



April 11, 2003

Mr. Raymond R. Christman
President and Chief Executive Officer
Federal Home Loan Bank of Atlanta
1475 Peachtree Street, N.E.
Atlanta, GA 30309

RE: Establishment of a Mortgage Purchase Program by the Federal Home Loan Bank of Atlanta
(2003-APP-05)

Dear Mr. Christman:

This responds to the notice of new business activity (Notice) filed by the Federal Home Loan Bank of Atlanta (Bank) on November 25, 2002, regarding the Bank's proposal to establish a Mortgage Purchase Program (MPP).

The MPP is modeled on programs established by the Federal Home Loan Banks of Cincinnati, Indianapolis and Seattle. The Bank proposes to purchase conventional, first lien, fixed rate, 1-4 family residential loans and certain Federal Housing Administration (FHA) insured loans. Since filing the original submission, the Bank has represented that it will not purchase any MPP loans that are secured by investor-owned properties, as had been originally contemplated.

The Bank will acquire loans from participating financial institutions (PFIs), which are members and eligible non-members that meet program requirements and related contractual obligations. The MPP will have a credit risk sharing structure that requires each PFI to cover expected losses on loans purchased by the Bank. Each PFI will be required to maintain a lender risk account and supplemental mortgage insurance in amounts sufficient to provide the amount of loss coverage necessary to maintain a "AA" rating on purchased loans. The Bank will use [REDACTED] to determine credit enhancement requirements. The MPP also establishes requirements and guidelines applicable to institutions selected to service purchased loans. All MPP guidelines and forms are modeled on those of existing MPP programs.

We have reviewed the Notice, as well as subsequent correspondence and other communications with Bank staff. We have determined that the Notice satisfies applicable legal requirements, including the regulations governing acquired member assets (AMA) and new business activities, 12 C.F.R. parts 955 and 980. Accordingly, we hereby approve the Notice, on the condition that the portfolio of MPP loans not exceed \$500 million. We intend to review the Bank's implementation of the MPP, after which we will determine whether to modify or remove the \$500 million program limit.

In addition, as part of our review, we have considered application of the Georgia Fair Lending Act (GFLA) to MPP loans that are secured by real estate located in Georgia, particularly loans originated between October 1, 2002 (enactment of GFLA) and March 7, 2003 (amendment of GFLA). As a general matter we note that, pursuant to 12 C.F.R. § 955.3(b), the Bank may not acquire any loans, or pools of loans, that cannot be rated using an NRSRO approved methodology to be at least equal to an asset rated in the fourth highest rating category, *e.g.*, BBB. Therefore, the Bank may purchase Georgia loans only if the Bank can demonstrate that the loans meet the criteria of 12 C.F.R. § 955.3(b).

This approval is dependent on the facts, representations and assurances provided in the Notice and subsequent communications with the Bank. Any material changes regarding those items could result in the approval being modified or withdrawn. This letter expresses the position of Finance Board staff only and may be modified or superseded by the Board of Directors.

Sincerely,

/s/ Arnold Intrater

Arnold Intrater
General Counsel

cc: Stephen M. Cross