



NEWS

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Federal Housing Finance Board Approves A Proposed Rule To Enhance Corporate Governance

The Federal Housing Finance Board (Finance Board) today voted to issue for public comment a proposed rule to enhance the corporate governance of each Federal Home Loan Bank by improving the director election process.

“The world has changed since the Banks were created in 1932,” said Chairman Ronald Rosenfeld. “The Banks need and deserve a governance structure commensurate with the increased level of sophistication in their operations. As cooperatives, the members own the Banks and control the outcome of director elections. But in today’s environment, the members need full information about the skills and qualifications most needed by their particular Bank as they decide who to nominate and ultimately elect to run their institutions.”

The proposed changes would enable the Banks to provide better information to their members during the director nomination and election process regarding the specific skills needed on the boards of directors and the qualifications of nominees to satisfy those needs.

In June 2003, the Finance Board completed a system-wide review of the board governance of the FHLBanks. The review found that the level of knowledge and skill necessary to effectively oversee the duties of management and other Bank personnel needed to be improved. The review also found that well-qualified directors who possess the appropriate skills were more likely to take active roles in adopting and overseeing the implementation of corporate practices designed to ensure the long-term success of the Banks.

Under the proposal, each FHLBank board would be allowed to conduct a self-assessment to determine the skills and experience needed on its board. The Banks may also communicate those needs to their members in a brief statement.

The proposed rule will be published in the Federal Register and will be open for public comment for 45 days following publication.

The Federal Housing Finance Board is an independent agency in the executive branch that oversees the safety, soundness, and mission of the 12 regional Federal Home Loan Banks. The Banks are government-sponsored enterprises created in 1932 to provide low-cost funding for housing finance. They have more than 8,100 financial institutions as members, including commercial banks, savings and loans, insurance companies and federally insured credit unions. More information can be found at <http://www.FHFB.gov>