



## REGULATORY & HOUSING POLICY AREA

**DAVID A. CROWE**  
Senior Staff Vice President

June 2, 2006

Federal Housing Finance Board  
1625 Eye Street, NW  
Washington, D.C. 20006  
ATTN: Public Comments

**Re: Federal Home Loan Bank Director Elections**  
**71 FR 19832 (April 18, 2006)**

Dear Sir or Madam:

On behalf of the 225,000 member firms of the National Association of Home Builders (NAHB), I welcome the opportunity to respond to your request for comments on the Federal Housing Finance Board's (Finance Board) proposal to amend the regulations for Federal Home Loan Bank (FHLBank) director elections (Proposal). The Proposal would permit each FHLBank to play an active role in the process of nominating and electing persons to its board of directors.

NAHB is a national trade association representing individuals and companies involved in the production of housing and related activities. Each year, NAHB's builder members construct about 80 percent of all new housing in America. NAHB's builder members are mostly small businesses with limited capital of their own. These small businesses depend almost entirely upon commercial banks and thrifts for housing production credit. Our surveys show that 90 percent of all loans for residential land acquisition, development and construction (AD&C) come from commercial banks and thrifts, many of whom are members of the FHLBank System. Therefore, NAHB views the FHLBanks as crucial components of the housing finance system.

### **Background**

#### *FHLBank Board Composition*

Each FHLBank is managed by a board comprising a combination of at least 14 directors who serve three year terms; terms are staggered at three-year intervals. By law, at least eight of each FHLBank's directors are elected by a vote of the members of the FHLBank. The remaining six are appointed by the Finance Board and are called public interest directors because they are

typically chosen for their expertise in housing and community development matters. As such, public interest directors play a valuable role in ensuring that the FHLBanks adhere to their mission-related obligations. NAHB notes that it has been two years since the Finance Board has appointed any public interest directors, and if no appointments are made by December, there will be no public interest directors on any of the FHLBank boards.

### *Summary of Proposal*

The Proposal would permit each FHLBank to conduct a voluntary, annual assessment of the skills and experience which, if present in new directors, would enhance the capabilities of the board of directors. The FHLBank would also be permitted to communicate those needs to the members that are entitled to nominate and vote on directors. The Proposal includes a list of examples of what a FHLBank might determine to be appropriate skills or experience for its board of directors. The proposed list includes skills and experience in the areas of financial management, financial accounting, hedging, risk management, capital markets, disclosures required of issuers of securities, and housing finance. Additionally, the Proposal would permit each FHLBank, as part of the information on each ballot about each director nominee, to describe briefly that nominee's skills and experience.

### **NAHB Position**

NAHB believes that it is extremely important that the boards of directors of the FHLBanks comprise individuals with the knowledge, experience and ability to understand, competently oversee, and direct the complex activities and operations that are undertaken, as well as to vigorously pursue the housing mission of the FHLBanks. The proposed approach to permit the FHLBanks to assess their corporate governance needs, communicate those needs to their members, and note the characteristics of director nominees is an improvement to the current director election process. As a practical matter, NAHB suggests that the proposed list of director skills and experience should be modified to include more mission-related attributes, such as housing and community development expertise.

Notwithstanding our support for the Proposal, NAHB believes the Proposal is not a substitute for the appointment of public interest directors. Public interest directors can be selected from a much more diverse range of backgrounds, and can contribute skills and experience that may not be available among those eligible to be elected. Therefore, NAHB requests that the Finance Board resume the public interest director appointment process as soon as possible.

**Conclusion**

NAHB supports the efforts of the Finance Board to improve the director selection process and, therefore improve the governance processes in the FHLBank System. We appreciate the opportunity to comment. NAHB is available and willing to assist in any way we can to help enhance the housing and community investment focus of the FHLBank System.

Sincerely,

A handwritten signature in cursive script that reads "David Crowe".

David A. Crowe  
Senior Staff Vice President  
Regulatory and Housing Policy