

Office of Thrift Supervision

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Withdrawal from Federal Home Loan Bank Membership/Liquidity Concerns

RESCINDED

Summary: This bulletin reminds state-chartered savings associations of their liquidity management responsibilities in the event of voluntary FHLBank membership withdrawal.

For Further Information Contact: Your Regional Office.

Thrift Bulletin 66

On April 19, 1995, state-chartered savings associations will no longer be required to obtain and maintain membership in a Federal Home Loan Bank (FHLBank).¹ An association that voluntarily withdraws from FHLBank membership will, however, be subject to a prohibition on re-entry into membership for ten years.²

FHLBank advances are a traditional source of borrowings for savings associations. The FHLBank system has consistently played an important role in assisting the thrift industry manage its short and longer-term liquidity needs. Accordingly, it is important that an association that is considering termination of FHLBank membership assess the

effects of not having access to FHLBank advances, a potential source of liquidity, for ten years.

Before withdrawing from FHLBank membership, directors and management must consider an association's historical use of FHLBank advances, and give careful consideration to how the absence of this readily available source of funds will be integrated into the association's overall business plan and asset/liability management strategies. A savings association that has previously placed reliance on FHLBank advances as a source of funds should have a plan for alternative sources of liquidity. Mere compliance with Office of Thrift Supervision regulatory liquidity requirements³ does not fulfill an association's liquidity needs or liquidity management responsibilities.

³See 12 C.F.R. Part 566.

When examining a savings association that is not a FHLBank member, examiners will review the association's balance sheet and its exposure to liquidity risk. Examiners will continue to determine if the association's strategic plans, policies, procedures, and ability to borrow funds adequately address any liquidity concerns. As part of this determination examiners will review written plans, analyze the institution's access to sources of funds, and assess management's evaluation of near-term and longer-term anticipated funding needs.

The expiration of 12 C.F.R. § 563.49 does not change the continuing statutory requirement that federal savings associations maintain FHLBank membership.⁴

⁴Pursuant to 12 U.S.C. §§ 1426(e) and 1464(f).


—John F. Downey
Director of Supervision

¹12 C.F.R. § 563.49.
²12 U.S.C. §1426(h).