PLANTATION FEDERAL

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OFFICE OF GENERAL COUNSEL

August 3, 2009

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
1700 G Street, NW, fourth floor
Washington, DC 200552

Dear Mr. Pollard:

I am writing on behalf of the Plantation Federal Bank regarding the notice of proposed rulemaking request for comments on executive compensation at the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Federal Home Loan Banks ("FHLBs") and the Office of Finance of the Federal Home Loan Bank System ("OF").

As stated, the purpose of the proposed rule is to address the compensation requirements relating to the supervisory authority of the FHFA under Sections 1113 and 1117 of the Housing and Economic Recovery Act of 2008 ("HERA"), with respect to compensation provided by the regulated entities and the Office of Finance to their executive officers.

As a member and shareholder of the FHLB of Atlanta, Plantation Federal's primary concerns are with the issues that affect the Federal Home Loan Bank System. The proposed rule fails to adequately take into consideration the cooperative structure of the FHLB system. The FHLB System is privately-owned by the banks it represents, providing vital liquidity to its banks so that they can make residential and commercial loans in their communities. The System is not in receivership, as are Fannie Mae and Freddie Mac. As the proposal notes, Section 1201 of HERA requires the FHFA to consider the differences between the FHLBs and Fannie Mae and Freddie Mac when promulgating regulations. The proposed rule states that these differences should be considered in the formulation of the pending rule. I do not believe that this directive has been taken into account

The FHLBs are member-owned and member-governed; the Banks have joint and several liabilities. As such, each of the FHLBs is a separate legal entity, owned by financial institutions within its district. Each FHLB operates under the control of a Board of Directors who are elected by the member institutions. By law, a majority of these directors are individuals who serve as directors or officers of the member institutions. The remainder of the Board consists of independent directors who are either public-interest directors with a background in representing consumer interests or who have specified financial, accounting or risk-management experience.

POST OFFICE BOX 3848 / PAWLEYS ISLAND, SOUTH CAROLINA 29585 / (843) 237-3404 / FAX 237-4835
POST OFFICE BOX 1629 / GEORGETOWN, SOUTH CAROLINA 29442 / (843) 527-5000 / FAX 527-8673
POST OFFICE BOX 289 / MURRELLS INLET, SOUTH CAROLINA 29576 / (843) 651-3404 / FAX 651-3894
1012 38th AVENUE NORTH, MYRTLE BEACH, SC 29577 / (843) 449-6960 / FAX 449-6952

As with all financial institutions, compensation is a significant component of the non-interest expense of the bank. As members, we clearly have an interest in ensuring that the bank's executive officers are not overcompensated. The FHLBSystem primary function is to provide for their members' liquidity needs. Because the Boards of Directors of each FHLB come from regulated member institutions, the directors understand the impact that compensation has on expenses, and thus the operations of the FHLB. The FHLBanks demand a level of expertise in executive management that is sought after in the private financial sector. It is the fiduciary obligation of the System's directors to create compensation programs that are sufficient to attract and retain this level of expertise. It is not the obligation of the regulator. The rule's attempt to limit the ability of an individual FHLB Board of Directors to design compensation packages for its qualified executives is very problematic.

The passage of the Graham-Leach-Bliley Act devolved the responsibility for governance of the FHLBs to their Boards, including the decisions on attraction and retention of management. The implication that the FHFA may establish "appropriate compensation packages" runs contrary to that law.

I strongly urge the FHFA to withdraw the proposed rule or amend it. The final rule should include broad guidelines for the FHLB directors to consider, not the setting of appropriate compensation packages. Those guidelines must consider institutions whose executives share similar duties and responsibilities.

I appreciate the opportunity to comment on the Compensation Rules, especially those affecting the Federal Home Loan Banks.

Sincerely yours,

J. Edward Norris, III

Chairman and Chief Executive Officer