



June 1, 2006

VIA EMAIL TO:
comments@fhfb.gov

VIA FEDERAL EXPRESS

Federal Housing Finance Board
1625 Eye Street N.W.
Washington DC 20006

ATTENTION: Public Comments.

Re: Proposed Regulation Regarding Federal Home Loan Bank Director Elections

To the Federal Housing Finance Board:

The following represent the views of the Board of Directors of the Federal Home Loan Bank of New York regarding the Federal Housing Finance Board's proposed regulation regarding Federal Home Loan Bank director elections published in the Federal Register on April 18, 2006.

A. A Serious Matter That is Not Addressed by the Proposal

We note that the proposal does not address what we believe to be a very important issue: the need for the FHFB to address the appointment of public interest directors to the FHLB Boards. As it stands, if the FHFB does not take action in this area, January 1, 2007 will be the first time in our collective memory that the FHLB of New York will have no appointed directors on the Board. We believe that the other FHLBanks are facing the same dilemma. If we are correct, this means that the total number of FHLBank directors around the Bank System will be reduced at the start of 2007 by approximately 1/3 from their authorized levels, producing questions about governance and oversight that could lead to real safety and soundness issues.

It is important to note here that there is frequent turnover on FHLBank Boards due to term limits, mergers of financial institutions, retirement, etc. Having a large – and “fully staffed” -- Board reduces the overall impact of such turnover on corporate governance and helps provide for solid and experienced Board continuity. That being said, the combination of the aforementioned turnover and the possible loss of all appointed directors at the end of 2006 means that, as of January 1, 2007, only four FHLB of New York directors will have more than two years of Board experience – and two of those directors will have to stand for re-election in the Fall of 2006.

Given the acknowledged importance of the Boards to the safety and soundness of the FHLBanks, and also given that the responsibilities of the Boards have increased in recent years, this is a matter that needs to be addressed by the FHFB promptly. One way for the FHFB to resolve this matter is to grant to the Boards of the FHLBanks themselves the power to select appointed directors in a manner similar to what has been proposed in various recent legislative initiatives.

B. Comments Regarding The Proposal

Turning to the text of the proposal itself:

1. Skills and Experience Assessment: As a matter of corporate governance, if there is going to be an assessment of skills and experience, we believe this assessment should be conducted by the board of directors of the Bank as opposed to the Bank itself -- and the regulations should make this clear.

As currently proposed, § 915.9 (a) would start by saying “Each Bank, acting through its board of directors, may conduct an annual assessment of the skills and experience possessed by the members of its board of directors as a whole and may determine whether the capabilities of the board would be enhanced through the addition of persons with particular skills and experience.” However, in accordance with our comment, we believe that this provision should start as follows: “The board of directors of each Bank may conduct ...”

We note here that, even if a skills and experience assessment is conducted, the lack of appointed directors may create significant capability gaps at each of the FHLBanks that cannot be remedied by a greatly reduced board consisting solely of elected directors.

2. Inclusion of Statement of Skills and Experience: To be consistent with the foregoing point about the role of the board of directors of the Banks in corporate governance, the proposed provisions regarding the optional inclusion of a statement of skills and experience in both the nomination and election packages should be changed. Specifically, proposed § 915.6 (a) (3), which deals with the contents of the nomination package, should be revised to say:

*At the election of the **board of directors of the Bank**, if, on or before the date the Bank provides the written notice, the **board of directors of the Bank** has determined, pursuant to § 915.9, which skills and experience are most likely to add strength to the board of directors, a brief statement describing such skills and experience; **(proposed additions in bold)***

Similarly, proposed § 915.8 (b), which deals with the election package, should be revised to say:

*A Bank may, **if requested by the board of directors**, prepare and mail with each ballot a brief statement describing the elective director skills and experience the **board of directors of the Bank** has determined are most likely to add strength to the board of directors, if the **board of directors of the Bank** has made such a determination pursuant to § 915.9. **(proposed additions in bold)***

3. Description of Nominee’s Skill and Experience: Separate from the statement of skills and experience referred to in point 2 above, § 915.8 (a)(1) refers to the optional inclusion in election information sent to the members of “a brief description of the nominee’s skills and experience”. We believe that this is vague and is worthy of clarification. Does this mean that the nominee’s general skills and experience can be described? Or, can there be a description only of the skills and

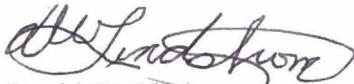
experience that have been previously identified by the board of directors of the Bank that the nominee may happen to possess? In addition, it is also not clear who is responsible for preparing this particular description, and this should be established ahead of time. In other words, can the nominee be permitted to prepare his/her own description of skills and experience? Finally, to be consistent with the governance principles described in points 1 and 2 above, the description of the nominee's skills and experience should be included at the discretion of the board of directors of the Bank, as opposed to the Bank itself.

4. Voluntary Nature of the Proposal: The proposal appears to make the aforementioned assessment process, statements and descriptions optional, and also appears to not interfere with the membership's right to nominate and elect directors who meet currently existing criteria. If such is the case, we believe that the regulation should be made clearer so that there is absolutely no misunderstanding about the voluntary nature of the proposal on the part of anyone.

For example, although § 915.9 (a) includes a list of particular qualifications that a Board may determine could benefit the FHLBank, the regulation should make it very clear that this is not a definitive or prescriptive list that must be followed. Separately, the membership of the FHLBanks should not come away with the impression that they are required to nominate, or vote for, persons that have the skills and experience that may have been identified.

Thank you for your consideration of our comments. Please do not hesitate to contact me if you have any questions.

Very truly yours,



David W. Lindstrom
Vice Chair of the Board of Directors
of the Federal Home Loan Bank of New York
and Chair of the Board's Corporate Governance Committee