

FEDERAL HOUSING FINANCE BOARD

Board Meeting

Open Session

Wednesday, October 12, 2005

10:00 a.m.

Room 1000
1625 I Street, N.W.
Washington, D.C.

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P R O C E E D I N G S

CHAIRMAN ROSENFELD: Good morning, everyone. I call this meeting of the Federal Housing Finance Board to order.

Today, we will have an open session followed immediately by a closed session, where the Board will receive updates of examinations and supervisory findings.

We now need to vote to approve the closing the latter portion of today's meeting as required by the Sunshine Act and Finance Board regulations.

Since the closed portion of today's meeting will contain sensitive and confidential bank examination information, I would ask for a motion to seal the transcript of this portion of the meeting.

Director Leichter.

DIRECTOR LEICHTER: Mr. Chairman, I move to close that portion of this meeting and further that this Board determine that the record and transcript of this closed portion of the meeting will be kept confidential.

CHAIRMAN ROSENFELD: Thank you for the motion.

Is there any discussion on the motion? Any discussion?

[No response.]

CHAIRMAN ROSENFELD: Seeing none, would the Secretary please call the roll on the motion?

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

DIRECTOR LEICHTER: Yes.

MS. WILLIS: Director Castaneda.

DIRECTOR CASTANEDA: Yes.

MS. WILLIS: Director Mendelowitz.

DIRECTOR MENDELOWITZ: Yes.

MS. WILLIS: Director Montgomery.

DIRECTOR MONTGOMERY: 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 appointing two Federal Home Loan Bank presidents to serve on the Financing Corporation's, FICO's, directorate. Who will be making the staff presentation?

MS. SWEENEY: I will, Chairman.

CHAIRMAN ROSENFELD: Thank you. Pat.

MS. SWEENEY: Pat Sweeney.

Good morning. This is an action to appoint two Federal Home Loan Bank presidents to serve on the Financing Corporation directorate for a term of office starting November 10, 2005. The term of office of two directors currently serving on the FICO, Dean Schultz and James Roy, expires on November 9th of this year.

We are recommending the appointment of Indianapolis Bank Martin L. Heger and Boston Bank President Michael A. Jessee to succeed these appointments. For some background on the FICO, the FICO is a mixed-ownership, tax-exempt Government corporation chartered by the former Federal Home

Loan Bank Board pursuant to the FSLIC Recapitalization Act of 1987. The purpose of the FICO was to function as a financing vehicle for the FSLIC Resolution Fund. The FICO is subject to the general oversight and direction of the Finance Board, but the operations of the FICO are under the management of a three-member board, designated as the FICO Directorate.

A primary function of the FICO is to service debt on bonds that were issued resulting from the savings and loan bailout. No additional bonds have been issued since 1989, and the annual interest payment on the bonds is approximately \$793 million.

The FICO Directorate is composed of the Managing Director of the Office of Finance and two members who are selected by the Finance Board from among the bank presidents. Each of the bank presidents is appointed for a one-year term, and no bank president may serve for an additional term until each of the other bank presidents has served

as many terms on the FICO Directorate as the president of such bank.

In 1987, the bank presidents recommended, and the Bank Board informally agreed, on a sequence of appointments on FICO that would be based on the seniority of the bank presidents. Upon completion of the first rotation cycle in 1993, the Finance Board established a second cycle, initially given priority consideration for appointment to those individuals who had yet to serve on the FICO Directorate.

While seniority continued to be a guiding priority, the second rotation cycle was adjusted to avoid overlapping appointments with the Resolution Funding Corporation Directorate. This second rotation cycle was completed in November 1999. The third rotation cycle, which we're in currently, at the end of, was based primarily on the second rotation cycle and followed to the extent possible. However, as a practical limitation, a bank president does not simultaneously serve on FICO and RefCorp

directorates, because of potential conflicts of interest.

Accordingly, this third rotation cycle has been adjusted once again to the extent possible to avoid potential conflicts of interest on the RefCorp Directorate and also on the Office of Finance Board of Directors. So today, we are currently at the top of the fourth rotation cycle with these two appointments under consideration.

If the Finance Board were to follow the sequence of appointments from the third cycle, Atlanta and Seattle would be next in line for appointment to the FICO Directorate. However, we are recommending that the Board consider adjusting this sequence primarily to avoid conflicts of interest.

Staff is recommending the appointment of Indianapolis Bank President Martin L. Heger and Boston Bank President Michael A. Jessee to the FICO Directorate for a term of office starting November 10, 2005. This recommendation is made in compliance with the statutory requirement, once again, that no

bank president be appointed for an additional term until each of the bank presidents has served as many terms on the FICO Directorate as the president of such bank, and we are currently now asking that the Board take action on this.

CHAIRMAN ROSENFELD: Thank you very much.

Is there any discussion from the Board?

[No response.]

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

DIRECTOR LEICHTER: So moved.

CHAIRMAN ROSENFELD: Would the Secretary please call the roll?

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

DIRECTOR LEICHTER: Yes.

MS. WILLIS: Director Castaneda.

DIRECTOR CASTANEDA: Yes.

MS. WILLIS: Director Mendelowitz.

DIRECTOR MENDELOWITZ: Yes.

MS. WILLIS: Director Montgomery.

DIRECTOR MONTGOMERY: 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 closed session in three minutes.

[Whereupon, at 10:05 a.m., the Board proceeded in closed session.]