

August 04, 2009

BY EMAIL TO [REGCOMMENTS@FHFA.GOV](mailto: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-AA12

Re: Proposed Rule on Executive Compensation

Dear Mr. Pollard:

We are writing to comment on the Federal Housing Finance Agency's ("FHFA") proposed rule on Executive Compensation published on June 5, 2009 (the "Proposal"). The Proposal contains proposed regulations on executive compensation that would implement sections 1113 and 1117 of the Housing and Economic Recovery Act of 2008 ("HERA") with respect to the Federal Home Loan Banks ("FHLBanks"). As a trade association whose membership includes stockholders of the Federal Home Loan Bank of Des Moines, we appreciate this opportunity to comment on the Proposal.

We are concerned that the Proposal fails to take into account the unique cooperative ownership structure at the FHLBanks and its impact on FHLBank executive compensation. We are also concerned that the Proposal would, in effect, substitute an FHFA determined formula for setting executive compensation (by apparently specifying particular institutions – the Federal Reserve Banks and the Farm Credit Banks – as comparator institutions and by establishing a presumptive median compensation level cap) at each of the FHLBanks for the discretion of the member-controlled independent boards of directors of the FHLBanks. By displacing the business judgment of the twelve individual FHLBanks' boards of directors, the Proposal ignores the statutory prohibition contained in HERA, which is codified at 12 U.S.C. § 4518 (d), that expressly prohibits the FHFA from prescribing or setting a specific level or range of compensation for executives at the FHLBanks.

We urge that the FHFA revise the approach taken in the Proposal when it adopts a final rule so that the FHFA neither establishes specific comparator institutions nor establishes a presumptive compensation cap. We believe that the FHFA should limit its role to reviewing the executive compensation determinations of the individual FHLBanks to ensure that FHLBank executive compensation is comparable with that at other similar businesses (including other publicly held financial institutions or major financial services companies) involving similar duties and responsibilities. This is the approach that the Office of Federal Housing Enterprise Oversight took in its executive compensation regulations, which are codified at 12 C.F.R. part 1770, and which we believe that the FHFA should take in its final rule on executive compensation.

In conclusion, we feel that the FHLBanks work well today, providing liquidity and affordable housing programs to members, in part because they have the right compensation process in place to make their operations work. This success should not be impaired by the placement of onerous compensation restrictions on the FHLBanks.

We appreciate your consideration of our comments.

Sincerely,

Virginia Adams  
Executive Director  
Independent Community Bankers of South Dakota

