

FEDERAL HOUSING REVIEW BOARD

BOARD OF DIRECTORS MEETING

OPEN SESSION

Wednesday, July 13, 2005

First Floor Board Room
1625 Eye Street, N.W.
Washington, D.C. 20006

The meeting convened, pursuant to notice,
at 10:00 a.m.

BEFORE:

RONALD A. ROSENFELD, Chairman
ALICIA R. CASTANEDA, Member
FRANZ S. LEICHTER, Member
ALLAN I. MENDELOWITZ, Member

STAFF:

CHRIS BOSLAND
DUANE CREEL
STEPHEN M. CROSS
NEIL R. CROWLEY
DOUG DUVALL
CHARLES JONES
DARIS MEEKS
CHRIS MORTON
MICHAEL POWERS
CHRISTIE SCIACCA
SHARON LIKE
PAT SWEENEY
JOHN KENNEDY
SHELIA WILLIS, Secretary

ALSO PRESENT:

TOM DOOLITTLE
JOHN FOLEY
TOM JOSEPH
JOE MCKENZIE
KELLY SPEARMAN

P R O C E E D I N G S

CHAIRMAN ROSENFELD: Good morning. I call this meeting of the Federal Housing Finance Board to order. Today we will have an open session to consider one item, and a closed session to follow.

We need to start today's meeting with a public vote to approve closing the latter portion of today's meeting, as required by the Sunshine Act and Finance Board regulations. As the announced agenda states, the closed portion is a periodic update of examinations and supervisory findings.

The Sunshine Act and the Finance Board regulations specifically allow closure of meetings to receive such updates, which include sensitive and confidential bank examination information. The transcript of the closed portion of the meeting will contain information that may be withheld from publication.

So at this point I would ask for a motion to have a closed portion of this meeting that deals with exam programs and supervisory findings, and to

seal the transcript of this portion of the meeting.
Director Mendelowitz?

MR. MENDELOWITZ: Mr. Chairman, I move to close that portion of this meeting, and further that this Board determine that the records and transcripts of this closed portion of the meeting be kept confidential.

CHAIRMAN ROSENFELD: Thank you for the motion. Is there any discussion of the motion? Any discussion?

Seeing none, the Secretary will please call the roll on the motion.

MS. WILLIS: On the item before the board, Director Leichter, how do you vote?

MR. LEICHTER: Yes.

MS. WILLIS: Director Castaneda?

MS. CASTANEDA: Yes.

MS. WILLIS: Director Mendelowitz?

MR. MENDELOWITZ: Yes.

MS. WILLIS: Chairman Rosenfeld?

CHAIRMAN ROSENFELD: Yes.

The motion is carried, and the subsequent portion of our meeting will be closed, and its transcript will remain closed and confidential. Thank you.

Let us now turn to the public portion of today's meeting. The first agenda item for consideration is a resolution adopting the requirements for the Call Report System. Who will be making the staff presentation?

MR. HEARN: I will, Mr. Chairman.

CHAIRMAN ROSENFELD: Thank you. Go ahead.

MR. HEARN: Good morning. We are recommending today that the Finance Board adopt a resolution relating to the Federal Home Loan Banks' submission of the Call Report.

In February of this year the Finance Board signalled its intention to reorganize the way it imposes data reporting requirements on the banks. The proposed reorganization is made up of three parts.

Number one is imposing reporting requirements by Board order contained in Board

resolutions like the one before you today. The second part is removing certain reporting requirements from the Finance Board regulations. And the third part is adding regulations relating to each bank's obligation with respect to their reporting requirements, and requiring each Bank's board to have a policy that would ensure that reports are filed with the Finance Board that are timely, accurate, and complete.

As a first step in the proposed reorganization, we are recommending that the Finance Board adopt a resolution before you today requiring the banks to submit the Call Report. In effect, the resolution would ratify the current Call Report requirements which have been imposed by Finance Board staff. This action does not make any additional substantive changes to the Call Report requirement.

At later dates we will recommend that the Board take similar action with respect to reporting requirements related to AMA, AHP, risk modeling data, and other areas.

At this point I would ask if there are any questions with respect to the resolution today.

MR. MENDELOWITZ: I'm not sure whether this is a question to pose now or during the discussion of the actual resolution, but I was curious what the time line is and the procedures for notifying the banks we regulate of any changes that are made in the data regulation manual.

MR. HEARN: When we make changes, when this changes, if the Board considers and approves the resolution today, notice would go out to the banks, and I believe if we were before you at a subsequent meeting with additional changes to the Call Report, for example, any subsequent changes would be transmitted to the banks as well.

MR. CROSS: I think the answer to your question, Director Mendelowitz, has two parts. First, in what is before you today, there are no changes in the reporting requirements. There is a change in the formality in which the requirements that exist are imposed, and rather than relying on an implicit delegation from the Board to staff, the

Board is directly, through order and resolution, imposing the requirements on the banks.

But the second part, the answer to your question, I think would be part of any future orders and would be adopted relative to the specific changes that you might be considering at the time, so that I don't think there is a single answer. I think the answer is, it will depend on the circumstances, and I would think that it would be the Board's decision as to how much--what the transition period of time is for adopting any changes, if understand your question.

MR. MENDELOWITZ: What I was trying to get at was that discussion surrounding the data reporting manual indicates that there is one level of changes that would be made by the staff under delegated authority from the Board. Then there is a second level of changes, which I would categorize as major and substantive, which will be brought to the Board for review.

When the staff makes changes, I'm curious how the changes get communicated to the banks, and

how much notification they get with respect to the application. For example, the monthly reporting required under all report systems comes in on the 12th, is required on the 12th of every month.

So really the question I'm asking is, if on--today is the 12th of July--if on the 12th of July I have to report, how much advance warning will I have that I have to change one or more of the data elements to conform with any changes in the data reporting manual, that for example the staff might make to improve the value and utility of the information?

MR. CROSS: Yes, and I don't believe that there is a single answer to that question in terms of X number of days. What I can say is that whether changes are technical and non-substantive or substantive, requiring Board order, that there will be discussions between the banks that have to file the data and the staff, that would get to the heart of both our need for the data and the procedural changes that any bank might have to undertake in

order to provide the data in any new--with any new substance or new format.

And besides saying that and making that as a commitment, I don't think I can say it will be, as a matter of course, 90 days after the change is put into effect, because I think it will depend very much on the nature of the change being considered. Just as an example, at some future date we will be coming before the Board with other chapters of this manual, and the Board will be adopting resolutions that would impose reporting requirements on such things as Acquired Member Assets data, Affordable Housing Program data, membership data, and probably data that would be tied to our modeling of interest rate risk at the banks.

And in each case, we need to come to the Board with a time frame for the effective date of the new data reporting standard, and the only reason we are not doing that with this Board order is that there are no changes to the actual reporting requirements being presented to you. That should always be part of what we come to the Board with,

and to the extent that your question is about technical and conforming type of changes, that would be something we would always discuss with the banks in advance.

MR. MENDELOWITZ: Let me just sort of recap, make sure I understood it. For technical and conforming changes, the expectation is there will be an ongoing back-and-forth with the banks, and that they will understand why we need the data.

And the applicability of any change will be geared toward what's required to implement the change, so that if the change is just dividing one number by another, that's something that should be able to be implemented fairly quickly and easily. But if the change is the generation of an entirely new type of information that isn't previously available, banks have to be given sufficient time to generate the systems for developing that information.

MR. CROSS: Absolutely.

MR. MENDELOWITZ: Thank you.

CHAIRMAN ROSENFELD: Do you want to continue?

MR. HEARN: At this point I was asking for questions from the Board members. I have finished my presentation.

CHAIRMAN ROSENFELD: Is there any other discussion from the Board?

MS. CASTANEDA: I just would like to add that since I joined the Finance Board, I have felt that improving the data collection, the analysis, and the reporting throughout the Federal Home Loan Bank System is absolutely crucial. And I think this is an important next step in that process, but hard work is still to be done, and I hope the Finance Board will work with the banks to finish the other chapters, the AHP and the AMA and membership, so we can publishing the remaining data manual chapters as quickly as possible.

CHAIRMAN ROSENFELD: Any other discussion?

If there is nothing else, I would accept a motion to approve the resolution.

MR. MENDELOWITZ: I so move.

CHAIRMAN ROSENFELD: Would the Secretary please call the roll?

MS. WILLIS: On the item before the Board, Director Leichter, how do you vote?

MR. LEICHTER: Yes.

MS. WILLIS: Director Castaneda?

MS. CASTANEDA: Yes.

MS. WILLIS: Director Mendelowitz?

MR. MENDELOWITZ: Yes.

MS. WILLIS: Chairman Rosenfeld?

CHAIRMAN ROSENFELD: Yes.

The motion is adopted. Thank you all.

This ends the open session of the meeting. We will reconvene in a closed session in five minutes.
[Whereupon, at 10:10 a.m., the Board proceeded to other business.]