



CUNA & Affiliates
A Member of the Credit Union System

**Credit Union
National Association, Inc.**

601 Pennsylvania Ave. NW, South Bldg.
Suite 600
Washington, D.C.
20004-2601

Telephone:
(202) 638-5777
Fax:
(202) 638-7734

Web Site:
www.cuna.org

VIA E-MAIL – comments@fhfb.gov

June 1, 2006

Federal Housing Finance Board
1625 Eye Street, NW
Washington, DC 20006
ATTENTION: Public Comments

Re: Proposed Rule – Federal Home Loan Bank Director Elections

To Whom It May Concern:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the proposed rule from the Federal Housing Finance Board (FHFB) that is intended to enhance the corporate governance of each Federal Home Loan Bank (Bank) by matching the experience and skills of individuals with the expertise needed in order to provide effective board management of each Bank. This will be accomplished primarily by allowing the Banks to provide more information about the experience and skills of directors as part of the election process in which the members of each Bank vote for the directors. These directors are comprised of officers and directors of the member institutions, which include credit unions, thrifts and banks. CUNA represents approximately 90 percent of our nation's 8,800 state and federal credit unions, which serve nearly 87 million members.

Summary of CUNA's Comments

- CUNA would like the opportunity to work with the FHFB to ensure that the board of directors of each Bank includes at least a reasonable number of credit union representatives.
- CUNA generally supports the proposed rule that will allow the Banks to provide more information about the experience and skills of directors as part of the election process, as long as the Bank members have an opportunity to provide input in this process.

Although not directly related to the proposed rule, CUNA's greatest concern with regard to the election of Bank directors is that the process makes it very difficult for credit unions to be represented on these boards, even though they are members of the Federal Home Loan Bank system. This includes the election



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process, as well as the process by which the FHFB can appoint a number of these directors.

There are over 800 credit unions that are members of the twelve district Banks. Although the percentage varies among the FHLB districts, credit unions as a whole represent approximately 15% of the total number of financial institutions that are members of the twelve Banks.

The current structure severely limits the ability of credit union representatives from serving on any of the Bank boards of directors. Because credit unions only comprise a small minority of the membership, it is extremely difficult for a credit union representative to be elected as a director. While credit union officials can be appointed by the FHFB, such directors cannot be employed by or serve on the board of a Bank member institution while they are serving on the board of the Bank in their district.

Credit unions, as well as other groups that comprise a minority of the Bank's membership, deserve representation on these boards. This goal can be achieved if there is a change in the federal law to require each Bank to have a limited number of directors that are either elected, or appointed by the FHFB, from Bank member institutions that, as a group, hold a minority of the Bank stock. This could include a change to eliminate the requirement that directors appointed by the FHFB cannot be employed by or serve on the board of a Bank member institution while they are serving on the board of the Bank in their district.

CUNA would like to work with the FHFB to coordinate efforts to achieve the goal of assuring that credit unions and other minority groups are adequately represented on the FHLB boards. This could include exploring the option described above that would ensure that groups comprising a minority of the Bank's membership achieve representation on these boards, or other reasonable means to assure that a small number of elected or appointed directors represents these minority groups.

With regard to the specific proposal, CUNA certainly supports provisions that will help ensure more transparency in the election process by providing more information to those who will vote in these elections. We also believe the members of the Banks should have the opportunity to provide input for the Bank to consider when developing this information.

For example, the election process begins when the members of the Bank receive a written notice of an election that invites the members to nominate candidates for the board. The proposed rule will now provide each Bank with the option to include with that notice a brief statement describing the skills and experience that the Bank believes will likely benefit the board of directors. We believe the Bank's members should have the opportunity to provide input on what the skills and experience should be. We also recognize that the members of the Bank will

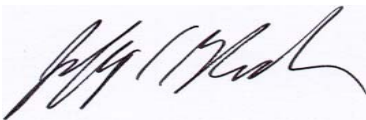
continue to have the ability to nominate any candidate they want and believe that such a statement should be clearly and conspicuously included in this written notice.

The proposed rule will provide each Bank with the option to include additional information on the ballots that briefly describes the skills and experience of each individual who has been nominated to the board of directors. The proposal will also allow each Bank to include with the ballot a brief statement describing the skills and experience that the Bank has determined will most likely add strength to the board of directors.

Similar to our comments regarding the written notice of an election, we suggest that the Banks allow nominated directors to provide the description of their skills and experience that the Bank could edit, if necessary, for space or for other stylistic reasons. We also assume that the statement in the ballot that the Bank will provide regarding the skills and experience will be similar, if not identical, to the statement that will be included in the election notice. As mentioned above, this statement should be developed with input from the members of each Bank.

Thank you for the opportunity to comment on the proposed rule regarding the election of Bank directors. If you or other Board staff have questions about our comments, please give Deputy General Counsel Mary Dunn or me a call at (202) 638-5777.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Bloch", is written over a light blue rectangular background.

Jeffrey Bloch
Senior Assistant General Counsel