

April 9, 2008

Research Update:

Federal Home Loan Bank of Des Moines Outlook Revised To Stable From Negative; Ratings Affirmed

Primary Credit Analyst:

Vikas Jhaveri, New York (1) 212-438-3693; vikas_jhaveri@standardandpoors.com

Secondary Credit Analyst:

Daniel E Teclaw, New York (1) 212-438-8716; daniel_teclaw@standardandpoors.com

Table Of Contents

Rationale

Outlook

Ratings List

Research Update:

Federal Home Loan Bank of Des Moines Outlook Revised To Stable From Negative; Ratings Affirmed

Rationale

On April 9, 2008, Standard & Poor's Ratings Services revised its outlook on the Federal Home Loan Bank of Des Moines (FHLB-Des Moines) to stable from negative. At the same time, we affirmed the 'AAA/A-1+' counterparty credit rating on FHLB-Des Moines.

The outlook revision reflects the performance stability the new management team has achieved in shifting its business model to emphasize growing member advances and reducing reliance on Mortgage Partnership Finance (MPF) loans. Senior management turnover has subsided and the current management structure is permanent.

The ratings on FHLB-Des Moines continue to reflect the wholesale bank's strong asset quality, balance-sheet liquidity, conservative risk management, and risk-adjusted capitalization. The strong credit ratings also reflect the benefits of the bank's membership in the FHLB system and its advantageous access to low-cost funding from the bank's status as a government-sponsored enterprise (GSE). FHLB-Des Moines is a member of the FHLB system, which is one of the housing GSEs in the U.S.

Since 2005, the multiple senior-management changes at FHLB-Des Moines were a concern; however, a permanent management structure is in place, and the bank has regained its focus of building its advance business and attracting new members. Since 1999, the bank has participated in the MPF program, which involves holding long-term, fixed-rate whole mortgage loans on its balance sheet. The amount generated on FHLB-Des Moines' balance sheet under this program grew rapidly to a peak of about 35% of total assets at year-end 2003. However, since that time, the portfolio has been declining, and at year-end 2007, accounted for about 18% of total assets. We expect total MPF loans to continue decreasing. Nevertheless, since the portfolio's size is still significant, we will continue to monitor the MPF program and hedging strategies.

Because of the unprecedented turmoil in the mortgage markets in second-half 2007, the FHLB system was able to demonstrate its importance as a reliable liquidity source for its members. Advances at the Des Moines bank nearly doubled to more than \$40 billion at year-end 2007, from \$22 billion at year-end 2006. Subsequently, on a related note, the Federal Housing Finance Board, the FHLBs' regulator, recently temporarily authorized FHLBs to increase their investment in mortgage-backed securities to 6.0x capital from 3.0x, in an effort to inject even more liquidity into the mortgage markets. We will continue to closely monitor the system's banks' strategies, tolerances, and execution within their management of market risk as well as any other regulatory developments that may affect the FHLB system.

Outlook

The stable outlook reflects our expectation that FHLB-Des Moines will continue to follow the traditional low-risk advances-based business model, while also prudently building retained earnings to counter incremental risks and accounting volatility. If the bank starts to increase its interest rate risk and shows significant volatility in earnings, the ratings could be lowered.

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Federal Home Loan Bank of Des Moines Counterparty Credit Rating	AAA/Stable/A-1+	AAA/Negative/A-1+

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

Copyright © 2008, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (?S&P?). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber?s or others? use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: research_request@standardandpoors.com.