FHLBANKS
A NATION OF LOCAL LENDERS

February 22, 2007

Federal Housing Finance Board
1625 Eye Street NW
Washington, D.C. 20006
Attn: Public Comments

RE: Interim Final Rule: Federal Home Loan Bank Appointive Directors
RIN Number 3069-AB-33

Dear Sir or Madam:

The Council of Federal Home Loan Banks commends the Federal Housing Finance Board for instituting a more formalized process for selecting and appointing directors to the Federal Home Loan Banks. The Council supports the interim final regulation issued by the Finance Board. This regulation provides a significant role for each of the Federal Home Loan Banks in the appointment process, and thus will help ensure that each Bank's board of directors will include individuals with the expertise and experience necessary to fulfill the vital role the board plays in overseeing the activities of each Bank.

The Federal Home Loan Banks are large and complex financial institutions that engage daily in sophisticated transactions. We concur that each Bank has elected directors that bring a particular set of skills to their board and is in a position to know what additional skills and experience will complement the skills and experience of the elected members. Each Bank is also able to learn about potential directors in their district that are willing and able to serve on their board.

The interim final regulation capitalizes on these facts by providing that each Bank shall nominate candidates for each available director position, thus enabling the Finance Board to appoint directors from qualified candidates possessing the skills and experience needed for that particular Bank. The regulatory action also includes a uniform questionnaire that will solicit pertinent information from every candidate, and provide an objective basis for the Finance Board to judge the respective qualifications of each candidate. This system should enhance the process for appointing directors, and the Finance Board is to be congratulated for implementing this system.

The preamble to the interim final rule solicits comments for suggested changes, indicating that the Finance Board is receptive to possible modifications to improve the appointive director selection process on an on-going basis. In this regard we note that there has been some expression of concern that having each Bank submit two names for each vacancy could have the effect of discouraging qualified prospective applicants from putting their names forward. If this does prove to be an impediment, we would hope that the Finance Board would consider modifying the process in the future.

In addition there are several technical adjustments that we recommend. First, the interim final rule is not entirely clear regarding the procedure to be used if the Finance Board rejects the nominees put forth by a Bank. The language in the regulation states that the Finance Board "may" ask the Bank to submit additional nominees if the Finance Board does not select from the original list. We recommend that this sentence be changed to indicate that the Finance Board "shall" ask for additional nominees, so that it is clear that the Board will continue to select appointed directors from the candidates screened by the appropriate Bank.

In addition, while the preamble to the rule states that the rule does not provide for any individuals to submit applications directly to the Finance Board, the rule itself does not state this. To further clarify this, the rule itself should address this point.

We also suggest that the personal information questionnaire be amended to include a notification that the applicant may request that the information submitted on the form be exempt from disclosure under the Freedom of Information Act. The notification should also explain the procedures for and standards for approving such a request. We note that this is the approach the banking agencies use on their bank director disclosure forms.[1]

In conclusion, the Council supports the interim final regulation and believes that it will improve the process for selecting appointed members for the boards of directors of the Federal Home Loan Banks.

Sincerely,

Timothy Chrisman
Chairman
Council of Federal Home Loan Banks

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[1] See the paragraph on "Confidentiality" contained in the instructions for the Federal banking agencies' "Interagency Biographical and Financial Report."