Mortgage Corporation and any affiliate thereof.

Foreign exchange rate contracts means cross-currency interest rate swaps, forward foreign exchange contracts, currency options purchased, and any other instruments that give rise to similar credit risks.

Interest rate contracts means single currency interest rate swaps, basis swaps, forward rate agreements, interest rate options purchased (including caps, collars and floors purchased), and any other instruments that give rise to similar credit risks (including whenissued securities and forward deposits accepted).

Mortgage-backed security means a security, investment, or substantially equivalent instrument that represents an interest in a pool of loans secured by mortgages or deeds of trust where the principal or interest payments to the investor in the security or substantially equivalent instrument are guaranteed or effectively guaranteed by an Enterprise.

Multifamily credit enhancement means a guarantee by an Enterprise of the payments on a multifamily mortgage revenue bond issued by a state or local housing finance agency.

Notional amount means the face value of the underlying financial instrument(s) on which an interest rate or foreign exchange rate contract is based.

Off-balance sheet obligation means a binding agreement, contract, or similar arrangement that requires or may require future payment(s) in money or kind by another party to an Enterprise or that effectively guarantees all or part of such payment(s) to third parties, where such agreement or contract is a source of credit risk that is not included on its balance sheet.

OFHEO means the Office of Federal Housing Enterprise Oversight.

Other off-balance sheet obligations means all off-balance sheet obligations of an Enterprise that are not mortgage-backed securities or substantially equivalent instruments.

Perpetual, noncumulative preferred stock means preferred stock that (1) does not have a maturity date, (2) provides the issuer the ability and the legal right to eliminate dividends and does not permit the accruing or payment of impaired dividends, (3) cannot be redeemed at the option of the holder, and (4) has no other provisions that will require future redemption of the issue, in whole or in part, or that will reset the dividend periodically based, in whole or in part, on the Enterprise's current credit standing, such as auction rate, money market, or remarketable preferred stock, or that may cause the

dividend to increase to a level that could create an incentive for the issuer to redeem the instrument, such as exploding rate stock.

Qualifying collateral means cash on deposit, securities issued or guaranteed by the central governments of the OECD-based group of countries, ¹ United States Government agencies, or United States Government-sponsored agencies, and securities issued or guaranteed by multilateral lending institutions or regional development banks.

§ 1750.3 Procedures and timing.

- (a) Each Enterprise shall file with the Director a minimum capital report each quarter or at such other times as the Director requires, in his or her sole discretion. The report shall contain the information that responds to all of the items required by OFHEO in written instructions to the Enterprise, including, but not limited to:
- (1) estimate of the minimum capital level;
- (2) estimate of core capital coverage or shortfall relative to the estimated minimum capital level;
- (3) such other information as may be required by the Director.
- (b) The quarterly minimum capital report shall be submitted not later than April 30, July 30, October 30, and January 30 of each year.
- (c) Each minimum capital report shall be submitted in writing and in such other format as may be required by the Director
- (d) In the event an Enterprise makes an adjustment to its financial statements for a quarter or a date for which the information was requested, which would cause an adjustment to a minimum capital report, the Enterprise shall file with the Director an amended minimum capital report not later than 3 business days after the date of such adjustment.
- (e) Each minimum capital report or any amended minimum capital report shall contain a declaration by an officer authorized by the board of directors of the Enterprise to make such a declaration, including, but not limited

to a president, vice president, or treasurer, that the report is true and correct to the best of such officer's knowledge and belief.

§ 1750.4 Minimum capital level computation.

- (a) The minimum capital level for each Enterprise shall be computed by adding the following amounts:
- (1) 2.50 percent times the aggregate on-balance sheet assets of the Enterprise;
- (2) 0.45 percent times the unpaid principal balance of mortgage-backed securities and substantially equivalent instruments that were issued or guaranteed by the Enterprise;
- (3) 0.45 percent of 50 percent of the average dollar amount of commitments outstanding each quarter over the preceding four quarters;
- (4) 0.45 percent of the outstanding principal amount of bonds with multifamily credit enhancements;
- (5) 0.45 percent of the dollar amount of sold portfolio remittances pending;
- (6) (i) 3.00 percent of the credit equivalent amount of interest rate and foreign exchange rate contracts except to the extent of the current market value of posted qualifying collateral, computed in accordance with Appendix A to this subpart;
- (ii) 1.50 percent of the credit equivalent amount of interest rate and foreign exchange rate contracts equal to the market value of posted qualifying collateral, computed in accordance with Appendix A to this subpart; and
- (7) 0.45 percent of the outstanding amount of other off-balance sheet obligations, excluding commitments, multifamily credit enhancements, sold portfolio remittances pending, and interest rate contracts and foreign exchange rate contracts, except as adjusted by the Director to reflect differences in the credit risk of such obligations in relation to mortgage-backed securities.
- (b) Any asset or financial obligation that can be properly classified in more than one of the categories enumerated in paragraphs (a)(1) through (7) of this section shall be classified in the category that yields the highest minimum capital level.
- (c) As used in this section, the term "preceding four quarters" means the last day of the quarter just ended (or the date for which the minimum capital report is filed, if different), and the three preceding quarter-ends.

§ 1750.5 Notice of capital classification.

(a) Pursuant to section 1364 of the Act (12 U.S.C. 4614), OFHEO is required to determine the capital classification of

 $^{^{\}scriptscriptstyle 1}\text{The OECD-based}$ group of countries is comprised of all full members of the Organization for Economic Cooperation and Development (OECD), as well as countries that have concluded special lending arrangements with the International Monetary Fund (IMF) associated with the Fund's General Arrangements to Borrow. The OECD includes the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Saudi Arabia has concluded special lending arrangements with the IMF associated with the IMF's General Arrangements to Borrow.