I. Statutory and Regulatory Background

The Federal Home Loan Bank Act (Bank Act) confers upon insured depository institutions that meet the statutory definition of a CFI certain advantages over non-CFI insured depository institutions in qualifying for advantages over non-CFI insured institutions. The Federal Home Loan Bank Act (Bank Act) confers upon insured depository institutions in qualifying for advantages over non-CFI insured institutions. (Bank Act) confers upon insured depository institutions in qualifying for advantages over non-CFI insured institutions.

SUMMARY: The Federal Housing Finance Agency (FHFA) has adjusted the cap on average total assets that is used in determining whether a Federal Home Loan Bank (Bank) member qualifies as a “community financial institution” (CFI) to $1,148,000,000, based on the annual percentage increase in the Consumer Price Index for all urban consumers (CPI–U). As of January 1, 2017, FHFA has increased the CFI asset cap to $1,148,000,000, which reflects a 1.7 percent increase in the unadjusted CPI–U from November 2015 to November 2016. Consistent with the practice of determining whether a Federal Home Loan Bank member qualifies as a CFI, FHFA bases the annual adjustment to the CFI asset cap on the percentage increase in the CPI–U from November of the year prior to the preceding calendar year to November of the preceding calendar year, because the November figures represent the most recent available data as of January 1st of the current calendar year. The new CFI asset cap was obtained by applying the percentage increase in the CPI–U to the unrounded amount for the preceding year and rounding to the nearest million, as has been FHFA’s practice for all previous adjustments.

In calculating the CFI asset cap, FHFA uses CPI–U data that have not been seasonally adjusted (i.e., the data have not been adjusted to remove the estimated effect of price changes that normally occur at the same time and in about the same magnitude every year). FHFA uses CPI–U data in applying “escalation” provisions such as that governing the CFI asset cap, because the factors that are used to seasonally adjust the data are defined as having remained constant, and seasonally adjusted data that are published earlier are subject to revision for up to five years following their original release. Unadjusted data are not routinely subject to revision, and previously published unadjusted data are only corrected when significant calculation errors are discovered. FHFA has determined that the seasonal adjustment factors used in adjusting the CPI–U do not significantly affect FHFA’s ability to perform the calculations necessary to determine the CFI asset cap.

II. The CFI Asset Cap for 2017

As of January 1, 2017, FHFA has increased the CFI asset cap to $1,148,000,000, which reflects a 1.7 percent increase in the unadjusted CPI–U from November 2015 to November 2016. Consistent with the practice of determining whether a Federal Home Loan Bank member qualifies as a CFI, FHFA bases the annual adjustment to the CFI asset cap on the percentage increase in the CPI–U from November of the year prior to the preceding calendar year to November of the preceding calendar year, because the November figures represent the most recent available data as of January 1st of the current calendar year. The new CFI asset cap was obtained by applying the percentage increase in the CPI–U to the unrounded amount for the preceding year and rounding to the nearest million, as has been FHFA’s practice for all previous adjustments.

In calculating the CFI asset cap, FHFA uses CPI–U data that have not been seasonally adjusted (i.e., the data have not been adjusted to remove the estimated effect of price changes that normally occur at the same time and in about the same magnitude every year). FHFA uses CPI–U data in applying “escalation” provisions such as that governing the CFI asset cap, because the factors that are used to seasonally adjust the data are defined as having remained constant, and seasonally adjusted data that are published earlier are subject to revision for up to five years following their original release. Unadjusted data are not routinely subject to revision, and previously published unadjusted data are only corrected when significant calculation errors are discovered.


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[RFR Doc. 2017–01242 Filed 1–18–17; 8:45 am]

BILLING CODE 8070–01–P

3 See 12 U.S.C. 1422i(10)(B); 12 CFR 1263.1 (defining the term CFI asset cap).
4 See 81 FR 9196 (Feb. 24, 2016).