



Credit Union National Association

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cuna.org

January 25, 2010

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA37
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552
RegComments@fhfa.gov

Re: Voluntary Mergers of Federal Home Loan Banks; RIN 2590-AA37

Dear Mr. Pollard:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA's) proposed rule on Voluntary Mergers of Federal Home Loan Banks (FHLBs) which implements the voluntary FHLB merger authority added to the Federal Home Loan Bank Act by the Housing and Economic Recovery Act of 2008. By way of background, CUNA is the largest credit union advocacy organization in the country, representing approximately 90 percent of our nation's nearly 7,700 state and federal credit unions, which serve approximately 93 million members.

Many credit unions are FHLB members and rely on FHLBs for necessary liquidity. We therefore support most aspects of the proposed FHLB voluntary merger rule because it could help maintain a safe and sound FHLB system capable of meeting FHLB-members' needs. However, we wish to provide FHFA with specific comments regarding the proposed post-merger composition of FHLB boards of directors and also on the proposed member voting procedures in the FHLB merger context.

FHFA requests comment on how to best address the transition from separate boards of directors to a combined board in a FHLB merger. Currently, all FHLBs have 14 to 18 directorships. While we recognize that the total number of directorships may need to be reduced somewhat as mergers occur, we believe it is important not to push such reductions to the point at which they could result in the elimination or reduction of credit union representation on FHLB boards. It is already exceedingly difficult for credit unions to secure election to FHLB boards in the current configuration; it is essential to avoid making this problem worse.

Since FHLB member directorships represent specific states, however, there may be circumstances where it would be appropriate to reduce the number of post-merger directorships in order to retain equitable apportionment of directorships



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among the states. We believe that any reduction in post-merger directorships to maintain equitable state-by-state apportionment should be a gradual process affected through the agency's annual designation of directorships or a similar process.

CUNA supports the proposed ratification of a FHLB merger through a membership vote even though section 26 of the Bank Act does not expressly require a membership vote. Such a vote is consistent with the cooperative structure of FHLBs and members' status as the owners of the FHLBs. Further, we believe that a reasonable limitation on the number of votes which each member can cast is consistent with democratic principles and helps ensure that community institutions such as credit unions have a meaningful voice in FHLB governance.

We question, however, whether the state-by-state limitations on FHLB members' votes—i.e. a cap which is equal to the average number of shares of FHLB stock required to be held by all members in the same state—used in FHLB director elections are appropriate for FHLB mergers. Unlike FHLB directorships, which are designated by FHFA to represent specific states pursuant to section 7 of the Bank Act, a proposed FHLB merger affects the FHLB's entire membership and Congress has not mandated the state-by-state voting cap approach for mergers. In addition, the state-by-state voting cap approach could produce inequitable results because it could disadvantage FHLB members from one state relative to members of the same FHLB from other states. We therefore think a better approach in the merger context would be to establish a voting cap which would be uniform throughout the FHLB's membership regardless of state.

Thank you for the opportunity to comment on the proposed rule on voluntary mergers of FHLBs. If additional information about CUNA's views on the proposal would be useful, please do not hesitate to contact me at 202-508-6705.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael S. Edwards". The signature is fluid and cursive, with the first name being the most prominent.

Michael S. Edwards
Senior Assistant General Counsel