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June 2, 2006

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

Attention: Public Comments

Re: Proposed rule; Federal Home Loan Bank Director Elections; 12 CFR Part 915; 71  
Federal Register 19832; April 18, 2006

Dear Sir or Madam:

The American Bankers Association (“ABA”) appreciates the opportunity to comment on the Federal Housing Finance Board’s (“Finance Board” or “the Board”) proposed rule regarding election of directors by each Federal Home Loan Bank (“FHLBank” or “Bank”).

The American Bankers Association brings together all categories of banking institutions to best represent the interests of the rapidly changing industry. Its membership – which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks – makes ABA the largest banking trade association in the country.

The Finance Board has proposed amending the rules governing election of directors of the individual Federal Home Loan Banks to allow the Banks to promulgate more information regarding the skills and areas of expertise that the Bank has identified as being desirable in elected directors. The ABA generally supports the proposed rule, but we do seek some clarification on the proposal, and we do wish to raise concerns over one aspect of the proposal. Our specific comments are detailed below.

The proposed rule would add a new § 915.6(a)(3), which would allow each of the Banks to include in the notice given to members of a board election a brief statement describing the skills and experience that the Bank has identified as desirable in potential candidates for the board. This new section would work in tandem with another new section, § 915.9(a), which would allow the Boards of Directors of each of the Banks to make a determination of the needs of the Bank at the Board level. The notice under § 915.6(a)(3) could only be given by the Bank if the Board of Directors has made a determination under § 915.9(a).

The ABA supports these two additions to the regulations governing the System, and further we note that having the two work in tandem is both desirable and necessary to ensure member control of each Bank. By allowing existing boards of directors to determine the skills and areas of expertise that are most needed, the rule enables the elected leadership of the Bank – not Bank management or the System’s regulator – to identify the desired qualities of elected directors. The Federal Home Loan Bank System is a member owned/member controlled cooperative, and it is important to ensure that nothing interferes with the members’ ability to seek the leadership that they desire. We also note that the

proposed rule makes clear that members are still free to nominate and vote for any candidate, regardless of whether or not that candidate meets the skill sets or areas of expertise identified by the Bank. We support this aspect of the proposal, as the guidance set forth by the Bank should be just that – guidance – not a requirement or a restriction.

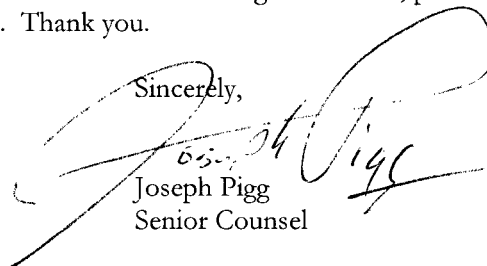
The Finance Board is also proposing to modify the existing § 915.8(a)(1) to allow each Bank to describe the nominees' skills and experience on each ballot sent to the membership for a Board of Directors election. While we generally support this concept, we do have some concern about the form and content of the description provided. Will each candidate be allowed to present to the Bank the description of skills and experience, and if so, to what degree will the Bank be allowed to edit the description? We believe that the proposal should be modified to set out more clearly how this process will be implemented by the Banks. Further, we recommend that the Board establish a framework for each Bank to use, setting forth the format and maximum length of the description so that candidates may reasonably provide a description that can then be used by the Bank without the need for editing or other alteration.

The proposal would also add a new § 915.8(b), allowing each Bank to include in each ballot sent to the membership a description of the skills and experience identified by the Bank as desirable in a potential board member. The rule indicates that this description may be, but is not required to be, identical to that provided by the Bank to members upon notification of an election. The ABA believes that, absent a crisis in which additional or alternative skill sets are required on short notice, the description should be identical to that provided at the time of notification of the election. It is only reasonable that the skill sets and areas of expertise determined by the Banks' boards should be consistent for the entirety of the election process. To change the description of what is desired after candidates have been nominated and their skills published would be potentially unfair to the candidates.

Finally, the Board is proposing a new § 915.9(c), which would repeal existing prohibitions applicable to directors, officers, attorneys, employees and agents of the Federal Housing Finance Board from taking action to influence the votes for a board election. The Board notes that the Finance Board has transferred administration of the elections to the Banks, and views these restrictions as no longer necessary. The ABA strongly disagrees with this proposed change. The fact that responsibility for Bank board elections has been transferred to the Banks does not make it any more appropriate for Board personnel to influence the vote. Indeed, the transfer makes it all the more appropriate for the process to remain insulated from Board influence. Accordingly, the stated justification for this proposed change makes no sense. If the Board desires the flexibility to influence the director elections, it should say so and explain why such influence would be appropriate. The ABA is firmly of the view, however, that the current restriction should stay in place. This section of the proposal should be deleted in its entirety.

Again, the ABA appreciates this opportunity to comment on this proposal. If you wish to discuss any of our comments or concerns in greater detail, please contact the undersigned at (202) 663-5480. Thank you.

Sincerely,



Joseph Pigg  
Senior Counsel