:

(i) Require the member or housing associate to provide additional credit enhancement in an amount sufficient to restore the estimated credit rating for such asset or pool of assets; or

(ii) Recalculate, and comply with, the risk-based capital requirement for the asset or pool of assets in accordance with § 932.4 of this chapter or § 955.9, as applicable, based on the reduced estimated credit rating.

(b) *Credit enhancement requirements.*

(1) *Members and housing associates.*

The credit enhancement required under paragraphs (a)(1) and (a)(2) of this section shall be provided by:

(i) A member or housing associate of the Bank; or

(ii) With the approval of both Banks, a member or housing associate of another Bank.

(2) *Economic cost.* The member or housing associate that initially provides the required credit enhancement shall bear all of the economic consequences of the credit enhancement responsibility.

(3) *Direct obligations.* Any portion of the required credit enhancement that is a direct obligation of a member or housing associate of any Bank and that is not covered by insurance from a third party insurance company, shall be fully secured by collateral eligible to secure advances under part 950 of this chapter, except as otherwise provided in this paragraph. If a member or housing associate transfers such credit enhancement responsibility to another member or housing associate, the successor shall continue to satisfy the collateral requirement. In lieu of obtaining collateral to secure such direct obligations, a Bank may hold permanent capital (or retained earnings, if the Bank has not yet converted its capital structure) against the direct obligation in an amount equal to 100 percent of the nominal value of the direct obligation. This requirement shall apply in addition to the risk-based capital requirements under § 932.4 of this chapter or § 955.9, as applicable.

(4) *Mortgage insurance.* A member or housing associate may provide all or a portion of its required credit enhancement through mortgage