



Credit Union National Association

cuna.org

601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | PHONE: 202-638-5777 | FAX: 202-638-7734

VIA EMAIL: [comments@fhfb.gov](mailto:comments@fhfb.gov)

October 23, 2006

Ronald A. Rosenfeld  
Chairman  
Federal Housing Finance Board  
1625 Eye Street, NW  
Washington, DC 20006  
ATTN: Public Comments

RE: Federal Home Loan Bank Rating System

Dear Chairman Rosenfeld:

The Credit Union National Association (CUNA) is pleased to respond to the Federal Housing Finance Board's (Board's) proposed examination system. By way of background, CUNA is the largest credit union trade association, representing approximately 90% of our nation's nearly 8,800 state and federal credit unions, which serve 88 million members.

The Board has requested comments on a proposed examination rating system that will apply to its examinations of the Federal Home Loan Banks (Banks), which will be known as the Federal Home Loan Bank Rating System (Rating System). Under the Rating System, each Bank will be assigned a composite rating based on an evaluation and rating of five key components. These components will be corporate governance, credit risk, market risk, operational risk, and financial condition and performance.

With nearly 900 credit unions as members of the twelve Banks, CUNA supports a strong examination system that will protect all members of the Banks. Credit unions themselves are subject to thorough examinations on a regular basis. This has contributed to an environment in which credit unions have experienced an exceptional safety and soundness record, with the highest relative capital levels of any insured financial institutions in the United States.

The five components that are included in the Rating System, and the factors outlined for each of these components, appear to cover all significant aspects of the Bank's operations. However, we strongly encourage the Board to work with the Banks to ensure that the final version of the Rating System is thorough, yet flexible enough to take into account any unique aspects of Bank operations.

Although we recognize that examinations are important to ensure safety soundness, they do impose significant burdens on the institutions, and it is important that all the necessary parties work together to eliminate any unnecessary burdens. As mentioned above, credit unions are subject to thorough examinations, but a successful examination system is developed based on communications between the regulator and the insured institutions, both to ensure that all adequate areas are covered, while minimizing any unnecessary burdens. For this reason, we encourage the Board to work with the Banks throughout this process, both in developing the final version of the Rating System and in making the necessary adjustments in the future.

Thank you for the opportunity to comment on the Board's proposed examination system. If you have questions about our comments, please contact Senior Vice President and Deputy General Counsel Mary Dunn or me at (202) 638-5777.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Bloch", is written over a light blue rectangular background.

Jeffrey Bloch  
Senior Assistant General Counsel