



Housing Finance & Regulatory Affairs

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Mark A. Calabria
Director
Federal Housing Finance Agency
Eighth Floor
400 7th Street SW
Washington, DC 20219

Attention: Proposed Collection; Comment Request: “Federal Home Loan Bank Directors, (No. 2021–N–3)”

Submitted via Electronic Delivery to: www.fhfa.gov/open-for-comment-or-input

Dear Director Calabria:

On behalf of the National Association of Home Builders (NAHB), I welcome the opportunity to submit comments to the Federal Housing Finance Agency (FHFA) regarding the proposed information collection known as “Federal Home Loan Bank Directors.” The proposal would revise the Federal Home Loan Bank (FHLBank) Independent Director Application Form and add FHFA’s interpretation of how an individual meets the eligibility requirements to be elected as a Public Interest Director on a Federal Home Loan Bank’s Board of Directors. NAHB believes this specific interpretation would eliminate many qualified representatives from this important role in informing the Federal Home Loan Banks’ mission to serve as a reliable source of liquidity for members in support of housing finance and community lending.

NAHB is a Washington, D.C.-based trade association representing more than 140,000 members involved in the development and construction of for-sale single-family homes, including homes for first-time and low- and moderate-income homebuyers, as well as the construction, ownership and management of multifamily rental housing, including affordable rental housing. The ability of the home building industry to meet the demand for housing, including addressing affordable housing needs, and significantly contribute to the nation’s economic growth is dependent on an efficiently operating housing finance system. The nation’s housing finance system must offer home buyers in all geographic areas access to affordable mortgage financing at reasonable interest rates through all economic conditions and provide financing for multifamily housing development to support affordable rental opportunities.

Background

The Federal Home Loan Banks are a critical and reliable component of the housing finance system. NAHB is particularly supportive of the value FHLBanks provide to smaller, community banks. A significant portion of NAHB’s single-family home builders and multifamily developers rely on their community banks for financial services, including acquisition, development and construction financing.

Over the years, NAHB members have served as Independent Directors on the boards of directors of many FHLBanks. Often they have served as Public Interest Directors. Serving on FHLBank boards, home builders and developers are able to provide a perspective on housing needs within a FHLBank’s district that is beneficial to the FHLBank’s achievement of its mission to provide reliable liquidity to its member institutions to support housing finance and community investment.

Per the Federal Home Loan Bank Act, the FHFA Director determines annually the size of the board of directors for each FHLBank and must designate at least a majority of the directors, but no more than 60 percent, as member directors and the remainder as independent directors.

Member directors are drawn from the officers and directors of member financial institutions located in the FHLBank’s district and are elected to represent members in a particular state in that district. Independent directors are unaffiliated with any of the FHLBank’s member institutions, but reside in the FHLBank’s district and are required to have demonstrated knowledge of, or experience in, financial management, auditing and accounting, risk management practices, derivatives, project development, or organizational management, or such other knowledge or expertise as the FHFA director may provide by regulation.

Annually, the board of directors of each FHLBank shall determine how many, if any, of the independent directors with terms beginning the following January 1 shall be public interest directors, ensuring that, at all times, a FHLBank will have at least two public interest directors on its board.

The statute states that each public interest director shall have more than 4 years of experience in representing consumer or community interests on banking services, credit needs, housing, or financial consumer protections.

FHFA Proposal

FHFA has proposed adding to the FHLBank Independent Director Application Form enhanced eligibility standards for an applicant interested in a public interest directorship on a FHLBank’s board of directors. FHFA proposes to stipulate that the qualifying experience for a public interest director in representing consumer or community interests in one of the four required areas of experience may have been acquired in professional public service or volunteer positions as long as the work done was substantial in terms of time commitment and responsibility. Further, FHFA would require the experience must accrue from activities personally undertaken by the individual seeking nomination as a public interest director, as opposed to being attributed based merely on the activities of an organization with which the person was associated. FHFA also would establish an interpretation of “representing” to require that the experience must have involved advocating for, or otherwise acting primarily for the direct benefit of, consumer or community interests in one of the four areas. Thus, FHFA would establish that industry-side experience, even if the activities undertaken may have benefitted consumer or community interest, does not qualify an applicant for a public interest directorship because his or her experience does not involve “representing” those interests.

NAHB Comments

The proposed revision to the FHLBank Independent Director Application Form would expand on the statutory eligibility requirements for public interest directors. NAHB believes this expansion would preclude valuable and diverse voices that represent consumer and community interests from participating on the boards of directors of Federal Home Loan Banks. Specifically, we believe FHFA has interpreted “representing” too narrowly and does not offer a definition of industry-side experience that would explain why it believes industry-side experience does not involve representing consumer or community interests.

NAHB believes the experience of home builders and developers, particularly those involved in affordable housing projects offers an extremely valuable and unique perspective of a district’s housing needs that should be considered as representative of consumer and community interests. For example, prior to beginning to build a housing development or multifamily housing project, a builder or developer does significant due diligence

within a community to identify unmet housing needs. Further, both single-family and multifamily builders trying to meet those needs work extensively with other stakeholders in the community to overcome potential barriers to the production of such housing.

NAHB is concerned that industry-side experience is a reference to “for-profit” companies. As explained above, using home builders and developers as an example, NAHB believes an individual working for a for-profit company and the company itself can represent the interests of consumers and communities in housing. The multifaceted totality of an individual’s experience should be considered. Certain aspects of experience should not be assumed broadly as disqualifying.

NAHB also urges FHFA to consider an individual’s previous service on a FHLBank’s Affordable Housing Advisory Council as qualifying experience for a public interest directorship. Individuals selected to serve as a member of a FHLBank’s Affordable Housing Advisory Council has helped identify community needs in the FHLBank’s district and provided that information to the FHLBank to help it respond to the community with programs that address those needs. If an individual has been determined to be eligible and selected to participate on an Affordable Housing Advisory Council the experience should count toward the required four years of experience in representing consumer or community interests on banking services, credit needs, housing, or financial consumer protections.

Conclusion

NAHB believes that limiting, as proposed, the qualifying experience for two or more positions from a FHLBank’s board of directors will reduce opportunities for boards to hear unique and diverse perspectives on how to support the public interests of their districts.

Please contact Becky Froass, NAHB’s Director of Financial Institutions and Capital Markets (email: rfroass@nahb.org or phone: 202-266-8529) if you have any questions about this letter.

Sincerely,

A handwritten signature in black ink that reads "Jessica R. Lynch". The signature is written in a cursive, flowing style.

Jessica R. Lynch