



Federal Home Loan Bank of Chicago

November 29, 2010

Alfred M. Pollard, Esq., General Counsel
Attention: Comments/RIN 2590-AA35
Federal Housing Finance Agency
1700 G Street, N.W., Fourth Floor,
Washington, DC 20552

VIA E-Mail (regcomments@fhfa.gov) & Overnight Mail

**Re: Notice of Proposed Rulemaking and Request for Comments –Information Sharing
Among Federal Home Loan Banks (RIN 2590-AA35)**

Dear Mr. Pollard:

We appreciate the opportunity to provide comments on the Proposed Rule issued September 30, 2010 intended to implement a provision in the Housing and Economic Recovery Act of 2008 (“HERA”) requiring the Finance Agency to make available to each FHLBank information relating to the financial condition of all other FHLBanks to assist the FHLBanks in their joint and several liability determinations in connection with the FHLBanks’ consolidated obligations (“COs”).

As we understand the Finance Agency’s proposal, information shared under the Proposed Rule would include the final Report of Examination (“ROE”) for each FHLBank and any other supervisory reports that the Finance Agency issues to an FHLBank’s Board of Directors. Findings memoranda and other supervisory communications that are not issued to an FHLBank’s Board would not be shared by the Finance Agency. Under the proposal, the Finance Agency would directly provide to each FHLBank the most recent ROE of the other FHLBanks. The affected FHLBank would have the opportunity to request that the Finance Agency redact from the ROE particular information that is ‘proprietary’ material.

The Federal Home Loan Bank of Chicago (“Bank”) supports the idea of having the Finance Agency share information that will enhance each FHLB's ability to evaluate the financial condition of the other FHLBanks. However, the Bank believes that the sharing of ROEs is not the best method of providing the FHLBanks with the information needed to make such an evaluation. The basis for the information sharing provision in HERA is to ensure that each FHLBank has sufficient information to evaluate the financial condition of the other FHLBanks to assess the likelihood that it may be obligated to make payments on behalf of another FHLBank under the joint and several liability on the FHLBanks’ COs. The Finance Agency’s ROEs are comprehensive, addressing many topics beyond an FHLBank’s financial condition but are not designed to provide real-time detailed financial information that would aid such an evaluation. Further, the information discussed in an ROE will likely be out of date by the time the report is issued and thereafter provided by the Finance Agency to an FHLBank.

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The Bank believes that the sharing of the following information on a quarterly basis would be more appropriate and allow each FHLBank to complete a more thorough joint and several liability evaluation:

- Confirmation that an FHLBank has submitted its quarterly Part 966 certification indicating whether it will remain capable of making full and timely payment of all of its current obligations, including direct obligations, coming due during the next quarter;
- Any anticipated material losses;
- Securities and other asset impairments;
- Concentrations of member advances; derivatives counterparties and supplement mortgage insurer and primary mortgage insurer exposure;
- Market risk limit measures, including key rate durations;
- Liquidity information;
- Member collateral shortfalls; and
- Unsecured credit exposures.

In conclusion, we believe that the Finance Agency can best meet the requirements of HERA with respect to information sharing by limiting the disclosures related to other FHLBanks to information that focuses on the ability of each FHLBank to meet its direct obligations for the payment of principal and interest on issued COs.

Thank you for your consideration of our comments.

Very truly yours,



Roger D. Lundstrom
CFO & Executive Vice President,
Financial Information Group