

DECISION MEMORANDUM OF THE FINANCE BOARD ACTING
WITHOUT A QUORUM

Date: November 14, 1994

No. 94-DM - 49

ISSUE: FHLBank of Seattle: Reimbursement of Industry
Directors' Spousal Expenses under Federal Housing
Finance Board Directors' Fees and Allowances Policy and
12 CFR 932.27

FACTORS CONSIDERED:

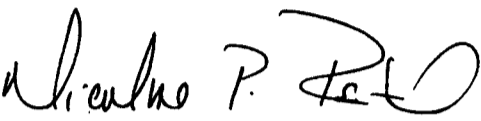
- Section 7(i) of the Federal Home Loan Bank Act authorizes the Federal Home Loan Banks (FHLBank or FHLBanks) to pay directors reasonable compensation and necessary expenses "subject to the approval of the [Federal Housing Finance] Board." 12 U.S.C. 1427(i).
- Federal Housing Finance Board (Board) Regulation 12 CFR 932.27 specifically provides that directors' fees "shall be established by each Bank within limits set by the Board."
- Board Policy 93-12, Directors' Fees and Allowances (Policy), dated February 23, 1993, determines the limits of such fees by authorizing only certain specifically defined fees and expenses. Those fees and expenses authorized by the Policy are permitted to the FHLBanks. Those that are not authorized by the Policy are not "within [the] limits set by the Board" and, thus, are not within the authority of a FHLBank to permit.
- Section II.C.3 of the Policy only permits reimbursement of expenses incurred by appointed directors' spouses while accompanying the director at any two meetings (Bank or industry) each year.
- In the report of examination dated October 10, 1994, of the Federal Home Loan Bank of Seattle (Bank), examiners found that the Bank had reimbursed the travel expenses of spouses of industry directors.
- The Board has reviewed the examiners' findings and the Bank's response to those findings.

DECISION:

That the Federal Home Loan Bank of Seattle has reimbursed travel expenses of industry directors' spouses in violation of Board Policy 93-12 and 12 CFR 932.27.

The Bank is directed to cease such reimbursements and to comply with the reimbursement limitations of the Board's Policy.

The Bank is directed to ensure that its Directors' fees policy conforms with the limitations of the Board's Policy.


Nicolas P. Retsinas


Lawrence U. Costiglio