

DECISION MEMORANDUM OF THE FINANCE BOARD

ACTING WITHOUT A QUORUM

Date: January 20, 1995

No.: 95-DM-06

ISSUE: Whether the Federal Housing Finance Board (Finance Board), pursuant to its discretionary authority in the Director Eligibility regulation, should determine that a finalist for a public interest director position at the Federal Home Loan Bank (FHLBank) of Dallas may serve as such director.

FACTORS CONSIDERED: The Finance Board Decision Memorandum 94-DM-72, dated December 22, 1994, appointed individuals to serve four-year terms as FHLBank System public interest or community interest directors. These appointments are subject to Finance Board review of the individuals' Personal Certification and Disclosure Forms (Form) required by Section 932.18(f) of the Director Eligibility regulation, see 12 C.F.R. § 932.18(f), and confirmation of their eligibility.

Kevin Gover of Albuquerque, New Mexico reported on his Form that he defaulted on a \$35,000 collateralized loan that had a balance of \$27,000 at the time of the default. Upon foreclosure and disposition of the collateral, Mr. Gover entered into a stipulated default judgment with an insured depository institution for the balance of the defaulted loan in the amount of \$14,338, agreed on a payment schedule, and reported that the remaining balance of the judgment, \$7,330, will be satisfied in June 1996.

Section 932.18(b)(4)(ii) of the Director Eligibility regulation provides the Finance Board with the discretion to determine whether a director candidate may serve as an appointive director if such director has or has ever had any loan or extension of credit that caused a "loss" to any insured depository institution (or a subsidiary or non-diversified holding company thereof, or affiliate of such holding company), or to federal deposit insurance funds, the Federal Savings and Loan Insurance Corporation, or the Resolution Trust Corporation, within the past three years. See 12 C.F.R. § 932.18(b)(4)(ii).

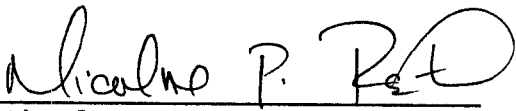
The term "loss" is defined in the regulation as: (a) An obligation as to which there is a continuing legal claim that is owed that is twelve months or more delinquent as to principle or interest; or (b) An obligation to pay an outstanding, unsatisfied, final judgment based on any legal theory. See 12 C.F.R. § 931.38.

Mr. Gover's default on the original loan constituted a "loss" under Section 931.38(a), and the outstanding and as yet unsatisfied default judgment continues to constitute a "loss" under Section 931.38(b).

Therefore, the Finance Board has the discretionary authority to determine, under Section 932.18(b)(4), whether Mr. Gover may serve as an appointed director. See 12 C.F.R. § 932.18(b)(4).

Mr. Gover currently is in compliance with the provisions of the default judgment and is on schedule to satisfy the settlement in June 1996. Moreover, the status of his continued eligibility will be monitored and reviewed on an on-going basis by the Finance Board.

DECISION: Based on the factual circumstances described above, the Finance Board has determined, pursuant to its discretionary authority under Section 932.18(b)(4) of the Director Eligibility regulation, that Kevin Gover of Albuquerque, New Mexico may serve as a public interest director at the FHLBank of Dallas.


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