

FEDERAL HOUSING FINANCE BOARD

BOARD OF DIRECTORS MEETING

OPEN SESSION

Washington, D.C.

Wednesday, May 14, 2008

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 PARTICIPANTS:

2 Board Members

3 RONALD A. ROSENFELD, Chairman

4 ROY A. BERNARDI, Director

5 GEOFFREY BACINO, Director

6 ALICIA R. CASTANEDA, Director

7 ALLAN I. MENDELOWITZ, Director

8 SHELIA WILLIS, Secretary

9 Also Present

10 STEPHEN M. CROSS

11 THOMAS JENNINGS

12 PATRICIA SWEENEY

13 CHRISTOPHER CURTIS

14

15 * * * * *

16

17

18

19

20

21

22

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 P R O C E E D I N G S

2 (10:01 a.m.)

3 CHAIRMAN ROSENFELD: Good morning,
4 everyone. I call this meeting of the Board of
5 Directors of the Federal Housing Finance Board to
6 order. But let me begin by introducing two people
7 who are very special, very important to us.

8 First of all, I'd introduce our new
9 General Counsel, Christopher Curtis. Hopefully,
10 you have met, but Christopher, we're delighted to
11 have you onboard.

12 MR. CURTIS: Thank you.

13 CHAIRMAN ROSENFELD: We're looking
14 forward to many years of good relationship and
15 good work out of our legal area. Thank you. And,
16 of course, welcome Secretary Bernardi. We
17 appreciate his taking the time and, of course,
18 obviously, clearing his schedule to join us in our
19 brief deliberation. Well, thank you very much.

20 Today we will have an open session,
21 followed immediately by a closed session, where
22 the Board will receive updates of examination and

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 supervisory findings.

2 We now need to vote to approve closing
3 the latter portion of today's meeting, as required
4 by the Sunshine Act and Finance Board regulations.
5 And since the closed portion of today's meeting
6 will contain sensitive and confidential bank
7 examination information, I would ask for a motion
8 to seal the transcript of this portion of the
9 meeting. Director Bacino?

10 DIRECTOR BACINO: Mr. Chairman, I
11 move to close the portion of today's meeting, at
12 which we will receive updates of examination and
13 supervisory findings. At closing, it will be
14 determined that the record and transcript of this
15 closed portion of the meeting be kept
16 confidential.

17 CHAIRMAN ROSENFELD: Thank you for the
18 motion. Is there a discussion on the motion, any
19 discussion? Okay. Do I have a second?

20 DIRECTOR CASTANEDA: Second.

21 CHAIRMAN ROSENFELD: Thank you, Director
22 Castaneda.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 Will the Secretary will please call the
2 role?

3 SECRETARY WILLIS: On the item before
4 the Board, Director Bacino, how do you vote?

5 DIRECTOR BACINO: Yes.

6 SECRETARY WILLIS: Director Castaneda?

7 DIRECTOR CASTANEDA: Yes.

8 SECRETARY WILLIS: Director Mendelowitz?

9 DIRECTOR MENDELOWITZ: Yes.

10 SECRETARY WILLIS: Director Bernardi?

11 DIRECTOR BERNARDI: Yes.

12 SECRETARY WILLIS: Chairman Rosenfeld?

13 CHAIRMAN ROSENFELD: Yes. The motion is
14 carried, and the subsequent portion of our meeting
15 will be closed and the transcript will remain
16 closed and confidential. Thank you.

17 Now let us turn to the public portion of
18 today's meeting. We will be discussing a 2008
19 designation of directorships for each federal home
20 loan.

21 Oh, Pat Sweeney will be making the
22 presentation.

1 MS. SWEENEY: Good morning.

2 SPEAKER: The one and only Pat.

3 MS. SWEENEY: I did. Just in the knick
4 of time. Great.

5 Each year, the Finance Board is required
6 to allocate the elective directorships of each of
7 the federal home loan banks among the states and
8 the banks' districts. Three principle factors
9 determine the allocation of the elective
10 directorships.

11 First, the directorships are allocated
12 on the amount of bank stock owned by the member
13 institutions in each of the states. Second,
14 additional directorships may be allocated to
15 certain states under a grandfather provision which
16 provides each state to have at least as many
17 directorships as it had in 1960. And, third, the
18 Federal Home Loan Bank Act authorizes the Finance
19 Board at its discretion to increase the size of
20 the boards of any bank whose district comprises
21 five or more states.

22 Staff recommends that the Board of

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 Directors approve the 2008 designation of
2 directorships as set out in the Board resolution
3 in two attachments and as summarized as follows:

4 First, to designate the minimum required
5 allocation of elective directorships by state for
6 a total of 111 statutory seats, which is 2 more
7 than last year's total. Secondly, to approve nine
8 discretionary elective directorships currently
9 allocated by the Board, which is no change from
10 what's currently in place. And, third, to
11 maintain 10 discretionary appointive directorships
12 currently allocated by the Board.

13 The Finance Board conducts the annual
14 allocation of directorships in accordance with a
15 mathematical formula known as equal proportions.
16 The first step in apportioning eight elective
17 directorships per bank is to assign one
18 directorship to each state. The balance of eight
19 directorships remaining, if any, is then assigned
20 using the method of equal proportions.

21 Directorships are assigned according to
22 this formula, based largely on the amount of stock

1 held by members in that state as of the end of the
2 prior year. This year, the application of the
3 method of equal proportions and the grandfather
4 provision results in the total of 111 minimum
5 required elective directorships being allocated
6 across the system. The proposed allocations will
7 preserve the current number of directorships for
8 nine of the banks, and then at a couple of the
9 others, there are some changes.

10 For instance, at the Boards of the
11 Boston and the San Francisco Bank, will increase
12 by two in Boston and one in San Francisco. And
13 they have respectively in the States of Rhode
14 Island and Nevada.

15 The Board of the Topeka Bank will
16 decrease by one elective directorship in the State
17 of Oklahoma. This decrease will not affect the
18 incumbent who term of service is completed at the
19 end of this year.

20 The Board at the Des Moines Bank will
21 remain the same, while one state, South Dakota,
22 gains an elective directorship, and another state,

1 Minnesota, loses one seat. This decrease will not
2 affect the incumbent, whose term also is expiring
3 at the end of this year.

4 And, now, just a bit of a description of
5 how these changes are occurring.

6 In Boston, this year, the amount of bank
7 stock held by the members in Rhode Island
8 increased substantially due to advances activity
9 of two members, Bank of America and Citizens Bank.
10 Boston's largest borrower, Bank of America,
11 tripled its advances to \$24 billion in 2007, and
12 now holds one-third of the capital stock at the
13 Boston Bank.

14 During the same period, Citizens
15 consolidated six charters, the charters that were
16 located in six different states, from both inside
17 and outside the district, and they were all
18 consolidated into a single Rhode Island charter,
19 and is now the bank's second largest borrower and
20 shareholder.

21 This substantial change in Rhode Island
22 stock results in an increase in the required

1 elective directorships from one to three for the
2 State of Rhode Island. And the district total
3 then increases from 10 to 12 directorships. In
4 Topeka, the amount of stock required by members to
5 be held, in Colorado, has increased more than 20
6 percent, primarily due to Security Life of Denver,
7 an insurance company, with a 32 percent increase
8 in advanced activity during 2007.

9 With \$3.1 billion in advances
10 outstanding, Security Life is the third largest
11 borrower in the district.

12 In previous years, Colorado received a
13 second directorship through the grandfather
14 provision. However, currently, with the
15 substantial increase in Colorado stock, one
16 directorship will shift from Oklahoma to Colorado
17 through the method of equal proportions.

18 This shift results in a loss for
19 Oklahoma, causing it to receive two directorships
20 instead of three, and the district total will
21 decrease from nine to eight directorships.

22 In San Francisco, it's World Savings

1 that affects the change primarily. As a result of
2 a redesignation of home office to Las Vegas and a
3 change in its name to Wachovia Mortgage FSB. As a
4 result of this charter relocation and the new
5 institution, Wachovia Mortgages Advances, another seat
6 will shift from California to Nevada, effective in
7 2009. Wachovia continues to be the third-largest
8 member borrower in the San Francisco district and
9 the seventh-largest in the Bank System. This
10 continued increase for Nevada stock results in a
11 change in the number of required elective
12 directorships from four to five. And, for the
13 first time ever, under the method of equal
14 proportions, California receives only two
15 directorships. However, because of the
16 grandfather provision, California must be
17 allocated one more seat, and, as a result of the
18 method of equal proportions and the grandfather
19 provision, the minimum required elective
20 directorships for San Francisco will be nine
21 directorships, one more than last year's
22 allocation.

1 In Des Moines, there's a substantial
2 increase of capital stock for South Dakota as a
3 result of Wells Fargo increasing its advances to
4 more than \$11 billion in 2007, from just around
5 \$200 million in 2006. As a result of this
6 activity, Wells Fargo's required capital stock
7 increased to approximately \$19 million more than
8 actually up to \$512 million. Representing more
9 than one-quarter of the district's advances, Wells
10 Fargo is the largest borrower in Des Moines, as
11 well as its largest shareholder. And, as a result
12 of this increase, South Dakota will receive two
13 directorships and Minnesota, who had previously
14 received three directorships under the method of
15 equal proportions, as a result of this shift of
16 one seat from Minnesota to South Dakota, the
17 change will allow the districts to remain the
18 same, but they'll be the one shift in seats, one
19 from Minnesota to South Dakota.

20 Now, just a brief mention on
21 discretionary seats. For any bank whose district
22 has five or more states, the Bank Act authorizes

1 the Finance Board to increase the number of
2 elective directorships up to 13 and increase the
3 number of appointed directorships up to
4 three-fourths the number of elective
5 directorships. As a result, the banks in Boston,
6 Atlanta, Des Moines, Dallas, and Seattle are the
7 ones which are allowed then to have discretionary
8 seats.

9 In prior years, the Finance Board
10 created additional seats, and, as a result, the
11 total present is 19 discretionary seats, 9
12 elective and 10 appointive for these five banks.

13 In the distant past, the Board generally
14 added the discretionary elective seats to those
15 states whose members held the most bank stock. In
16 some instances, states whose members had held the
17 most stock when the Board first allocated the
18 discretionary seats to them may no longer hold
19 that amount in the district. The recommendations
20 of this board package follow the practices of the
21 Finance Board to date, which not have been
22 reviewed for a number of years. However, after

1 the Board has allocated the elective directorships
2 during this process today, staff plans to
3 review the process for allocating directorships
4 with an eye toward whether any changes or
5 adjustments could be beneficially made. If so, we
6 would recommend making any such changes for next
7 year's election cycle.

8 The resolution with attachment have been
9 provided to you today for Board action. The
10 effective date of the designation would be January
11 1, 2009. The attachment, attachment one to the
12 resolution provides the minimum required
13 allocation of elective directorships for each
14 state, the allocation of appointive directorships,
15 plus any proposed discretionary directorships for
16 both appointed and elected directors.

17 The second attachment is a matrix for
18 each board, which preserves and maintains a
19 historical record of the term and the sequence for
20 the staggering of directorships.

21 This concludes my presentation.

22 CHAIRMAN ROSENFELD: Thank you very

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 much. Any comments by board members?

2 (No response)

3 CHAIRMAN ROSENFELD: Okay. If there's
4 nothing else, I accept the motion to approve the
5 resolution, allocating the elective directorships
6 to each of the 12 home loan banks.

7 DIRECTOR MENDELOWITZ: I so move.

8 DIRECTOR CASTANEDA: Pat, thank you so
9 much.

10 MS. SWEENEY: Oh, you're welcome.

11 DIRECTOR CASTANEDA: You're getting
12 better every year.

13 CHAIRMAN ROSENFELD: Is there a second?

14 DIRECTOR BACINO: Second.

15 CHAIRMAN ROSENFELD: Second, sure.

16 SECRETARY WILLIS: On the item before
17 the Board, Director Bacino, how do you vote?

18 DIRECTOR BACINO: Yes.

19 SECRETARY WILLIS: Director Castaneda?

20 DIRECTOR CASTANEDA: Yes.

21 SECRETARY WILLIS: Director Mendelowitz?

22 DIRECTOR MENDELOWITZ: Yes.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

1 SECRETARY WILLIS: Director Bernardi?

2 DIRECTOR BERNARDI: Yes.

3 SECRETARY WILLIS: Chairman Rosenfeld?

4 CHAIRMAN ROSENFELD: Yes. Thank you.

5 The motion is adopted. I can't refrain from
6 mentioning to you, Pat, that your recitals
7 reminded me of my bar mitzvah about 50 years ago
8 in which I understood the same about that as I do
9 about this, but --

10 (Laughter)

11 DIRECTOR CASTANEDA: How long ago?

12 SPEAKER: 12 years ago.

13 DIRECTOR CASTANEDA: That just got my
14 attention.

15 CHAIRMAN ROSENFELD: 56 years ago.

16 DIRECTOR CASTANEDA: I thought you said
17 15.

18 CHAIRMAN ROSENFELD: No, 56.

19 DIRECTOR CASTANEDA: Oh.

20 (Laughter)

21 MS. SWEENEY: Thank you for those kind
22 remarks.

1 CHAIRMAN ROSENFELD: This concludes the
2 open session of the meeting. We will convene in
3 closed session in three minutes.

4 (Whereupon, at 10:13 a.m., the
5 PROCEEDINGS were adjourned.)

6 * * * * *

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190