

March 7, 2003

The Honorable John T. Korsmo
Chairman
Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006

RE: Hearing on Unsecured Credit

Dear Chairman Korsmo:

The FHLBank of Des Moines appreciates the opportunity to comment on the management of unsecured credit exposures within the FHLBank System and at the individual FHLBank level. Prudent management of unsecured credit exposures is an essential factor in maintaining the financial strength of the FHLBank System and the individual FHLBanks.

There is one issue we would like to raise for your consideration. We believe that the maximum potential unsecured credit exposure of the twelve FHLBanks to individual counterparties may be too high in certain circumstances. This is particularly true for certain counterparties that have tier 1 capital less than the total capital of the smallest FHLBank. We suggest that you address this issue by working with the FHLBank Presidents' Conference to (1) establish reasonable limits on unsecured credit exposures to individual counterparties at the FHLBank System level, and (2) decide how to allocate the FHLBank System limits amongst the FHLBanks.

Again, we appreciate the Finance Board's willingness to consider the Bank's viewpoints related to the management of unsecured credit.

Sincerely,

Patrick J. Conway
President

cc: Members of the Federal Housing Finance Board of Directors
Thomas D. Casey