

March 31, 2023

Director Sandra Thompson  
Federal Housing Finance Agency  
via web portal at FHFA.gov

Dear Director Thompson,

I appreciate the opportunity to comment on the Federal Home Loan Bank system membership review. I served as a Public Interest Director (PID") of the Federal Home Loan Banks of Des Moines from 2007 through 2020, including service as audit and risk committee chair over several of those years. The Des Moines banks' interest in my consideration as a PID was because of my role in investing in affordable rental housing (as a tax credit syndicator for the Low Income Housing Tax Credit program), my experience in public accounting as a CPA, my role in commercial and residential construction, and leadership within the St. Louis Equity Fund, Inc. (my employer then and now) at an executive level and volunteer board service for various non-profit organizations.

I offer my experience not to impress or otherwise influence you, but to note the banks look to PID's to fill skill sets on the board of directors that may otherwise be difficult to fill through their bank members. Bank member directors fulfill their obligation as fiduciaries representing the banking needs of financial institutions in their respective states. At the Des Moines bank, I can say with 100% confidence that the Independent directors took their role seriously and diligently in executing their obligations. And equally so for the Public Interest Directors. When I first joined the bank in 2007, it was a privilege to be the "designated" board liaison to the Affordable Housing Advisory Committee. I used my role as liaison to share with the board the my experiences with the AHAC and encouraged bank leadership to recommend that other directors be encouraged to attend when possible and practical the AHAC regional meetings.

I was surprised to read recently that some former directors have suggested that the Independent and Public Interest Directors are just serving the bank leadership and their own interest. It is important to note that it is an expectation that Executive leadership at the bank should take the role of marshalling the assets of the members. And it is the job of the directors to guide and challenge bank leadership in the goals, policies and objectives for the bank and its members and to ensure it is operating in a safe and sound manner. I believe the director election process and that of recommending independent and public interest directors to the bank members, through a nominating committee established by the board, must come from the board and the executive team at the bank to ensure the members have directors who will meet those skill sets required for effective oversight by the board.

Regarding additional membership in the regional banks by non-financial institutions, particularly mortgage originators whose sole purpose is to originate and sell as many mortgages as possible, is not a suitable risk for a GSE if those institutions are unregulated.

I would support an effort to have the banks increase the amount of funds they earmark from profits from the 10% to some higher percentage to increase the impact to the affordable housing needs. The need for additional affordable housing can only be met if there are additional resources put to the effort through the public/private partnership of business and government incentives. An increase of an additional 2.5 to 5.0% (ie, to 12.5% or 15.0%) would be a great step in continuing the impact the banks can make in this regard.

The recent challenges with the collapse of SVB highlights the need for the banking regulators to always push for effective and continuing oversight. And dare I say, to not lighten up on regulations that are intended to provide greater oversight and scrutiny. No matter which regulatory agency is charged with such oversight. It is important for legislators to not succumb to the political pressures from those who are under such scrutiny and criticize any such efforts as the government overstepping its role.

Thank you for your leadership at the Federal Housing Finance Agency. I am certain there are ways to improve upon the effectiveness of the banks and the communities they serve and very much appreciate the willingness of the FHFA to listen to and consider the opinions of those who have served the banks.

Sincerely,

John F. Kennedy, Sr.  
St. Louis, Missouri