FOR IMMEDIATE RELEASE
8/5/2011

Washington, D.C. – The Federal Housing Finance Agency (FHFA) announced today that the 12 Federal Home Loan Banks (Banks) have fulfilled their obligation to pay interest on Resolution Funding Corporation (RefCorp) bonds. FHFA also announced that it has approved amended capital plans for all Banks except Chicago, which is not currently operating under an approved capital structure plan. The capital plan amendments obligate the Banks to allocate funds previously used to pay interest on the RefCorp bonds to new restricted retained earnings accounts. This will increase the Banks’ retained earnings and capital. The Federal Home Loan Bank of Chicago has recently submitted a new capital plan, which includes the restricted retained earnings provisions, and the proposed plan is under review by FHFA.

Authorized by Congress, RefCorp bonds were issued from 1989 to 1991 to help finance resolution of failing thrift institutions. The Banks originally were required to pay $300 million per year toward the RefCorp obligation, but since 1999 each Bank has been required to pay 20 percent of its net earnings after Affordable Housing Program contributions to service the RefCorp debt. FHFA has determined that the Banks completed their RefCorp obligations with the payment made on July 15, 2011.

In anticipation of completion of their RefCorp payment obligations, the 12 Banks signed a Joint Capital Enhancement Agreement on Feb. 28, 2011. The Agreement requires that beginning Sept. 30, 2011 each Bank allocate 20 percent of its net income to a restricted retained earnings account until the Bank’s account equals one percent of that Bank’s outstanding consolidated obligations. The amendments approved today will make this requirement part of each Bank’s capital plan and will prohibit each Bank from paying dividends out of its restricted retained earnings account. The Banks’ compliance with their capital plans is monitored by FHFA.

"FHFA strongly supports the Banks’ collaboration in developing this Joint Agreement, which enhances their capital and the safety and soundness of the Federal Home Loan Bank System," said FHFA Acting Director Ed DeMarco. "The approach taken by the Banks reflects the longstanding practice and requirements pre-RefCorp of directing at least 20 percent of earnings to building retained earnings. The Banks’ cooperative approach to establishing and building restricted retained earnings accounts will enhance the System’s safety and soundness and is an appropriate action in view of the Banks’ joint and several obligation to pay System debt obligations."

The 12 Federal Home Loan Banks are: Boston, New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, Des Moines, Dallas, Topeka, San Francisco and Seattle.

Link to Federal Register Notice About Termination of Banks’ RefCorp Obligation

###
The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than $5.7 trillion in funding for the U.S. mortgage markets and financial institutions.

**Contacts:** Corinne Russell (202) 649-3032 / Stefanie Johnson (202) 649-3030

© 2020 Federal Housing Finance Agency