



Dean Schultz
President and
Chief Executive Officer

June 2, 2006

Federal Housing Finance Board
Attention: Public Comments
1625 Eye Street N.W.
Washington, D.C. 20006

VIA E-MAIL

Re: Federal Housing Finance Board. Proposed Rule:
Federal Home Loan Bank Director Elections.
RIN Number 3069—AB31. Docket Number 2006-04

Greetings:

The Federal Home Loan Bank of San Francisco appreciates the opportunity to comment on the Federal Housing Finance Board's proposed rule on Federal Home Loan Bank director elections (71 Fed. Reg. 19832, April 18, 2006) (Proposed Rule).

The Bank fully supports the Finance Board's efforts to enhance corporate governance of the Banks by allowing the Banks to play a more active role in the process of nominating and electing persons to the board of directors. We share in the view that providing members with more specific information about the experience and qualifications of individuals nominated for election to the board may increase the likelihood of the Banks having the best qualified directors possible.

While we generally agree with the Proposed Rule, we offer the following comments:

- The Proposed Rule would allow a Bank to send a brief statement to its members of what the Bank's board of directors perceives to be the Bank's needs at the board level. The Finance Board seeks comments on whether providing such information at the nomination stage of the election process, as opposed to some other time, will best serve the interests of the Banks and their members.

In our view, providing members with a specific needs-based information statement at the nomination stage of the election process may not be in the best interest of the Bank and its members as it may result in discouraging the nomination of otherwise well-qualified candidates. An alternative approach to assisting members in naming candidates who possess the appropriate skills and experience to serve on a Bank's board would be to provide members with a brief statement describing the responsibilities of an FHLBank director and highlighting some of the personal and professional skills and characteristics that would help support a director in meeting those responsibilities.

- The Proposed Rule would allow a Bank, as part of the information provided on each ballot about each nominee, to describe that nominee's skills and experience. The Finance Board seeks comment on whether it is appropriate to require each Bank to provide such information and, if so, whether some other means or place for providing the information would be more appropriate.

The Bank supports the Finance Board's focus on ensuring that members are well-informed about director nominees. However, we believe it would be most appropriate to maintain the permissive nature of the Proposed Rule in all areas, including the type of information to include on the ballots. This will ensure that each Bank's board has sufficient flexibility to select an approach to the nomination and election process that best serves the needs of that Bank's own members.

At the same time, we believe that if a Bank's board decides to include additional information about each nominee on its Bank's ballot, the information should be limited to objective factual information only. In this regard, we urge the Finance Board to amend the Proposed Rule in its final form to provide detailed guidance as to the specific information about a nominee that a Bank would be allowed to include on the ballot. We suggest the permitted ballot information include, but not necessarily be limited to, the following:

- Biographical data as to dates and places of employment
- Nominees' respective job titles and primary functions
- Prior service on corporate boards of directors
- Published articles and/or research
- Relevant appointments and/or awards

Providing this guidance will help ensure accuracy and comparability in the information provided to members and generally improve the election process.

Thank you again for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Dean Schultz", with a long horizontal stroke extending to the right.

Dean Schultz
President and
Chief Executive Officer