

funds into residential housing finance—the statutory mission of the FHLBank System—in a manner that is similar to, but functionally more sophisticated than, that which occurs when a FHLBank makes an advance to a member. OGC has concluded, therefore, that it is reasonable for the Finance Board to authorize the undertaking of the MPF program by the FHLBank of Chicago as an activity incidental to a FHLBank's express statutory authority.

The MPF is designed to insulate the FHLBank from virtually all the credit risk associated with investing in home mortgages. First loss credit protection for the MPF loan program would be provided by a reserve fund established by the FHLBank, to be funded by a share of the mortgage loan cash flows. The excess spread account would be established in an amount at least equal to the historical loss experience on the types of MPF loans originated by the members (based on historical data over the past five years, this first loss coverage is likely to range from two to five basis points of mortgage loan principal).

In return for a fee, MPF participating members would provide second loss credit enhancement at least equal to the level of subordination afforded double-A rated mortgage-backed securities. The FHLBank will determine the amount of the required credit enhancement based on the characteristics of the mortgages and rating agency modeling methodology. A recent analysis has shown that over an eight-year period, investments in mortgage pools rated double-A had zero losses.

Participating members will benefit from their ability to provide home mortgage loans to more customers on more flexible terms while realizing fees for mortgage origination, credit enhancement, and servicing. The FHLBank and its shareholders will be compensated for managing the interest rate and options risk associated with funding MPF loans. This cooperative venture could result in increased competition in the home mortgage loan market.

The Finance Board has determined that the proposed pilot program satisfies the three criteria established by the Finance Board for considering and approving new mission-related activities: (1) the FHLBank's in-house expertise, the involvement of its board and senior management in the development of the program's business plan, policies, underwriting guidelines, and monitoring and reporting requirements, the intended establishment of reserves and member secondary credit enhancements appropriate to risk, the FHLBank's

experience in managing the interest rate and options risk associated with home mortgages, and the level of program oversight contemplated, should ensure preservation of the triple-A rating of the FHLBanks and the FHLBank System; (2) the financial advantages of the program relative to other funding alternatives available to members, the capital treatment which will allow the members to more effectively leverage their equity, and the program's underwriting standards, which are expected to be more flexible than those used to originate home mortgage loans on more flexible and attractive terms; and (3) in providing members with a strategic alternative that will allow them to compete more effectively in the housing finance market, the program acts to promote the cooperative nature of the FHLBank System. Program implementation is contingent upon confirmation by the Finance Board's Office of Supervision that appropriate program policies, procedures, controls and reserves have been established by the FHLBank.

The following conditions apply to the Chicago Pilot Program:

(a) The original principal balances of the subject loans shall fall within the conforming loan limits applicable to the secondary market housing GSEs.

(b) The FHLBank shall employ pricing methodology in an attempt to direct a portion of the program's funding to low- and moderate-income households.

(c) The board of the FHLBank shall ensure, and certify to, the existence of appropriate expertise, policies, procedures, and controls prior to program implementation.

(d) The board of the FHLBank shall evaluate the need for and establish, prior to program implementation, and on an on-going basis, any appropriate reserves.

(e) The board of the FHLBank shall take appropriate precautions, in structuring its program, to avoid conflicts of interest, or any appearance thereof, for board directors.

(f) The board of the FHLBank shall require at each regular board meeting program progress reports from management during the first year of the program (and at least quarterly reports thereafter), and shall provide quarterly evaluations of the progress of the pilot program to the Finance Board.

Persons wishing to participate in the hearings should send a written request to the address listed in the ADDRESSES portion of this notice, to be received no later than Wednesday, February 19, 1997. A request to participate in the hearing must include the following information:

(A) The name, title, address, business telephone and fax number of the participant; and

(B) The entity or entities that the participant will be representing.

Depending on the number of requests received, participants may be limited in the length of their oral presentations. All submissions will be included as part of the record, including written testimony not presented orally, although extraneous material may be deleted from the printed record to reduce printing costs. The Finance Board will notify those selected to make oral presentations and provide an approximate time. The Finance Board reserves the right to limit the number of participants and to select, at its discretion, those persons who may make oral presentations if more requests are received for participation than may be accommodated in the time available.

Participants will be required to submit written statements in advance of the hearing date. These written statements should incorporate the major points to be presented at the hearings and should be accompanied by an executive summary of no more than two pages. Written statements must be received no later than March 3, 1997, and should be sent to the address listed in the ADDRESSES portion of this notice. Anyone selected for an oral presentation whose testimony has not been received by March 3, 1997, may not testify except by special permission of the Finance Board.

By the Federal Housing Finance Board.  
Bruce A. Morrison,  
Chairman.

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## FEDERAL RESERVE SYSTEM

### Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. Once the notices have been accepted for processing, they will also be available for inspection at the offices of the Board of Governors. Interested persons may

express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than February 21, 1997.

A. Federal Reserve Bank of Atlanta (Lois Berthaume, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303-2713:

1. *Eduardo Antonio Masferrer*, Miami, Florida; to acquire an additional 8.51 percent, for a total of 15.2 percent, of the voting shares of Hamilton Bancorp, Inc., Miami, Florida, and thereby indirectly acquire Hamilton Bank, N.A., Miami, Florida.

Board of Governors of the Federal Reserve System, February 3, 1997.

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

[FR Doc. 97-3044 Filed 2-6-97; 8:45 am]

BILLING CODE 6210-01-F

### Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. Once the application has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act, including whether the acquisition of the nonbanking company can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices" (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities

will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than March 3, 1997.

A. Federal Reserve Bank of New York (Christopher J. McCurdy, Senior Vice President) 33 Liberty Street, New York, New York 10045-0001:

1. *U.S. Trust Corporation*, New York, New York; to acquire 100 percent of the voting shares of U.S. Trust Bank of Connecticut, Stamford, Connecticut.

B. Federal Reserve Bank of Philadelphia (Michael E. Collins, Senior Vice President) 100 North 6th Street, Philadelphia, Pennsylvania 19105-1521:

1. *Keystone Financial Inc.*, Harrisburg, Pennsylvania; to merge with Financial Trust Corp., Carlisle, Pennsylvania, and thereby acquire Financial Trust Co., Carlisle, Pennsylvania; Chambersburg Trust Co., Chambersburg, Pennsylvania; First National Bank and Trust Co., Waynesboro, Pennsylvania; and Washington County National Bank, Williamsport, Maryland.

C. Federal Reserve Bank of Chicago (James A. Bluemle, Vice President) 230 South LaSalle Street, Chicago, Illinois 60690-1413:

1. *Blackhawk Bancorp, Inc.*, Beloit, Wisconsin; to acquire 100 percent of the voting shares of Rochelle Bancorp, Rochelle, Illinois, and thereby indirectly acquire Rochelle Savings Bank, S.B., Rochelle, Illinois.

In connection with this application, Applicant also has applied to acquire Midland Acceptance Corporation, Rochelle, Illinois, and thereby engage in making and servicing loans, pursuant to § 225.25(b)(1) of the Board's Regulation Y.

D. Federal Reserve Bank of San Francisco (Kenneth R. Binning, Director, Bank Holding Company) 101 Market Street, San Francisco, California 94105-1579:

1. *U.S. Bancorp*, Portland, Oregon; to acquire 100 percent of the voting shares of Business & Professional Bank, Woodland, California.

Board of Governors of the Federal Reserve System, February 3, 1997.

Jennifer J. Johnson,

*Deputy Secretary of the Board.*

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BILLING CODE 6210-01-F

### Notice of Proposals To Engage in Permissible Nonbanking Activities or To Acquire Companies That are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.25 of Regulation Y (12 CFR 225.25) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. Once the notice has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act, including whether consummation of the proposal can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices" (12 U.S.C. 1843). Any request for a hearing on this question must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than February 21, 1997.

A. Federal Reserve Bank of Minneapolis (Karen L. Grandstrand, Vice President) 250 Marquette Avenue, Minneapolis, Minnesota 55480-2171:

1. *Farmers State Financial Corp.*, Victor, Montana; to engage *de novo* through its subsidiary, Farmers State Bank, FSB, Stevensville, Montana, in operating a savings association, pursuant to § 225.25(b)(9) of the Board's Regulation Y.