

File

(Street Address of Applicant) _____
 (City, State, and Zip Code) _____
 By: _____
 (Duly Authorized Representative)
 Attest: _____
 (Secretary)
 Signatures of at Least a Majority of the
 Directors/Trustees*
 Name (print) _____

 Corporate Title _____

 Signature _____

Required Stock Purchase:
 Greater of (2) or (4); Round (5)
 to next highest \$100 (5) _____
 Please enter total (in thousands) as reported on
 the most recent Thrift Financial Report.

Exhibit D—Credit Unions
 Computation of FHLBank Stock Requirement

As of _____
 (most recent quarter)

First Mortgage Real Estate
 (NCUA 5300, Line 703) _____

Minus:
 Portion of line 703 representing
 construction loans _____

Total Mortgage Real Estate Assets (1) _____

Plus:
 Other Real Estate (NCUA 5300,
 Line 386) (2) _____

Federal Agency Mortgage-Backed
 Securities (Include only the por-
 tion of NCUA 5300, Line 742c
 that is MBS) (3) _____

Net Mortgage Loans (1) + (2) + (3) (4) _____

1% of (4) (5) _____

Total Assets (NCUA 5300, Line
 010) (6) _____

.3% of (6) (7) _____

Required Stock Purchase:
 Greater of (5) or (7); Round (8)
 to next highest \$100 (8) _____
 Please enter total (in thousands) as reported on
 the most recent NCUA Financial Report.

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 BILLING CODE 6725-01-P

Finance Board on August 17, 1993, published a final rule concerning membership in the FHLBank System ("final membership regulation"), 58 FR 43522 (1993), codified at 12 CFR Part 933.

Under § 933.3(a) of the final membership regulation, the board of directors of a FHLBank is delegated the authority to approve applications for membership that meet all of the criteria set forth in the Bank Act, the final membership regulation and policy guidelines to be established by the Finance Board. This notice sets forth the policy guidelines established by the Finance Board that must be met for a membership application to be approved by a FHLBank pursuant to the FHLBank's delegated authority. See 12 CFR 933.3(a). Applications for membership that do not meet the criteria for delegated approval nevertheless may meet the criteria for membership in the statute and regulation and may be approved by the Finance Board. See 12 CFR 933.3(c).

GUIDELINES FOR DELEGATED APPROVAL OF FEDERAL HOME LOAN BANK MEMBERSHIP APPLICATIONS

I. Background

Section 933.3(a) of the Finance Board's membership regulation provides for delegation of the authority to approve membership applications to the board of directors of each FHLBank, provided the applications meet all of the statutory and regulatory criteria and conditions set forth by the Finance Board. See 12 CFR 933.3(a). These guidelines describe the criteria that must be met for a membership application to be approved by a FHLBank pursuant to delegated authority.

II. Documentation

A. Delegation Criteria

To be approved for membership by the FHLBank, the Applicant must meet the following delegation criteria:

1. The institution must meet all of the statutory requirements for membership set forth in the Federal Home Loan Bank Act and implemented in the Finance Board's membership regulation, including:

- Duly organized under the laws of any State or of the United States, 12 U.S.C. 1424(a)(1)(A); 12 CFR 933.4(a)(1);
- Subject to inspection and regulation under the banking laws, or under similar laws, of the State or of the United States, 12 U.S.C. 1424(a)(1)(B), 12 CFR 933.4(a)(2);

***Optional**

Exhibit B—Commercial Banks

Computation of FHLBank Stock Requirement

As of _____
 (most recent quarter)

Sum of:

1-4 Family Mortgage—Revolving (RC-C, Line 1c(1)) _____

1-4 Family Mortgage—Other (RC-C, Line 1c(2)a+b) _____

Multifamily Loans (RC-C, Line 1d) _____

FNMA & FHLMC PCs & Passthroughs (RC-B, Line 2a(1)) _____

GNMA PCs & Passthroughs (RC-B, Line 2a(2)) _____

Other Private Residential PCs & Passthroughs (RC-B, Line 4a) _____

Total Mortgage Assets (1) _____

1% of (1) (2) _____

Total Assets (3) _____

.3% of (3) (4) _____

Required Stock Purchase:
 Greater of (2) or (4); Round (5)
 to next highest \$100 (5) _____
 Please enter total (in thousands) as reported on
 the most recent regulatory financial report.

[No. 03-88]

Members of the Federal Home Loan Banks

AGENCY: Federal Housing Finance Board.

ACTION: Notice of guidelines for delegation of approval of Federal Home Loan Bank membership applications.

SUMMARY: The Federal Housing Finance Board ("Finance Board") is publishing its guidelines that set forth the procedures for assessing whether an application for membership in a Federal Home Loan Bank ("FHLBank") can be approved by a FHLBank under delegated authority.

DATES: These guidelines were effective as of November 17, 1993.

FOR FURTHER INFORMATION CONTACT: Amy R. Maxwell, Assistant Director, District Banks Directorate, (202) 408-2882, or Sharon B. Like, Attorney-Advisor, Office of Legal and External Affairs, (202) 408-2930, Federal Housing Finance Board, 1777 F Street, NW., Washington, DC 20006.

SUPPLEMENTARY INFORMATION: In order to address the significant changes that the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Public Law 101-73, 103 Stat. 183 (Aug. 9, 1989) ("FIRREA") made to the membership provisions in the Federal Home Loan Bank Act ("Bank Act"), the

Exhibit C—Thrifts

Computation of FHLBank Stock Requirement

As of _____
 (most recent quarter)

Mortgage Loans and Contracts
 (AS 150) _____

Minus:
 Residential Construction Loans
 (SC 230 plus SC 235) _____

Minus:
 Balance of loans in process/
 undisbursed commitments on
 residential property (AS 140) _____

Net Mortgage Loans (1) _____

1% of (1) (2) _____

Total Assets (SC 060) (3) _____

.3% of (3) (4) _____

- Makes long-term home mortgage loans, 12 U.S.C. 1424(a)(1)(C), 12 CFR 933.4(a)(3);
- Has at least 10 percent of its total assets in residential mortgage loans, 12 U.S.C. 1424(a)(2)(A), 12 CFR 933.4(b);
- Financial condition is such that advances may be safely made, 12 U.S.C. 1424(a)(2)(B), 12 CFR 933.4(a)(4); and
- Character of management and home-financing policy are consistent with sound and economical home financing, 12 U.S.C. 1424(a)(2)(C), 12 CFR 933.4(a)(5).

2. The institution must meet all of the Finance Board Review Standards for membership, including:

- CAMEL or MACRO rating of "1" or "2" (see *infra* section 3);
- The institution received a Community Reinvestment Act ("CRA") Performance Evaluation rating of "Satisfactory" or better in its most recent evaluation. If the Applicant has not been reviewed for CRA purposes since July 1, 1990 when the new rating system was established, but received a CRA rating of "2" or better under the old system, the delegation criteria for this item has been satisfied.

If, after reasonable efforts have been undertaken to obtain the CRA evaluation, only the CRA rating is available, the rating may be used in processing the application;

- The institution's capital ratios as of the most recent reporting period meet or exceed all capital requirements imposed by its appropriate Federal and State banking agency, and a capital plan imposed by the institution's Federal or State regulator is not in effect;

• The institution reported earnings from operations (net of securities gains/losses and/or extraordinary items) in four out of six quarters immediately preceding its application for membership, with earnings reported from operations in the most recent quarter for which such financial information is available;

• Neither the institution, nor any of its directors or senior officers, at the time of application, is subject to any enforcement actions by the institution's appropriate Federal or State banking agency;

• The institution received an unqualified auditor's opinion conducted according to Generally Accepted Auditing Standards as of the most recent fiscal year-end, or has one of the following acceptable alternatives to audited financial statements:

- Holding company audit;
- Director's examination/report;
- Internal audit; or
- Published financial statements;

- Performance trends reflect no significant deterioration in financial condition since the date of the last regulatory examination:

—CAMEL "1" rated institutions by definition automatically meet this Review Standard;

—CAMEL "2" rated institutions satisfy this Review Standard if they meet all five financial ratios set forth under section 3 of the delegation criteria, *infra*; and

- Character of management reflects that neither the Applicant nor any of its directors or senior management has been the subject of criminal, civil or administrative proceedings reflecting upon creditworthiness, business judgment, or moral turpitude since the most recent examination by the institution's primary regulator; and that there are no known potential monetary liabilities, no material pending lawsuits, or unsatisfied judgments against the institution, as indicated in the certification by the Applicant.

3. The institution must meet the following delegation criteria:

- The institution received a composite CAMEL or MACRO rating of "1" in its most recent examination completed by either its appropriate Federal or State banking agency within the two-year period immediately preceding its application for membership; or

The institution received a composite CAMEL or MACRO rating of "2" in its most recent examination completed by its appropriate Federal or State banking agency within the two-year period immediately preceding its application for membership, and met the following conditions in four of the six quarters immediately preceding the institution's application for membership, including the most recent quarter:

(i) The annualized return on average assets (net of securities gains/losses and/or extraordinary items) was greater than or equal to 60 basis points;

(ii) The ratio of non-performing loans plus other real estate owned ("OREO") to total loans plus other real estate owned was less than 4 percent;

(iii) The ratio of non-performing assets to equity plus loan loss reserves was less than 30 percent;

(iv) The ratio of loan loss reserves to non-performing loans was greater than or equal to 60 percent; and

(v) The ratio of domestic risk real estate loans to total domestic loans was less than 35 percent.

Note: Exhibit A provides the calculation methodology, using the appropriate Federal Deposit Insurance Corporation ("FDIC") Report of Condition and Income ("Call Report") line items.

Exhibit B provides the calculation methodology, using Ferguson and Company BankSource data.

B. Delegation Procedures

After determining an application is eligible for delegated approval, the following procedures should be followed:

1. An application digest and financial condition analysis shall be prepared with documentation as outlined in these guidelines. (This requirement shall apply regardless of whether the application is forwarded to the Finance Board for approval or approved under delegated authority).

All documentation and analyses for delegated applications shall be kept on file and subject to review by the Finance Board's Examination and Regulatory Oversight Division to ensure completeness and compliance with these guidelines. When necessary, a letter to the file noting that by the request of the regulator the examination report was returned or destroyed is sufficient documentation that an examination report was reviewed.

2. Pursuant to section 933.3(b) of the Finance Board's membership regulation, the FHLBank must notify the Finance Board of any approval action within 10 calendar days of approval. See 12 CFR 933.3(b). The following information must be provided to the Finance Board on a weekly basis for all approvals during the reporting period (see Exhibit C):

- Date of approval
- Institution name and location
- Charter type
- Insurer
- Holding Company
- Total assets (date)
- Residential mortgage loans ratio (date)
- Qualified thrift investments ratio (date)
- CAMEL rating (date) and regulator
- CRA rating (date) and regulator
- Risk-based and leverage capital (requirements vs. ratios)
- Adjusted earnings (x/6 quarters)
- Enforcement actions
- Audit opinion (date)
- Performance trends
- Character of management certification
- Adjusted Return on Average Assets ("ROAA")
- Non-performing loans to total loans ratio
- Non-performing assets to equity ratio
- Loan loss reserve to non-performing loans ratio
- Domestic risk real estate loans to total domestic loans

The definition and methodology for the last five items above are found in Exhibits A and B. The last five items do not need to be calculated for CAMEL or MACRO "1" rated institutions.

In addition, the FHLBank must send the completed "Makes Long-term Home Mortgage Loans: Assessment Worksheet" and the completed docket number request form along with the Delegated Approval Worksheet (See Exhibit C) for all delegated approvals.

3. The FHLBank must also submit to the Finance Board a monthly report, within five business days after the close of the month, that includes minimum stock purchases by new members during the month. These reports shall be prepared in connection with and pursuant to current guidelines developed by the Finance Board's Financial Reporting and Operations Division.

III. Special Conditions

A. Applications Not Eligible for Delegation

Certain applications must be submitted to the Finance Board for review and approval, regardless of compliance with these guidelines. This includes applications from the following:

- Insurance companies;
- De novo institutions;
- Credit unions;
- Institutions resulting from a merger or acquisition within the six quarters immediately preceding their application for membership, where the disappearing entity accounted for 25 percent or greater of the combined assets of the applicant at the time of the merger, or where the applicant accounts for less than 75 percent of the combined assets of the resulting entity; or

Institutions in the process of acquiring another institution within the two quarters following the date of the digest, where the disappearing entity accounts for 25 percent or greater of the combined assets of the applicant at the time of the merger, or where the applicant accounts for less than 75 percent of the combined assets of the resulting entity; and

- Institutions that fail to comply with all of the conditions for delegated approval, as outlined above.

B. Examination Report Issues

The FHLBank must obtain and review the institution's most recent examination report. This examination must have been conducted within the two-year period immediately preceding the application for membership. If any of the following apply, the application

may not be approved under delegated authority:

- State examination. The most recent examination was conducted more than two years prior to the date of receipt by the FHLBank of the institution's application for membership.

- State examination. The most recent examination was conducted by the State regulator, the examination rating is known, but the State will not permit the FHLBank access to the examination report for review; and a federal examination report has been obtained for review, but was conducted more than two years prior to the date of the application.

- State examination. The most recent examination was conducted by the State regulator, the examination rating is known and resulted in a rating of CAMEL 3 or worse, but the State will not permit the FHLBank access to the examination report for review; and the most recent federal examination report has been obtained for review and was conducted within the two year time frame, and the federal examination resulted in a rating of CAMEL 1 or 2.

Dated: November 17, 1993.

By the Federal Housing Finance Board.
Philip L. Conover,
Managing Director.

Exhibit A—Calculation of Performance Ratios—Using Federal Deposit Insurance Corporation Report of Condition and Income Line Items

The following summary provides the calculation methodology for the five qualifying performance ratios, assuming an Applicant received a composite CAMEL rating of "2" in its most recent examination and the FHLBank needs to assess whether membership approval can be delegated. Ratios must be calculated for each of the most recent six quarters and must meet or exceed designated thresholds in at least four of these six quarters, including the most recent quarter. The summary utilizes the Federal Deposit Insurance Corporation ("FDIC") Report of Condition and Income ("Call Report") as the primary source of financial data:¹

(1) Annualized Return on Average Assets (adjusted):

Threshold: Greater than or equal to .60 percent

Calculation:

RIAD 4301: Income (loss) bef. taxes, extra.

items & other adjustments—

RIAD 4091: Gain (loss) on sec. not held in

trading

Divided by:

RIAD 4301: Income (loss) bef. taxes, extra.

items & other adjustments

Multiplied by:

¹ "RIAD#" and "RCON#" refer to the line numbers in the Call Report that contain the financial data for each component of the particular performance ratio calculation

RIAD 4300: Income (loss) bef. extra. items & other adjustments

Divided by:

RIAD 4340: Net income (loss)

Multiplied by:

Unadjusted ROAA*

*Unadjusted ROAA equals annualized RIAD 4340 on a quarterly basis divided by RCON 3368.

(2) Nonperforming loans & OREO to total loans & OREO:

Threshold: Less than 4.00 percent

Calculation:

RCON 5525: Total 90+ day past due

loans —

RCON 3506: 90+ day debt securities +

RCON 5526: Total nonaccrual loans —

RCON 3507: Nonaccrual debt securities +

RCON 1616: Restructured loans +

RCON 2150: Other real estate owned

Divided by:

RCON 2122: Total loans and leases +

RCON 2150: Other real estate owned

(3) Nonperforming assets to equity + loan

loss reserves:

Threshold: Less than 30.00 percent

Calculation:

RCON 5525: Total 90+ day past due loans

and debt securities +

RCON 5526: Total nonaccrual loans and

debt securities +

RCON 1616: Restructured loans +

RCON 2150: Other real estate owned

Divided by:

RCON 3210: Total equity capital +

RCON 3123: Allowance for loan losses +

RCON 3128: Allocated transfer risk reserve

(4) Loan loss reserves to non-performing

loans:

Threshold: Greater than or equal to 60.00

percent

Calculation:

RCON 3123: Allowance for loan losses +

RCON 3128: Allocated transfer risk reserve

Divided by:

RCON 5525: Total 90+ day past due

loans —

RCON 3506: 90+ day debt securities +

RCON 5526: Total nonaccrual loans —

RCON 3507: Nonaccrual debt securities +

RCON 1616: Restructured loans

(5) Domestic risk real estate loans to total

domestic loans:

Threshold: Less than 35.00 percent

Calculation:

RCON 1415: Construction and land

development +

RCON 1420: Secured by farmland +

RCON 1460: Secured by multi-family (5 or

more) +

RCON 1480: Nonfarm nonresidential

properties

Divided by:

RCON 2122: Total loans and leases

Exhibit B—Calculation of Performance Ratios—Using Ferguson & Company BankSource Data

The following summary provides the calculation methodology for the five qualifying performance ratios, assuming an Applicant received a composite CAMEL rating of "2" in its most recent examination and the FHLBank needs to assess whether membership approval can be delegated. Ratios must be calculated for each of the

most recent six quarters and must meet or exceed designated thresholds in at least four of these six quarters including the most recent quarter. The summary utilizes the Ferguson database as the primary source of financial data:

(1) Annualized Return on Average Assets (adjusted):

Threshold: Greater than or equal to .60 percent

Calculation:

Operating income (loss) bef. taxes & extra. items /

Income (loss) bef. taxes & extra. items

Multiplied by:

Net income (loss) bef. extra. items /

Net income (loss)

Multiplied by:

Unadjusted ROAA

(2) Nonperforming loans & OREO to total loans & OREO:

Threshold: Less than 4.00 percent

Calculation:

Total 90+ day past due loans +

Total nonaccrual loans +

Restructured loans +

OREO

Divided by:

Total loans +

OREO

(3) Nonperforming assets to equity + loan loss reserves:

Threshold: Less than 30.00 percent

Calculation:

Total 90+ day past due loans +

90+ day debt securities +

Nonaccrual loans +

Nonaccrued debt securities +

Restructured loans +

OREO

Divided by:

Total equity +

Loan loss reserve +

Allocated transfer risk

(4) Loan loss reserves to non-performing loans:

Threshold: Greater than or equal to 60.00 percent

Calculation:

Loan loss reserve +

Allocated transfer risk

Divided by:

Total 90+ day past due loans +

Total nonaccrual loans +

Restructured loans

(5) Domestic risk real estate loans to total domestic loans:

Threshold: Less than 35.00 percent

Calculation:

Total construction and development loans

+

Secured by farmland loans +

5 or more family unit loans +

Nonfarm, nonresidential loans

Divided by:

Total domestic loans and leases

BILLING CODE 6725-01-U

Exhibit C
DELEGATED APPROVAL
 FHLBank District _____

Date of Approval:

Institution Name & Location:

Charter Type:

Insurer:

Holding Company:

Total Assets & Date:

QTL & Date:

RML ratio & Date:

REVIEW STANDARDS	
CAMEL Rating, Date & Regulator:	
CRA Rating, Date & Regulator:	
Risk-based Capital & Date:	Requirement:
Leverage Capital & Date:	Requirement:
Adjusted Earnings (i.e., 6/6, 5/6):	
Enforcement Actions:	
Audit Opinion & Date:	
Performance Trends:	
Character of Management Certification:	

PERFORMANCE RATIOS						
For CAMEL "2" only:	Current Qtr.	Qtr. #2	Qtr. #3	Qtr. #4	Qtr. #5	Qtr. #6
Annualized adjusted ROA						
Nonperforming loans + OREO/ total loans + OREO						
Nonperforming assets/ Equity & loan loss reserves						
Loan loss reserves/ Nonperforming loans						
Domestic risk real estate loans/ Total domestic loans						

MAKES LONG-TERM HOME MORTGAGE LOANS
Does the Applicant originate or purchase home mortgage loans with a maturity of 5 years or greater? Yes _____ No _____