

June 5, 2006

By email to comments@fhfb.gov

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

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

To Whom It May Concern:

On behalf of the Board of Directors of the Federal Home Loan Bank of Seattle (Seattle Bank), I thank you for the opportunity to comment on the proposed rule on Federal Home Loan Bank director elections. The Seattle Bank appreciates and commends the efforts of the Federal Housing Finance Board (Finance Board) directors and staff in taking action to enhance corporate governance throughout the Federal Home Loan Bank System. The Seattle Bank strongly supports the Finance Board's goal of assisting the Federal Home Loan Banks (FHLBanks) to maintain boards of directors whose members possess the range of skills and experience best suited to administer the affairs of the FHLBanks. Although the Seattle Bank supports the intent of the proposed rule, this comment letter is being submitted to provide suggestions regarding some of the specific points addressed in the proposed rule.

The Seattle Bank agrees that the boards of directors of each of the FHLBanks should have the option to conduct self-assessments to determine the skills and experience that would enhance the capabilities of its board. Although the Seattle Bank does not believe that such an assessment would be prohibited by current law or regulation, we do not object to having the option expressly permitted by regulation.

The Seattle Bank also agrees that, during the nomination process, the FHLBanks should be permitted to include a statement in the notice to members requesting nominations, describing skills and experience that would add strength to the board and improve board governance. We agree that such a statement should enable members to nominate director candidates with appropriate skills and experience. The Seattle Bank's Board of Directors provided such statements to members in 2005 and 2006 when the board solicited nominations prior to exercising its authority to fill board vacancies. Although we were not required by regulation to solicit nominations from members to fill these vacancies, the board felt that it would be beneficial to the Seattle Bank to do so and to provide to members in the relevant states a summary of qualifications that would be desirable in new directors. We found that this process worked well in helping to identify highly-qualified candidates and that

members valued the board's focus on good corporate governance. We also provided substantially the same memo to members in Montana, Oregon, and Washington in July 2005 when we initiated the nomination process for the election of directors in those states for terms beginning January 1, 2006. A copy of the qualifications memo distributed to Idaho members in 2006 is attached.

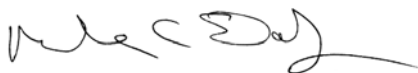
The Seattle Bank does not believe, however, that a formal self-assessment conducted on an annual basis should be a condition to an FHLBank's ability to provide a statement to members regarding desirable director qualifications. Some of the relevant qualifications are mandated by regulation, and others are so fundamental to the functioning of the board that they do not require identification through a self-assessment process. We want to re-emphasize that we believe self-assessment is an important corporate governance tool. However, we believe that there are likely to be circumstances in which such a process is not necessary in order to provide to members basic guidance regarding requisite director skills and experience. The Seattle Bank requests that the Section 915.6(a)(3) of the proposed regulation be amended to remove this condition.

The Seattle Bank also agrees that each FHLBank should be permitted to provide information with election ballots both describing the nominees' skills and experience and outlining desirable director qualifications. Like the Finance Board, we believe that providing this information will be valuable to the bank's voting members at a time when the members are most in need of information in order to make sound voting decisions. As with the statements of qualifications provided during the nomination process, we do not believe, however, that the bank's ability to provide a statement regarding desirable director qualifications should be conditioned on the prior completion of a formal annual self-assessment. Consequently, we request that Section 915.8(a)(1) of the proposed regulation be amended to remove this condition.

The Seattle Bank also respectfully urges the Finance Board to retain the existing prohibition in § 915.9(a) against Finance Board directors, officers, attorneys, employees, and agents taking actions to influence votes. Although the Finance Board no longer administers FHLBank elections, thereby eliminating the need for approval and interactions during the election and voting process, the elimination of the prohibition could be interpreted to mean that influencing of votes by Finance Board representatives would be permitted. While we do not believe this is the intent of the proposed amendment, it appears that in the absence of this prohibition there could be unintended consequences that could be avoided by retaining the current prohibition.

Thank you for allowing us to comment on this important issue

Respectfully,

A handwritten signature in black ink, appearing to read "Mike C. Daly", with a long horizontal flourish extending to the right.

Mike C. Daly
Chairman of the Board of Directors

SEATTLE BANK DIRECTOR ELIGIBILITY, QUALIFICATIONS, AND NOMINATION PROCESS

If you have questions about eligibility or qualifications, please contact Sheri Symonds, the Seattle Bank's general counsel and corporate secretary, at 206.340.2370 or sheris@fhlbsea.com.

Eligibility

Under regulation, an individual must satisfy basic eligibility requirements to serve on the Seattle Bank's Board of Directors:

- The nominee must be a U.S. citizen.
- The nominee must be an officer or director of a member located in the voting state/territory (Idaho).
- The member must be a stockholder of record that meets all minimum capital requirements established by the appropriate primary regulator.

Regulatory Qualifications

Nominees must meet the following qualifications, which are necessary to exercise duties defined by regulation:

- The nominee must be able and willing to carry out his or her duties as a director in good faith, in a manner that he or she believes to be in the best interests of the Seattle Bank, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.
- The nominee must be able and willing to administer the affairs of the Seattle Bank fairly and impartially and without discrimination in favor of or against any member.
- At the time of appointment or election, or within a reasonable time thereafter, the nominee must have a working familiarity with basic finance and accounting practices, including the ability to read and understand the Seattle Bank's balance sheet and income statement and to ask substantive questions of management and the internal and external auditors.

Desired Qualifications

In selecting a director, the Board of Directors may take into consideration other qualifications, such as these:

- In addition to basic financial literacy, significant understanding and experience in market risk management, derivatives, accounting, and SEC or other regulatory agency disclosures
- Demonstrated leadership in a complex financial organization, including prior service on a board of directors

- Experience with audit and requirements of the Sarbanes-Oxley Act of 2002 – ideally qualifying as an audit committee financial expert under applicable rules, including by having the attributes described below in “Additional Information”
- Demonstrated commitment to mission activities of the Seattle Bank, such as affordable housing and economic development
- Willingness and commitment to devote the time necessary to prepare for and serve on the board and its committees
- Personal attributes – including integrity, a record of achievement, effective communications skills, and diverse backgrounds – to enable the nominee to make a strong contribution to board effectiveness in representing the interests of members

Nomination Process

Each nominee is required to submit a resumé and a statement of qualifications by May 10.

Additional Information

Securities and Exchange Commission regulations identify the following attributes of a financial expert:

- i. an understanding of GAAP and financial statements;
- ii. the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- iii. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;
- iv. an understanding of internal control over financial reporting; and
- v. an understanding of audit committee functions.