FEDERAL HOUSING FINANCE BOARD

BOARD OF DIRECTORS MEETING

OPEN SESSION

Wednesday, May 11, 2005

10:15 a.m.

1777 F Street, N.W.
Washington, D.C.

BOARD MEMBERS:

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

STAFF:

MR. CHRIS BOSLAND
MR. DUANE CREEL
MR. STEPHEN M. CROSS
MR. NEIL R. CROWLEY
MR. DOUG DUVALL
MR. CHUCK JONES
MR. DARIS MEEKS
MR. CHRIS MORTON
MR. MIKE POWERS
MR. CHRISTIE SCIACCA
MS. KELLY SPEARMAN
MS. PAT SWEENEY
MR. MARK J. TENHUNDFELD
MS. SHELIA WILLIS, Secretary

ALSO PRESENT:

MR. TOM DOOLITTLE
MR. JOHN FOLEY
MR. TOM JOSEPH
MR. JOE MCKENZIE

P R O C E E D I N G S

CHAIRMAN ROSENFELD: Again, 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, as well as a closed session to follow.

I would like to take this opportunity to acknowledge John Weicher's service to the Finance Board. His involvement over the past 4 years has been valuable to this agency's continued improvement in its oversight of the Federal Home Loan Banks.

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

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

At this point, I would ask for a motion to both close that portion of this meeting dealing with the exam programs and supervisory findings and to seal the transcript of record of this portion of the meeting. Director Castaneda?

DIRECTOR CASTANEDA: Mr. Chairman, I move to close that portion of this meeting dealing with the review of Finance Board examination programs and supervisory findings, and further, that this Board determine that the record and transcript of this closed portion of the meeting shall be kept confidential.

CHAIRMAN ROSENFELD: Thank you for that motion. Is there any discussion of the motion? Any discussion of the motion? Seeing none, the secretary will please call the roll for the motion.

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

DIRECTOR LEICHTER: Yes.

SECRETARY WILLIS: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

SECRETARY WILLIS: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Yes.

SECRETARY WILLIS: Chairman Rosenfeld?

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

Let us now turn to the public portion of today's meeting. The only item on the agenda is consideration of the 2005 designation of Federal Home Loan Bank directorships. Who will be making the staff presentation?

MS. SWEENEY: Mr. Chairman, I will, Pat Sweeney.

CHAIRMAN ROSENFELD: Pat, take it away.

MS. SWEENEY: Good morning all. Each year the Finance Board is required to allocate the elective directorships of each of the Federal Home Loan Banks among the states in the banks' districts. The calculation for allocating the directorships are based primarily on the amount of bank stock owned by the members in each state.

The calculations may be adjusted, however, under a grandfather provision which requires each state to have at least as many directorships as it had in 1960, and under another provision that authorizes the Finance Board to increase the size of the boards of any bank with five or more states.

Staff recommends that the Board of Directors approve the 2005 designation of bank directorships as set out in the resolution and two attachments provided to you in your Board books, and as summarized as follows.

First of all, to designate the minimum required allocation of elective directorships by state, for a total of 109 statutory seats, which is 2 less than last year's total, approve 8 discretionary elective directorships currently allocated by the Board, which is 1 less than last year's total, and maintain the 10 discretionary appointive directorships currently allocated by the Board.

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

Directors are assigned according to this formula based largely on the amount of stock based by members held in that state as of the end of the prior year. This year, the application of the method of equal proportions and the grandfather provision results in a total of 109 minimum required elective directorships being allocated among the 50 states, again, 2 less than the 111 directorships approved last year.

This number reflects the loss of one seat each in the Chicago and Des Moines banks. These changes are based on decreases in the amount of bank stock held by the members in the states of Illinois and Minnesota, respectively, relative to the amount of stock held by the members located in the other states in these districts.

The Boston bank is also affected by change in stock holdings such that the directorship allocations for the states of Connecticut and Rhode Island have been increased and decreased by one seat, respectively.

For the other nine banks, the application this year of the method of equal proportions and the grandfather provision results in no change in the current number of elective directorships or to the state in which they are allocated from last year.

For any bank whose district includes 5 or more states, the Bank Act authorizes the Finance Board to increase the number of elective directorships up to 13 and increase the number of appointed directorships up to three-fourths the number of elective directorships.

The banks of Boston, Atlanta, Des Moines, Dallas and Seattle are the only banks to which these discretionaries--this discretionary authority applies. In prior years, the Finance Board created additional elective and appointive directorships for each of those banks.

At present, the Finance Board has approved a total of 19 discretionary directorships, 9 elective and 10 appointive, for these 5 banks. The approval of these directorships is purely a matter of discretion for the board of directors and is not dependent on the amount of bank stock held by the members in any particular state or any other factor.

As part of this Board package, a resolution has been drafted to preserve 18 discretionary seats, 8 elective and 10 appointive, for the 2005 designation of directorships. The Board of Directors, however, has discretion to decline to re-authorize any or all of these directorships if it so chooses. Four of the proposed discretionary eight elective director seats, if approved by the Board, would be up for election this year.

The resolution with attachments has been provided for action by the Board of Directors to approve the designation of directorships. The effective date of this designation would be January 1, 2006.

Attachment 1 to the resolution provides the minimum required allocation of elective directorships for each state, the allocation of appointive directorships for each district, plus the proposed discretionary directorships for both appointed and elected directorships in the five districts that are eligible for discretionary seats.

Attachment 2 to the resolution includes a matrix for each board of directors which preserves--serves to preserve and maintain an historical record of the term and sequence for staggering directorships.

That concludes my presentation. Neil and I are open to questions.

CHAIRMAN ROSENFELD: Thank you, very much. Is there any discussion from the Board?

DIRECTOR CASTANEDA: No.

CHAIRMAN ROSENFELD: If there's nothing else, I will accept a motion to approve the resolution.

DIRECTOR LEICHTER: So moved.

CHAIRMAN ROSENFELD: Would the secretary please call the roll?

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

DIRECTOR LEICHTER: Yes.

SECRETARY WILLIS: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

SECRETARY WILLIS: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Yes.

SECRETARY WILLIS: Chairman Rosenfeld?

CHAIRMAN ROSENFELD: Yes. The motion is adopted. We have one other item for consideration, a certificate of appreciation for our general counsel, Mark Tenhundfeld.

Mark's service to the Board over the past year has been instrumental to the effectiveness of our agency. We wish him the very best of luck in his future endeavors. Mark, if you'd come here, I will give you this plaque signed by all of us, and to be signed by the secretary.

Any other comments?

DIRECTOR CASTANEDA: I do, Mr. Chairman, if I may. I would just like to add my thanks, Mark, for all your hard work. While your time here has been relatively brief, you stepped in almost immediately to help the Finance Board face some unprecedented challenges on both the supervisory and regulatory fronts and you did a great job.

Through it all, I have always appreciated your professionalism, your advice and your outlook. I just wanted to wish you the best as you leave us for challenges in the private sector. Thank you, Mark.

CHAIRMAN ROSENFELD: Yes, Franz?

DIRECTOR LEICHTER: Mr. Chairman, I, too, want to join in thanking Mark for his unfailing, cooperative attitude and spirit. You really made a difference in the work of the Finance Board and I think we all enjoyed working with you and appreciated, as Director Castaneda said, your professionalism.

Your advice was invariably sound. We're going to miss you. We wish you a lot of luck in your new endeavors and make it a point to come by occasionally and say hello.

MR. TENHUNDFELD: Thank you.

CHAIRMAN ROSENFELD: Allan?

DIRECTOR MENDELOWITZ: The advantage of being last is I can say everything Director Castaneda and Director Leichter said goes for me. I, too, want to express my appreciation for not only the excellent work, but the way in which you went about doing your work.

I think that you were so effective because of both your talents and your expertise, as well as the professional and courteous manner in which you went about doing your work.

I know as a member of the Board, I greatly appreciated that. Looking at the way the staff worked, I appreciated how well the senior staff worked together, meaning supervision and general counsel.

We're really--I'm really sorry to see you go and realize that opportunity beckons. I certainly understand that, so with mixed feelings, wish you well and say you'll be missed. Thank you.

MR. TENHUNDFELD: Thank you.

CHAIRMAN ROSENFELD: Mark, it's very evident that you are held in very high esteem by your colleagues and the Board members here and we all wish you the very best.

If there's nothing else, I would accept a motion to approve the resolution; I assume it's a resolution relating to Mark. Would the secretary please call the roll? Would somebody make a motion?

DIRECTOR LEICHTER: So moved.

CHAIRMAN ROSENFELD: Please call the roll.

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

DIRECTOR LEICHTER: Yes.

SECRETARY WILLIS: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

SECRETARY WILLIS: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Point of clarification. If we were to vote no, does that mean he can't leave?

(Laughter.)

DIRECTOR MENDELOWITZ: Yes.

SECRETARY WILLIS: Chairman Rosenfeld?

CHAIRMAN ROSENFELD: Yes. The motion is adopted. Thank you all. This ends the open portion of the meeting. We will convene in closed session in 5 minutes.

(Whereupon, at 10:27 a.m., the open session of the meeting was adjourned.)