



February 16, 2007

The Honorable Ronald A. Rosenfeld
Chairman
Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006-4001
Submitted via email: comments@fhfb.gov

Re: Federal Housing Finance Board. Interim Final Rule: Federal Home Loan Bank Appointive Directors.
RIN Number 3069-AB-33. Docket Number 2007-01.

Dear Chairman Rosenfeld:

CFED, founded as the Corporation for Enterprise Development, submits this letter commenting on the proposed procedures for selecting Federal Home Loan Bank (FHLBank) appointive directors as defined in the Interim Final Rule published in the *Federal Register* on January 24, 2007. We commend the Federal Housing Finance Board (Finance Board) for this thoughtful Interim Rule. It represents an important step forward to ensuring a vibrant mission-meeting FHLBank System. Below are our specific comments.

As a leader in asset-building and economic development strategies, CFED works at the national, regional, state, and local levels to help people acquire assets, build businesses, and create healthy communities. CFED believes that when policy and markets work together, economic opportunity is expanded in communities and for individuals too often neglected by markets alone.

A. Importance of the FHLBank System for Inclusive Economic Growth

CFED recognizes that the FHLBanks are the second largest provider of debt in the world. The financial infrastructure of the more than \$800 billion System is unparalleled in its ability to invest in affordable housing, community economic development, small business, and commercial development. To fully meet its potential community revitalizing impact as a government sponsored enterprise, each Bank needs experienced and skilled leadership familiar with a broad range of market-enhancing investments.

B. Identifying Experienced, Knowledgeable and Diverse Directors

An effective board of directors is critical to maintain the safety and soundness of each Bank. The boards must ensure that Banks serve their mission to finance housing and community economic development activities. Congress acted with wisdom when it enacted §915.10(b) requiring that the each Bank include not just elected directors of member financial institutions, but additional stakeholders. Congress was also correct to give the Finance Board the sole discretion to appoint individuals to each of the nation's 12 FHLBanks to serve as Public and Community Interest Directors. These members can ensure the economic vitality and potential for community impact of each of the FHLBanks.

We applaud the Board's commitment to highly qualified directors. The FHLBank System deserves candidates familiar with the ability to effect and monitor the range of financial investments and activities. We recommend the four criteria below to ensure that the proposed appointment process yields the best outcome for the System and the communities it serves:

1. Inclusive Process

We are hopeful that an inclusive process develops that combines the Affordable Housing Advisory Committees with board leadership and outside stakeholders including state and national community development organizations to ensure qualified, yet independent directors. We recommend that the Banks should recommend at least twice the number of Community Interest Director candidates as there are slots available.

Since the Interim Rule was published in the *Federal Register*, community development advocates have had numerous conversations with Bank Presidents, such as Andy Jetter from the Federal Home Loan Bank of Topeka, and community investment officers in order to learn of each Bank's procedures for identifying candidates. We can affirm that thus far, many Bank leaders have been proactive and inclusive in finding a diverse pool of candidates. The Finance Board should monitor each Bank's activities to promote a qualified

2. Timely Process

The annual deadline of October 1 should be adequate amount of time for appointment by the end of December. We are aware that all appointees require background checks which can be time consuming. In this “post-September 11” world, security clearances may take more time than they did previously: the time frame should reflect coordination with other security agencies.

3. Open Process

We recommend that the Banks not only submit their recommended slate of potential candidates but also the names of everyone who applied including who recommended each candidate. Doing so demonstrates that a diverse candidate pool (in terms of geography, race, gender, tribal areas, and experience) and outside recommendations were considered by the Bank prior to their nominations.

4. Appropriate Skills and Expertise

The original executed appointive director application form that requires each individual to describe in detail the business, financial, housing, community and economic development, or other leadership experiences that qualify him or her to serve on the board is clear and useful. We congratulate the Finance Board on this thoughtful and comprehensive form.

In addition, we support each Bank’s expansion from the Finance Board-provided application form to include additional information and experience relevant for its Bank’s service area and goals. For example, the goals of the Community Lending Plans of the Banks could determine a candidate’s priority among the nominations.

The Finance Board should ensure that Banks are considering and recommending candidates consistent with each Bank’s Community Lending Plan goals. The Finance Board should also ensure that representatives of underserved communities – rural areas, minority communities, low-income communities, and a variety of states –will be included.

Finally, the Finance Board should assert its right to require certain skills of candidates in an area where a Bank may be lacking. For example, CFED recognizes that few Banks have taken full advantage of the expanded economic development lending opportunities made available to them following the enactment of the Gramm Leach Bliley law. For that reason, the Finance Board should assertively require Banks to include candidates who are experts in community economic development investments targeted to communities facing disinvestment.

C. Discretion of the Finance Board

We concur that the law as enacted, §7(f)(2) (12 U.S.C. 1427(f)(2)), provides the Finance Board sole discretion to ensure qualified and diverse appointments. If a lack of suitable candidates is present, the Finance Board has the discretion to make such requests.

We believe that this Interim Rule is well thought out and seems to be well implemented thus far. We look forward to monitoring the process and working with the Banks and the Finance Board to address any concerns in the new appointment system that may arise.

Thank you for your thoughtful response to ensure the continued contributions of Public and Community Interest Directors to the Federal Home Loan Bank System. Please do not hesitate to contact me at (202) 408-9788 or cwayman@cfed.org if you have questions or concerns.

Sincerely,



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