

No: 98-58
Date: December 1, 1998

FEDERAL HOUSING FINANCE BOARD

Approval of an Amendment to the Office of Finance's Policy
on Private Citizen Member Compensation

WHEREAS, pursuant to section 941.7(f)(2) of the regulations of the Federal Housing Finance Board (Finance Board), 12 C.F.R. §941.7(f)(2), the Office of Finance (OF) is required to pay compensation to the private citizen member of its board of directors in accordance with the requirements for the payment of compensation to Federal Home Loan Bank (FHLBank) directors' set forth in section 932.27 of the regulations, 12 C.F.R. § 932.27, except as otherwise provided in section 941.7(f)(2)(i)-(iii); and

WHEREAS, the above-referenced regulations also require that the directors of the OF board adopt annually by resolution a written policy to provide for the payment of reasonable compensation to its private citizen member for the performance of his duties as a member of the OF board, which policy must, at a minimum, address the activities or functions for which attendance is necessary and appropriate and may be compensated, and which shall explain and justify the methodology for determining the amount of compensation to be paid to the private citizen member; and

WHEREAS, pursuant to sections 941.7(f)(2)(iii) and 932.27(c)(2), the "maximum compensation of the Private Citizen member" of the OF board for 1999 is \$28,476, adjusted by the rate of increase in the Consumer Price Index for All Urban Consumers for 1998; and

WHEREAS, pursuant to section 941.7(f)(2)(i), the OF policy on the compensation of its directors must be approved by the Board of Directors of the Finance Board; and

WHEREAS, by Resolution No. 98-12, dated March 25, 1998, the Board of Directors of the Finance Board approved the OF board compensation policy for its private citizen member; and

WHEREAS, by Resolution No. 98-42, dated September 23, 1998, the Board of Directors of the Finance Board named the private citizen director of OF's board the Chair thereof; and

WHEREAS, neither the compensation regulations at section 941.7, nor the OF compensation policy approved by the Finance Board, contemplated that the private citizen member might serve as Chair of the OF board of directors; and

WHEREAS, section 932.27(c)(1)(i) of the regulations requires that the actual compensation paid to a director in a year reflect the level of responsibility assumed by that director; and

WHEREAS, in order to adequately compensate the private citizen Chair for his increased responsibilities, the OF board, by resolution adopted October 23, 1998, amended the

compensation policy by increasing the compensation of the Chair to a level similar to that of the Chairmen of the FHLBanks, which could exceed the "maximum compensation" limitation for the private citizen member; and

WHEREAS, the managing director of OF has requested that the Finance Board approve the amended compensation policy; and

WHEREAS, the Board of Directors of the Finance Board has determined that the amended compensation policy adopted by the OF board is reasonable and commensurate with the increased responsibilities of the private citizen Chair, and, therefore, consistent with the compensation regulations when read as a whole;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Finance Board hereby approves the amendment to the compensation policy adopted by the OF board on October 23, 1998.

By the Board of Directors of the
Federal Housing Finance Board



Bruce A. Morrison, Chairman