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**From:** Don Forsberg [mailto:donf@icbnd.com]  
**Sent:** Tuesday, August 04, 2009 2:32 PM  
**To:** !REG-COMMENTS  
**Subject:** RIN 2590-AA12

August 4, 2009

Alfred M. Pollard

General Counsel

Federal Housing Finance Agency

Fourth Floor

1700 G Street, NW

Washington, DC 20552

Attention: Comments/RIN 2590-AA12

Dear Mr. Pollard,

Independent Community Banks of North Dakota (ICBND) appreciates the opportunity to comment on the Executive Compensation rule proposed by the Federal Housing Finance Agency (FHFA). We understand this proposed rule will establish both the requirements and processes regarding the setting and payment of compensation provided to the executive officers of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks (FHLBanks) and the FHLBank Office of Finance.

The membership of ICBND consists exclusively of community banks many of whom are also FHLBank members. As a result, we are intensely interested in and concerned about the proposed compensation rule. Our community banks do not want their FHLBanks to pay their

employees excessive compensation but they do see that it is very important that the FHLBanks be able to offer fair compensation packages that can attract experienced and talented employees. We believe compensation for the officers of Fannie Mae and Freddie Mac should also be of a sufficient amount to attract and retain staff with the needed expertise and experience but not be an amount that is excessive when compared to similar institutions. This is particularly challenging since these institutions are under conservatorship with an uncertain future. If compensation limits are set too low when compared to market the level of talent is also likely to be lower than equivalent job duties would require which may also limit the quality of candidates when seeking top executive leadership for the GSEs.

We understand that statute empowers the director of the FHFA to prohibit Fannie Mae, Freddie Mac and the FHLBanks from providing any executive officer compensation that is not reasonable and comparable with compensation for employment in other similar businesses (including other publicly held financial institutions or major financial services companies) involving similar duties and responsibilities. The statute also specifies that the director may not prescribe or set a specific level. However, we understand that in the proposed rule FHFA wants to go beyond this statutory authority by Congress in by proposing a framework that gives the agency greater control over the compensation of FHLBank executives. FHFA makes this clear by stating in the proposed rule that the FHFA generally considers “comparable compensation” to be at or below the median compensation for a given position at similar institutions. This most certainly means a cap on compensation. In our view, setting such a cap would be prohibited by the statute because it would prescribe or set a specific level or range of compensation.

The FHFA states in the preamble of the proposed rule that it may consider the Federal Reserve Banks and the Farm Credit Banks as examples of appropriate comparators to assess the reasonableness and comparability of executive compensation provided by the FHLBanks. We agree that these institutions (along with other FHLBanks) may be an appropriate basis for comparability, but comparability should not be limited to these institutions alone or become de facto.

There are numerous compensation surveys of financial services institutions (which may also include data from Federal Reserve and Farm Credit Banks) readily available which can provide detailed comparative data, including geographic data that reflects different costs of living. Use of this data may provide a much closer match based on the unique characteristics and complexity of the institutions and the components of the compensation package. While a compensation target can be based on a median amount, it is appropriate to make adjustments **above or below** the median based on the institution’s complexity, size, and the background and experience of the employee whose compensation is being set.

We firmly believe the setting of compensation is a duty of the board of directors of each FHLBank, not the FHFA a regulator. The FHFA should be examining the process used by the board in determining compensation and make a determination if the compensation is reasonable and comparable given the particular characteristics of the employing institution. In the current environment, where there is a move to enable shareholders to have a greater say in compensation, the shareholder owners of FHLBanks are in a unique position to voice their concern if they view compensation as excessive, or have concerns about other practices of their FHLBanks, because of their active involvement in the nomination and election of directors. Indeed, members elect members to a controlling number of board seats, due to the local, cooperative structure of the FHLBanks.

On behalf of ICBND and its membership we again thank you for the opportunity to comment on the proposed rule.

Sincerely,

*Donald Forsberg*

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