



January 17, 2003

Ms. Elaine L. Baker
Secretary to the Board
Federal Housing Finance Board
1777 F Street N.W.
Washington, DC 20006

Dear Ms. Baker:

On behalf of the Board of Directors of the Federal Home Loan Bank of Boston, we are responding to the request for comments from the Federal Home Loan Banks “identifying their specific concerns, if any, arising from the ongoing changes in the financial services industry comprising the Federal Home Loan Bank system membership and suggesting appropriate supervisory or regulatory responses from the Federal Housing Finance Board”, contained in Federal Housing Finance Board Resolution No: 2002-63, dated December 20, 2002.

The issue of multi-district membership is both controversial and complex. Because of the potential complexity of the issue it is difficult to provide substantive comments in the absence of a specific proposal. As a threshold matter, any changes to the “one charter – one membership” limitation will be a very significant departure from the approach taken by the System over the last seventy years. While it is true that the financial services industry has changed dramatically, particularly over the past two decades, as a result of interstate branching and consolidation, it is recognized that the System has adapted to those changes, growing significantly in terms of assets, earnings and sophistication. It is also recognized that the System has become an increasingly important funding source for small-to medium-sized members. Any changes should be considered carefully and only adopted if it is determined that the new approach is clearly superior to the status quo and will be in the best interest of the entire System.

As noted in the attached letter, which was submitted by this Bank nearly one year ago, the Federal Housing Finance Board should be guided by the following fundamental principles:

- Maintain the safety and soundness of the district banks and the Bank System;
- Treat all members equitably;
- Maintain the cooperative nature of the Bank System; and
- Preserve the current regional twelve bank structure and the local nature of the Affordable Housing Program.

Ms. Elaine L. Baker
January 17, 2003
Page 2

Given the profound nature of the change, all System stakeholders including the Federal Housing Finance Board, the Federal Home Loan Banks, the membership, the Administration and the Congress should be confident that the legal authority for such change is clear. We are also particularly concerned about the potential for destabilizing competition among the Banks on both price and non-price issues such as credit underwriting and collateral which may adversely effect the System's risk profile and raise safety and soundness concerns.

Given the importance of this matter, we encourage the Federal Housing Finance Board to provide ample opportunity for public comment and careful deliberation of the potential consequences of permitting some form of multi-district membership.

We appreciate the opportunity to comment on this important subject.

Sincerely,



William P. Morrissey
Chairman



David F. Holland
Chair, Multi-District Membership Task Force



Michael A. Jessee
President and Chief Executive Officer

February 26, 2002

Ms. Elaine L. Baker
Secretary to the Board
Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006

Dear Ms. Baker:

On behalf of the Board of Directors of the Federal Home Loan Bank of Boston, we are submitting this response to the Federal Housing Finance Board's solicitation of comments on the issue of multi-district membership.

Multi-district membership is one of the most significant issues the Federal Home Loan Bank System has faced. As such, we applaud the Finance Board's decision to defer action on the individual petitions seeking waivers of the existing regulatory restrictions on multi-district membership. In our view, the Finance Board should first address the question of its statutory authority to approve multi-district membership. If the Finance Board determines that the statute permits such action, an analysis of the public policy, regulatory, and operational implications should then be undertaken.

Should the Finance Board conclude that it does in fact have the statutory authority to consider the underlying issues presented by multi-district membership, the board of the Boston Bank strongly encourages the Finance Board to be guided by the following fundamental principles:

- Maintain the safety and soundness of the district banks and the Bank System;
- Treat all members equitably;
- Maintain the cooperative nature of the Bank System; and
- Preserve the current regional twelve bank structure and the local nature of the Affordable Housing Program.

We appreciate the opportunity to comment on this important issue. Please do not hesitate to contact us if we can be of any assistance.

Sincerely,



MAJ/men