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VIA EMAIL TO REGCOMMENTS@FHFA.GOV

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, D.C. 20552
Attention: Comments/RIN 2590-AA08

Re: Proposed Rule on Golden Parachute and Indemnification Payments; RIN 2590-AA08

Dear Mr. Pollard:

On behalf of the Board of Directors of the Federal Home Loan Bank of Dallas (the "Bank"), we appreciate the opportunity to comment on the proposed rule on Golden Parachute and Indemnification Payments issued by the Federal Housing Finance Agency (the "FHFA") and published in the Federal Register on June 29, 2009 (the "Proposed Rule"). We thank you for the opportunity to be heard on this matter.

We appreciate the FHFA's consideration of the comments and suggestions offered by the Federal Home Loan Banks ("FHLBanks") in comment letters responding to the FHFA's interim final rule on golden parachute payments that was published in September 2008 (the "Interim Final Rule"), and the incorporation of many of these comments and suggestions in the final golden parachute rule that was published in the Federal Register on January 29, 2009 (the "Final Rule"). We also appreciate the FHFA's prompt action to supplement the Final Rule with more detail concerning prohibited and permissible golden parachute payments, along with provisions addressing indemnification payments. We offer the following comments, suggestions, and requests for clarification in response to the FHFA's request for comment on the Proposed Rule.

I. Golden Parachute Payments

A. Nondiscriminatory Severance Pay Plans or Arrangements

The Proposed Rule excludes from the definition of golden parachute payment certain payments made pursuant to a nondiscriminatory severance pay plan or arrangement. The definition of

“nondiscriminatory,” in turn, provides that a plan, contract, or arrangement may provide different benefits based only on objective criteria that are applied on a proportionate basis (with a variance in severance benefits relating to any single criterion of plus or minus 10%) to groups of employees consisting of not less than the lesser of 33% of employees or 1,000 employees. We recognize that this provision is substantially similar to the corresponding provision in the Federal Deposit Insurance Corporation’s (“FDIC”) regulation on Golden Parachute and Indemnification Payments, which is codified at 12 C.F.R. part 359 (the “FDIC Rule”), and that in comment letters responding to the Interim Final Rule many of the FHLBanks urged the FHFA to add provisions similar to those in the FDIC Rule.

In this case, however, we believe that the difference in employee size between the FHLBanks and the depository institutions and holding companies to which the FDIC’s regulations apply indicates that the FDIC’s definition of “nondiscriminatory” should be modified before being included in a rule applicable to the FHLBanks. While many of the entities regulated by the FDIC have tens of thousands of employees, the FHLBanks each generally employ fewer than 400 individuals – and most employ fewer than 300. We believe that the FHLBanks have plans that make reasonable distinctions among groups of employees that would not comport with the provisions of the proposed definition of “nondiscriminatory”. Accordingly, we respectfully request that, in recognition of the difference in employee size between the FHLBanks and the entities regulated by the FDIC, the FHFA delete the provision prohibiting a variance in benefits of more than plus or minus 10% in the final regulation. Alternatively, we suggest that the 33% threshold in the Proposed Rule be reduced to 20% and the “1000 employees” be reduced to 50 employees or to such other smaller percentage and number that the FHFA determines are appropriate in light of the relatively small size of the FHLBanks’ staffs.

Additionally, in the provision of the Proposed Rule that excludes from the definition of golden parachute payment the types of severance payments described above, the Proposed Rule specifies that to be excluded from that definition, the payment, among other things, must not exceed the base compensation paid to the employee during the twelve months immediately preceding the employee’s termination, resignation, or early retirement. We request that the FHFA revise this provision to instead limit the amount of the payment to the employee’s current annual base salary as long as the FHLBank has not increased the employee’s base salary in anticipation of termination of employment.

B. Grandfathering Considerations

In the preamble to the Proposed Rule, the FHFA recognizes that, prior to the enactment of the Housing and Economic Recovery Act of 2008 (“HERA”), the FHLBanks or the Office of Finance may have entered into “agreements that provide for golden parachute payments beyond that which is proposed to be permissible under section 1318(e) of the Safety and Soundness Act (12 U.S.C. § 4518(e)), and the proposed amendment (emphasis added),” and states its intent that “the proposed amendment would apply to agreements entered into by a regulated entity ... with an entity-affiliated party on or after the date the regulation is effective (emphasis added).” We respectfully request that in the final rule the FHFA include specific grandfathering provisions, and clarify that, for purposes of applying those provisions, it is the date on which the Proposed Rule becomes effective, and not the date on which any earlier rule became effective, that is used to determine whether the grandfather provisions apply.

We further request that in the final rule the FHFA provide that contractual payments made pursuant to an agreement entered into prior to the date on which the Proposed Rule becomes effective will continue to be grandfathered even if, pursuant to its terms, the agreement is automatically extended, as long as

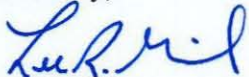
there is no material amendment to the agreement's terms. For example, the Bank and some of its executive officers have entered into contracts providing for severance payments in certain circumstances, each of which provides that the contract's termination date will annually be automatically extended by one year unless either party gives prior notice within a specified time period that it does not wish to extend the contract's term. To the extent that the final rule grandfathers arrangements existing prior to the effective date of the Proposed Rule, we believe that automatic extensions of such arrangements should continue to be grandfathered, provided there is no material change to the terms of the arrangement other than the date on which it terminates. Likewise, we request that the final rule provide that contractual payments that are made pursuant to an agreement entered into prior to the date on which the Proposed Rule becomes effective and that are grandfathered under the final rule will not lose that grandfathered status because the agreement pursuant to which they are made provides for periodic automatic renewals or extensions of its term.

II. Indemnification Payments

In the section of the preamble to the Proposed Rule that relates to indemnification payments, the FHFA includes statements regarding indemnification agreements entered into prior to HERA's enactment that are substantially similar to those it makes with respect to arrangements providing for golden parachute payments. Accordingly, we request that in the final rule the FHFA include grandfathering provisions related to indemnification agreements, and clarify that, for purposes of applying those provisions, it is the date on which the Proposed Rule becomes effective, and not the date on which any earlier rule became effective, that is applicable. Also, as with golden parachute arrangements, we request that the final rule provide that any automatic extension of a grandfathered indemnification agreement pursuant to the terms of the agreement should continue to be grandfathered, provided that there is no material change to the agreement's terms.

Thank you for your consideration of our comments.

Sincerely,



Lee R. Gibson
Chairman of the Board of Directors



Bobby L. Chain
Chairman of the Compensation and Human
Resources Committee