



REPORT FROM THE PRESIDENT

March 31, 2003

TO: All Stockholders
(individually addressed)

SUBJECT: Report for the Month

At the Home Loan Bank

BUSINESS UPDATE

Advances grew strongly in February, averaging \$68.2 billion. This was an increase of \$1.7 billion over the January 2003 average and \$2.2 billion over December 2002. This strong advance growth during the first quarter of the year is unusual, but so are the historically low interest rates. It appears that a number of members are taking advantage of the Home Loan Bank's low rates to lock in low-cost funding made even more attractive by the Member Value Plus pricing introduced in January.

Since the launch of the Mortgage Partnership Finance[®] program in April of 1999, \$1 billion in single-family home mortgages has been purchased from our 42 approved member lender participants. Combining the retail expertise of a community lender with the wholesale advantages of the Home Loan Bank, MPF[®] creates a unique partnership resulting in a better, more efficient method of financing mortgage loans and a valuable alternative to the secondary mortgage market. Instead of paying guarantee fees, member lenders receive monthly fees for managing the credit risk of the originated loans.

If you would like to know how MPF[®] can bolster your bottom line, contact your calling officer or Jim Gilmore, Senior Vice President of Banking Services, at (212) 441-6812.

For February, annualized net income was \$248.6 million, up \$67.7 million from January. (Annualized net income was boosted in February by the 28-day month.) These solid results for our stockholders indicate that 2003 is off to a good start. Providing customized credit products and helping members meet asset and liability management challenges are important ways the Home Loan Bank adds value to each member's specific business objectives.

2003 REGIONAL STOCKHOLDER MEETINGS SET FOR SPRING

As mentioned in my report for February, the Home Loan Bank's 2003 Regional Stockholder Meetings are underway. This series of meetings will focus on the transition to our new Capital Plan (which will go into effect on October 1, 2003). The new Plan will change members' minimum capital investments in the Home Loan Bank and the capital investments required for using our various credit products. Under the new Plan, the Home Loan Bank will be subject to new risk-based capital requirements. At the meetings, we will also discuss the Home Loan Bank's accomplishments in 2002 as well as the value membership brings to your organization.

The first regional meeting was held on March 25 in Hato Rey, Puerto Rico. There are six more meetings planned for the 2003 series. Here are the dates and locations of the remaining 2003 Regional Stockholder Meetings:

April 23, 2003	Buffalo/Niagara Marriott	Buffalo, N.Y.
April 24, 2003	Syracuse Wyndham	Syracuse, N.Y.
April 25, 2003	Albany Marriott	Albany, N.Y.
May 6, 2003	Club 101	New York, N.Y.
May 20, 2003	Meadowlands Sheraton	East Rutherford, N.J.
May 21, 2003	Seaview Marriott	Galloway, N.J.

The invitations and registration forms for the New Jersey and New York meetings were mailed on March 25. Should you have any questions regarding the meetings or the material, please contact Jim Gilmore, Senior Vice President of Banking Services, at (212) 441-6812.

In Washington

FHFB/SEC POTENTIAL DISCLOSURE UPDATE

The issue of FHFB/SEC enhanced financial disclosure remains an extensive topic of discussion in Washington, D.C. A number of developments have occurred since my previous report.

The national banking trade associations – including the ABA, ACB, and ICBA – as well as the Community Bankers Association of New York State and the New Jersey League of Community Bankers, continue to express concerns about potential unintended consequences and adverse impacts on the FHLBanks as a result of registration with the SEC.

In a March 19 speech before the ABA's Government Relations Council and in a statement to the American Banker, Senate Banking Committee Chairman Richard Shelby stated that he strongly supports the role the System plays. He noted that "Home Loan Bank advances are a vital resource for institutions nationwide. By enhancing liquidity, the System makes possible the

lending activity that is critical to economic growth and development.” Chairman Shelby then stated, “However, it is not as simple as making a general request of all GSEs to disclose in like manner. There needs to be an appreciation of the differences amongst the various GSEs. The disclosure method should match the particular risk disclosure is intended to address.”

With respect to the development of the proposal for the Home Loan Banks to register with the SEC, as has been reported in the American Banker, it seems that the process may have been less than rigorous.

On March 17, the American Banker reported that the National Economic Council, which determined the broad outline of the disclosure policy, did not discuss the Home Loan Banks, but only Fannie Mae and Freddie Mac. And in a previous article, on March 14, the newspaper had reported that the Federal Housing Finance Board had not conducted a comprehensive or formal analysis in the development of its recommendation for the Home Loan Banks to register with the SEC. Given the serious responsibility that the Finance Board has in this area and in light of its statutory mandate to ensure the FHLBanks' continuous access to the capital markets, Woody Collins, the Chairman of the New York Home Loan Bank, in a March 27 letter encouraged the Finance Board to undertake a thorough and formal analysis of all of the many issues that could be raised by SEC registration. Mr. Collins also expressed his hope to the Finance Board that the agency would include the owners of the FHLBanks in that process.

The Home Loan Bank team wishes to thank you, our members, for your use of our products and services to expand the availability of mortgage credit, to compete effectively in your markets, and to promote strong communities.

Sincerely,

Alfred A. DelliBovi
President