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November 4, 2009

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW, 4th Floor
Washington, DC 20552

Attention: Comments/ RIN 2590-AA30

Dear Mr. Pollard:

The American Bankers Association is pleased to submit comments on the Notice of Proposed Rulemaking published in the August, 4, 2009 Federal Register to expand the Federal Home Loan Bank Office of Finance (OF) Board of Directors from 3 board members to 15 to 17 members, comprised of the 12 Federal Home Loan Bank Presidents and 3 to 5 independent directors. The proposed rule would also require that the OF Board establish an Audit Committee.

ABA generally supports the expansion of the OF Board and the creation of the Audit Committee. We believe that these are beneficial changes, which, if implemented properly, will improve the governance of the System. We do have concerns, however, that if such changes are not undertaken carefully, the independent nature of the individual Federal Home Loan Banks could be threatened. We offer the following comments with the goal of improving the proposal to ensure that does not happen.

As a general rule, the expanded board would provide better representation for all 12 FHLBs. This is important, as the Office of Finance issues consolidated debt for the entire System, and it is vital that all 12 Federal Home Loan Banks' interests are considered by the OF. The inclusion of three to five independent directors ensures a healthy viewpoint from beyond the collective Bank management structure, while keeping the overall size of the board to a manageable level. Full representation of the Systems' members, through the inclusion of the 12 Bank Presidents on the OF Board, along with the diversity provided by the requirement of outside directors on the Board, will yield improved, balanced, and thoughtful governance.

The proposed rule would have the FHFA appoint the initial round of independent directors from candidates submitted by the Federal Home Loan Banks, with future independent directors voted on by the OF Board, with the FHFA reserving the right to appoint more qualified candidates if necessary. We believe that this is a reasonable approach to ensure qualified candidates are presented, while giving the regulator an appropriate level of authority to ensure oversight. We would recommend, however, that this provision be strengthened by requiring that the

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FHFA, if it exercises the authority to appoint a more qualified candidate, to set forth in writing, within a specified time period, the specific reasons it chose to act.

The proposed rule also mandates that the newly constituted OF Board form an Audit Committee comprised of the independent directors in order to achieve appropriate accounting consistency for the System. We support this goal, but do have concerns about the nature and mandate of the Audit Committee. We strongly believe that accounting policies and procedures should be established by the full OF Board, not by the Audit Committee. The province of the Audit Committee should be restricted to the oversight of combined financial reports and determining the sufficiency of consistent accounting practices by each of the individual Banks needed to issue acceptable combined financial reports. In short, the OF Board should set accounting policy and procedures for the System, with the Audit Committee having the responsibility to ensure that practices are carried out in an appropriate and sufficient manner.

Furthermore, we urge that the proposal be refined so as to ensure the appropriate application of GAAP as it applies to the discretion accorded to the independent entities (the Banks) which make up the FHLB System. It is important that FHFA, as the System regulator, not impose accounting policies and procedures. The audit profession and the banking regulators have agreed that any regulator-imposed limitation on otherwise acceptable alternatives under GAAP is a limitation which is possibly a GAAP violation in and of itself. The proposal should be strengthened to make clear that it is the OF Board, not FHFA or an Audit Committee made up of members who may be selected by the FHFA, which sets accounting policy and procedures for the System. Such a role by the OF Board is appropriate in its role of governing the OF as the issuer of consolidated debt for the System and in order to issue combined financial reports in support of the issuance of such debt. In closing, the ABA believes that the proposed rule is a positive step in furthering the governance of the Federal Home Loan Bank System. We caution, however, that the rule should be strengthened by clarifying the role of the Audit Committee, ensuring that the newly constituted OF Board, not the Audit Committee or the FHFA, sets accounting policy for the System.

We appreciate this opportunity to comment. Should you wish to discuss any of these items further, please contact ABA Vice President and Sr. Counsel, Joseph Pigg at 202-663-5480 or JPigg@aba.com.

Sincerely,



Robert R. Davis