



October 23, 2006

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

Attention: Public Comments

Subject: Federal Housing Finance Board. Notice: Examination Rating System for the Federal Home Loan Banks and the Office of Finance.  
Docket Number 2006-N-05.

To The Federal Housing Finance Board:

On behalf of the Federal Home Loan Bank of Des Moines (Bank), I want to commend the Federal Housing Finance Board (Finance Board) on publishing for comment the proposed Federal Home Loan Bank Rating System (Rating System). We applaud the Finance Board in its efforts to enhance the examination process through implementation of the risk-based Rating System, and believe that the Rating System will achieve its stated objectives -- to further enhance communication and transparency between the Office of Supervision and the Federal Home Loan Banks (FHLBanks) during the examination process, and to provide a comprehensive overview of the condition and performance of each FHLBank. We also believe that the Rating System will provide the FHLBanks useful guidance regarding the criteria upon which examiners will focus in determining how the Bank scores under the various components.

Therefore, as a general matter, the Bank supports the adoption of the proposed Rating System. However, we would like to offer one suggestion concerning how the Rating System accounts for the affordable housing and community investment programs (AHP Programs) of the FHLBanks.

As currently drafted, the AHP Programs would be factored into the governance and operational risk components of the Rating System. However, it is unclear how that would occur if the safety and soundness and AHP Program exams continue to be conducted separately -- at different times and with different personnel. We believe that implementation of the new Rating System provides an opportunity for the Finance Board to merge the safety and soundness and AHP Program exams into a single exam. In that regard, we recommend that a sixth component be added to the Rating System covering the AHP Programs, in lieu of creating a separate rating system and exam infrastructure specifically for the AHP Programs.

While the AHP Programs constitute a specialized area of the FHLBanks' business and arguably require specialists to examine, we believe that the disconnect between the safety and soundness exam and the AHP Program exam can lead to inefficiencies in the overall exam process and a



misallocation of priorities and resources by an FHLBank. The AHP Programs are part and parcel of what our Bank and the FHLBank System does – indeed, the proposed Rating System notes the “critical importance” of the AHP Programs in carrying out the FHLBanks’ housing finance mission. Since the AHP Programs are integrated into the Bank’s business operations and processes, we believe that they should be treated like any other risk component.

The Bank appreciates the opportunity to provide input to the Finance Board as it develops the proposed Rating System. Please call me at (515) 281-1001 should you have any questions concerning the foregoing.

Respectfully,

Richard S. Swanson  
President and CEO