

FEDERAL HOUSING FINANCE BOARD

MEETING OF THE BOARD OF DIRECTORS
OF THE FEDERAL HOME LOAN BANKS

Friday, January 23, 2004

2:00 P.M.

Federal Housing Finance Board
1777 F Street, N.W.
Board Room (2nd Floor)
Washington, DC 20006

BOARD MEMBERS:

JOHN T. KORSMO, Chairman
FRANZ S. LEICHTER, Director
ALICIA CASTANEDA, Director
JOHN C. WEICHER, Director
ALLAN I. MENDELOWITZ, Director

AGENDA ITEM

1. Capital Plan Amendment for the Federal Home Loan Bank of Atlanta: Consideration of an amendment to reorganize the Atlanta Bank capital plan to provide more detail on certain current procedures and makes other changes.

2. Appointment of Federal Home Loan Bank Directors: Section 7 of the Federal Home Loan Bank Act (12 U.S.C. § 1427) requires the agency to appoint public interest directors to the Boards of Directors of the Federal Home Loan Banks.

P R O C E E D I N G S

CHAIRMAN KORSMO: I call this meeting of the Federal Housing Finance Board to order. We have a two-item agenda for today. The first item on our agenda is our amendments to the capital structure plan of the Federal Home Loan Bank of Atlanta. Julie, is it you or Tom?

MS. PALLER: I'm presenting.

CHAIRMAN KORSMO: Julie?

MS. PALLER: That's me.

Good afternoon, Mr. Chairman, Board members, and welcome Director Castaneda.

The Atlanta Bank's capital plan was originally approved by the Finance Board on April 10, 2002 and an amended plan was approved on December 20, 2002. The Bank is now requesting approval of another amendment that would significantly reorganize the plan currently in effect and would redraft many of the plan's provisions to provide more detail on certain procedures, as well as make other changes.

Overall, the changes in the proposed plan do not amount to any significant departure from the intense structure of philosophy of the current plan. The plan is and remains a relatively straight-forward all Class B stock plan with two sub-classes of stock. Sub-class B-1 or membership stock and Sub-class B-2 or activity stock.

The current plan also has a provision for the issuance of Sub-class B-3 stock, which is voluntary stock that is not carried forward in the proposed plan. This is because the current plan also provides that any future issuance of B-3 stock could occur only after an amendment to the plan was approved by the Finance Board. Hence, it has no real effect in the current plan. Thus, all references to Sub-class B-3 stock have been removed from the proposed plan as had been previously suggested by the Finance Board.

The proposed plan carries forward a minimum stock requirement that is the total of the membership stock requirement and the activity based stock requirement. The membership stock requirement is a percentage of assets initially estimated at .25 percent with a range of 0.5 percent to .4 percent and an initial cap of \$25 million. The activity based stock requirement is initially 4.5 percent of advances, 2 percent of AMA and 8 percent of targeted debt equity investments.

The current plan had an AMA requirement of 4.5 percent, but contains an approved range of zero to 6 percent. So reducing the initial requirement to 2 percent requires notification to the Finance Board, but not Finance Board approval. Among the more significant amendments in

the proposed plan are ones that would change the process for repurchasing excess stock for members, change the method for applying stock purchase requirements to former members, but still have outstanding transactions, extend the timeframe for conversion, and make technical changes to how certain stock purchase requirements may be calculated.

The proposed plan would revise the process for repurchasing excess B-2 stock by establishing a minimum amount of excess stock that members may hold. A threshold contained in a separate policy would trigger the repurchase of excess stock over the amount of excess stock members are allowed to hold. For example, if the excess stock threshold was \$100,000 and the minimum holding amount was \$25,000, members could hold up to \$100,000 in excess B-2 stock without triggering a repurchase of such stock. As soon as a member's holding of excess B-2 stock exceeded \$100,000, however, the Bank would repurchase all but \$25,000 of that member's excess B-2 stock.

The current plan established a threshold that would trigger the Bank to repurchase all excess stock. The purpose of the threshold is so the Bank can avoid many repurchases of very small amounts of excess stock, rather than making one large repurchase transaction when a member holds enough excess stock to make the repurchase worthwhile.

The amendment to the plan gives the Bank more flexibility by allowing it to change the threshold amount and the amount of excess stock that will not be repurchased without amending the plan, and also offers the members an opportunity to retain a limited amount of excess stock. The plan would require the Bank to provide members with at least five business days' notice of any changes in these amounts.

The proposed plan also would simplify the process for repurchasing excess Sub-class B-1 stock by eliminating the requirement that such repurchases occur within thirty days of the adjustment in a member's membership stock purchase requirement. Instead, under the proposed plan, the notice informing a member of its new stock purchase requirement would include the amount of excess stock to be repurchased and the date on which it will be repurchased.

The proposed plan would extend the date by which the Bank will convert to the new capital structure to no later than December 31, 2004. The new conversion date is within limits already deemed acceptable by the Finance Board. The proposed plan also would clarify that the final day of the opt out period must be a business day.

In terms of stock purchase requirements for former members, the proposed plan would provide that an increase in the activity based stock requirement for advances would

apply to former members that continue to own stock in the Bank associated with outstanding advances. This provision would not apply to former members that have sold AMA or targeted debt equity investments to the Bank. This is consistent with how increases in activity based stock requirements are applied to current members.

The proposed amendment to the plan contains other technical and conforming changes, mainly procedural changes, that are described in a Board memo and in Appendix 1, which contains a section-by-section comparison of the proposed plan to the current plan.

We find no unsafe or unsound condition and no apparent impediment to the Bank's operations or capital that would call into question the feasibility of the Bank's plan, and there is no indication that the Bank will fail to meet the minimum capital requirements.

We would be happy to answer any questions.

CHAIRMAN KORSMO: Any questions from any members of the Board? Director Leichter?

DIRECTOR LEICHTER: Julie, just so I understand. I know that initially the Atlanta Capital Plan had a stock requirement -- transaction requirement for AMA, right?

MS. PALLER: Correct.

DIRECTOR LEICHTER: And I think it was -- I think -

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MS. PALLER: Four and a half percent, yes.

DIRECTOR LEICHTER: 4.5, right. And then in the -- they made an amendment which provided for a latitude to the Bank, right?

MS. PALLER: The amendment that was approved December of 2002 adjusted the range from zero from 6 percent. I don't recall -- do you recall what the initial range was?

MR. JOSEPH: I think it was like, maybe 3 to 6 percent. I don't remember, though.

AUDIENCE MEMBER: It would have been at least 3, maybe 3-1/2.

MR. JOSEPH: Right, right.

DIRECTOR LEICHTER: They're now advising us that they've set the rate for their members at 2 percent for acquired number of assets.

MS. PALLER: Correct.

DIRECTOR LEICHTER: They still have the leeway -- they're not changing in amendment their right to go to zero to impose no transaction charge whatsoever?

CHAIRMAN KORSMO: That's the current --

MS. PALLER: Yes.

MR. JOSEPH: They haven't changed the range for the current plan?

DIRECTOR LEICHTER: Going for 2 percent, right?

MS. PALLER: Right.

CHAIRMAN KORSMO: Any other questions of Ms. Paller or Mr. Joseph? Any other questions? Being none, there is a resolution included in the Directors' Board Book. Is there a motion to approve the resolution?

DIRECTOR CASTANEDA: I do.

CHAIRMAN KORSMO: Director Castaneda moves adoption of the resolution to approve the amendment to the capital structure plan of the Federal Home Loan Bank of Atlanta. Is there any discussion of the motion? Any discussion of the motion?

DIRECTOR MENDELOWITZ: Mr. Chair, I just wanted to

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CHAIRMAN KORSMO: Director Mendelowitz?

DIRECTOR MENDELOWITZ: -- clarify my understanding. This change really is primarily semantic. There's nothing really substantive that was changed in the plan. They just packaged it in a little clearer, more straightforward and better organized way. So we're not making any substantive -- changes to a substantive -- we're

not making -- we're not approving substantive changes. Just a clearer, easier to follow presentation.

MR. JOSEPH: I mean, there were some changes.

MS. PALLER: Technical and procedural -- I mean the biggest ones I outlined. They're not very big.

CHAIRMAN KORSMO: Is there any discussion of the motion? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the resolution amending the capital structure plan of the Federal Home Loan Bank of Atlanta, Director Leichter, how do you vote?

DIRECTOR LEICHTER: Yes.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Yes.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. The motion carries. The amendments to the capital structure plan of the Federal Home Loan Bank of Atlanta are approved. Julie, Tom, thank you very much.

DIRECTOR CASTANEDA: Thank you, both of you. Good job, Julie.

CHAIRMAN KORSMO: The next item for action today is a vote on the appointment of public interest directors to the Boardss of the 12 Federal Home Loan Banks. This morning we received testimony on corporate governance issues involving the Banks and engaged in, I thought, a valuable discussion about the responsibilities, very weighty responsibilities of both elective and appointive directors.

This afternoon, I am proposing for my colleagues' consideration a slate of 25 candidates for public interest directorship who I believe will take these responsibilities seriously, who will bring a broad range of skills, expertise, and backgrounds to the positions, and who will represent the interest of the public faithfully.

First of all, allow me to express my gratitude for the service of those public interest directors whose terms ended December 31st of 2003. Each of them has performed his or her duties ably during a time of great change in the Federal Home Loan Banks, and they deserve thanks and congratulations for their dedicated service.

I've shared with my fellow directors the biographies of each of the candidates I intend to propose, but let me highlight several points and present some

context. After three years, you're all familiar, I know, with the seven characteristics of good corporate governance I look for in assessing potential public interest directors. So there's no need to go into those at any length.

Briefly, however, they are (1) an understanding of finance, (2) political awareness, (3) experience in corporate governance, (4) diversity, (5) a demonstrated interest in the mission of the Federal Home Loan Bank, (6) ability to work with other directors as a Board, and finally, geographic balance.

Last year, while working within this framework, I placed a particular emphasis on diversity, including members of previously unrepresented groups, as well as women on these Boardss. Nine of the 28 candidates last year were women, and more than half represented minority communities. I continued the emphasis on finding qualified women appointees this year, and the ratio today is comparable. Seven of the 25 candidates are women.

This year, however, I also put a great deal of effort into obtaining greater geographic balance. As I discussed a year ago, coming from where I do, I'm keenly aware of the geography, including urban versus rural differences, can translate into the favoring of a particular financial interest over another. A regional bank should be

just that -- regional. The effort in achieving regional balance, I believe, has paid off. The slate I'm presenting to my colleagues includes candidates for public interest directorships from 12 states that currently lack appointed representation on Federal Home Loan Bank Boards.

For example, since the passage of FIRREA in 1989, there has been no appointed director from the state of Rhode Island on the Board of Directors of the Federal Home Loan Bank of Boston. There's been no Vermont director on that Board since 1995. Since FIRREA, Alaska has never had an appointed director on the Board of the Federal Home Loan Bank of Seattle.

This geographic emphasis aside, of course, I regard all 25 candidates as well qualified, and certainly more than capable of performing their duties as public interest directors. Their backgrounds are indeed varied, and I would add, impressive. We have successful entrepreneurs, big and small, several legislators who, by definition, speak for their communities, a former four-term Democratic congressman from Ohio, a former state tax commissioner of Vermont, the head of a housing finance agency in Alaska, a woman who served with acting HUD Secretary Alphonso Jackson on the Dallas Housing Authority,

a homebuilder from North Dakota, a state not represented by an appointed director since 1992, I note.

And this particular nominee also chaired his and my state's housing financing agency advisory board. The 2003 Realtor of the year in the state of Illinois, and the president of a non-profit community development organization.

In addition, I'm recommending for reappointment seven current Board members, all superbly qualified, re-enlisting their hard-earned experience and expertise to the task of guiding the course of their respective institutions. In sum, I believe these appointees will carry out their responsibilities to the public and to the Federal Home Loan Banks with seriousness and skill.

So at this point, I will open the floor to any comments from any of my colleagues. Commissioner Weicher?

DIRECTOR WEICHER: Chairman, thank you. As you were saying, I think we have a very good group here and I want to commend you for it. This is always difficult to fill these positions each year, but I think we have a very good group here to do a very important job. And I think that -- I was impressed by the number who come from states which have not been represented, and I think that balance is important coming from an area which has regarded your state

as part of its hinterland -- and not a very important part at that, so I think it's important that we have this geographic balance, and I think we heard a little bit this morning that's relevant to that.

I think in the past as most of my colleagues certainly know, we have voted on each of these as individuals. We have broken the resolution into a separate vote on each of the individuals. And I think that's appropriate again this year. We have -- as we also heard this morning, the concerns in each Bank differ somewhat from the concerns in other Banks, and I think these people are going to be serving as individuals and they are going to be serving in individual Banks.

And therefore, I think, Mr. Chairman, following past practice, I move that we adopt the resolution concerning public interest directors that appears in our Board Book for the meeting of January 23, 2004, subject first to a separate vote on each of the 25 public interest director nominees in succession as they appear on the resolution and then have a final vote on the resolution as a whole.

DIRECTOR LEICHTER: Okay. Just --

CHAIRMAN KORSMO: Point of order. Go ahead.

DIRECTOR LEICHTER: Not a point. On your -- on this motion, just so we all agree on the procedure, we'd like to have a discussion on the whole slate as you just stated it, Commissioner Weicher. And we'd also like to have a vote on each nominee, as well as discussion on each nominee. So I would propose, and I think that seems to fall in line with your motion, but I want to make sure we all understand it, that we'll have a discussion on the slate as a whole, and we will then proceed to each of the nominees and have such discussions as members may want to -- as Board Directors may want to have on those nominations.

Is that what you envision, John, and is that what's agreeable to you?

COMMISSIONER WEICHER: I think that's the normal procedure that we have followed.

CHAIRMAN KORSMO: Right. That's certainly -- just so we understand on that. Unfortunately, this kind of a motion is non-debatable, but that's why I suggested to -- your question as a point of inquiry and I'm satisfied -- I'm happy to answer it and respond to it in the affirmative.

DIRECTOR LEICHTER: Good.

CHAIRMAN KORSMO: That having been made, I know my parliamentarian is scowling at me that a motion defied the question and to consider individual nominations seriatim is

non-debatable, so we will call the question on that point and then we will open the floor to general comments on the slate and then we'll consider each candidate individually.

DIRECTOR LEICHTER: That's fine.

CHAIRMAN KORSMO: So with that, the Secretary will please call the roll on the question of -- on the motion made by Commissioner Weicher.

MS. GOTTLIEB: On the adoption of a resolution approving the directors subject to a separate vote on each director in succession.

CHAIRMAN KORSMO: Go ahead.

DIRECTOR LEICHTER: I'm sorry. That gives me a problem because it says approving directors.

CHAIRMAN KORSMO: It's conditioned on each of the -
- on a separate vote on each candidate. I think you understand it, Franz.

DIRECTOR LEICHTER: I understand. I don't like the wording.

CHAIRMAN KORSMO: It may not have been a -- do you have the wording of your motion, John? Let's do it again.

COMMISSIONER WEICHER: Yeah. I move that we adopt the resolution concerning public interest directors that appears in the Board Book for the meeting of January 23, 2004, subject first to a separate vote on each of the 25

public interest director nominees in succession as they appear in the resolution. And then a final vote on the resolution as a whole.

CHAIRMAN KORSMO: This is precisely the same process we followed each of the last two years.

DIRECTOR LEICHTER: Well, okay. The process is right, but I don't like the wording. I don't like to say -- I don't want anybody to think that I'm voting or approving the slate because I'm not and therefore --

CHAIRMAN KORSMO: No, it's the resolution. The vote's on the resolution. This is the same process.

DIRECTOR LEICHTER: Read it again. I don't want to be that technical about it, because I think we have an understanding.

CHAIRMAN KORSMO: Read it again, understanding we're already violating Robert's rules of orders which govern the procedures of this Board, but let's do it one more time.

COMMISSIONER WEICHER: I move that we adopt the resolution concerning public interest directors that appears in the Board Book for the meeting of January 23, 2004, subject first to a separate vote on each of the 25 public interest director nominees in succession as they appear in

the resolution. And then a final vote on the resolution as a whole.

DIRECTOR LEICHTER: Since as you've explained it, I need to clear -- I have no problem with that procedure.

CHAIRMAN KORSMO: Everyone understands the motion, the Secretary will please call the roll.

MS. GOTTLIEB: On the adoption of resolution concerning --

CHAIRMAN KORSMO: Let's just say on adoption of the motion, how about that?

DIRECTOR LEICHTER: Okay.

MS. GOTTLIEB: I thought I had it down. On the public interest directors, as they appear in the Board Book for the January 23rd, 2004, meeting, first to vote on each of the 25 public interest directors nominated in succession as they appear in the resolution and then a final vote on the resolution as a whole. Director Leichter, how to you vote?

DIRECTOR LEICHTER: Yes.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: Yes.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. The motion is carried. We now proceed to any general comments any director may have. Director Leichter?

DIRECTOR LEICHTER: I'm really saddened -- one of the reasons that we're proceeding today with this particular slate of public interest directors. Saddened for a number of reasons. One is, I think, it's embarrassing, frankly, to this Board -- maybe not to me personally or others who may have different views as to the slate. But I think it's particularly embarrassing after we've had the governance hearing today and heard some rather compelling testimony about the standards which should guide the appointment of public interest directors and we're, to my mind, ignoring that testimony.

Secondly, we're ignoring our own audit, governance audit, which made some very specific recommendations how public interest directors should be chosen. Thirdly, I think there is such a disconnect, frankly, Mr. Chairman, with what you say and the slate that you're offering. The fact of the matter is that we're losing some outstanding public interest directors and they're being replaced by public interest directors that are not nearly as well qualified, and frankly, some of the public interest

directors that you're offering, I would say, are under-qualified, maybe good community people that may be wonderful for certain other work, but they're certainly not suitable for work as directors of a Federal Home Loan Bank.

I'm also really disappointed that for the third year in a row, we're sitting here with a procedure that's so flawed, Mr. Chairman, you've abrogated to yourself making these appointments. It's just wrong. It's wrong. It fails in our own governance to follow good standards, which is that you ought to have deliberation, consultation among the members of the Board of Directors.

But let me go through some of these things in greater detail because I think it's important. I'm going to spend some time on this. I'd first like to say that -- I said at the beginning of the hearing that we had on governance that is this a dog and pony show or do we mean what people say? And frankly, I think we were tested and found wanting. I think the message that we seem to give was, do as I say, don't do as I do, because our governance in this is so flawed and our concern of governance in the System is so flawed, this is the most important thing that we do on governance.

And yet we're removing outstanding public interest directors and replacing them with people that the most you

can say for them is well, they give us geographical diversity. I think that speaks for itself, but we'll have our chance as we go into the directors, and I'm glad that we're doing them one by one, and we'll have our chance to look at their qualification and the people that they're removing.

But what really concerns me is that we're losing the experience of directors who had years of service on the Board of Directors at the Banks. They know this work. They know the System. We're losing total years of service of the directors that are being replaced is 116 years. The average service of these people is 6-1/2 years. We're losing two longstanding Chairs who are highly considered throughout the System -- Mary Lee Widener of the San Francisco Board and Henry Flores of the Dallas Board. Both of them -- each of them has served 10 years.

We're losing a Vice-Chair, Mike Hannigan. These are people that are really irreplaceable. The fact is, Mr. Chairman, under your watch, the Finance Board has had the opportunity to fill 89 public interest director positions throughout the Federal Home Loan Bank System. Only eight of those 89 slots or less than 10%, including the slate that you're offering today, were reappointments of sitting directors already familiar with and experienced in the

business and activities of the Bank System. Only one of these reappointed directors will have more than three years' continuous service in the Federal Home Loan Bank System by the end of 2004.

In contrast, from 1995 to 2001, approximately 45% of all sitting public interest directors in the Federal Home Loan Bank System were reappointed. In 2004, this particular slate, we're considering 25 public interest directors. Several of these are reappointments. All of these were appointed during your tenure as Chairman, and I must say, there's an evident aim here to --

CHAIRMAN KORSMO: Mike Radway was not.

DIRECTOR LEICHTER: I think I said that. I said one out of the - one out of the 89. That's right. There's an evident effort on your part to purge all the directors who were appointed before your tenure, with the exception of Mike Radway. I don't think one of 89 of this proves my point. I think it makes my point.

And forgetting the politics of it and so on, the fact is that it weakens governance in these Boards. Let me just point not only to the testimony that we heard today, let's look at our own governance -- corporate governance study, which pulled for continuity and expertise. And I'm going to quote from our governance audit. "Many of the

directors believe the turnover of the Board is disruptive to Board management, committee operation and succession and continuity plans. It is not unusual for all but 50% of the directorate to have less than two years' experience." And we heard Ed Norris say that it takes just about two years for a director to become sufficiently familiar with the workings of the Bank to be a contributing and productive director.

And indeed, our own governance reports -- interviewed directors state that it takes 6 to 24 months to understand the operation of the Bank. Directors state that by the time they "felt comfortable with the financial operation of the Bank, their first term was over." The study also noted, "a majority of directors and senior managers interviewed expressed dissatisfaction with the appointment process. Many of these interviewed expressed particular concern about the absence of banking and financial risk management experience among appointed directors."

It's great to have a governance audit. I think staff did an excellent job. They gave us good advice, but there's a total disconnect between what we're doing here today and what our own governance audit recommends. It's a disconnect between what we -- the testimony we've heard

today on what constitutes good governance and what we're doing today. And frankly, Mr. Chairman, there's a disconnect between what you're stating in your introductory comments and what we're doing here today.

Some of this reminds me of my grandchild. We talked about it before the meeting started. He's 2-1/2 years old, and he feels that when he puts his hands over his eyes, nobody can see him. He giggles. He can't be seen. Well, it seems to me we're almost trying to do the same thing here. I say we, it's not me and I don't think Director Mendelowitz, but it's certainly you, that we can make these statements -- grandiose statements about how wonderful these group of directors are as if nobody is going to look at it, and nobody is going to see the fact that you're removing Mary Lee Widener and some other extremely competent people.

You know, we went through this just last year, and I want to read what I said last year. I voted for the directors last year in a somewhat vain effort and hope that we'd have a more collegial process. But I stated at that time, and I just want to read from it because I think it's so apt today. "This slate fails to meet the needs of the Federal Home Loan Bank System, and that is that we have no absolutely no reappointments on this slate. We are losing

some excellent, excellent directors. Extraordinarily competent people who have served on the Boards of the various Banks and have provided very significant service. And by failing their reappointment, what we're doing is we're really undermining the governance of the System."

And then I went on and I stated, "The Banks to which they're being appointed as directors are very sophisticated, complex institutions. They're billion dollar institutions that engage in very complex financial transactions, and it takes a great deal of time to learn the nature of these transactions, to understand them and to be able to be a real contributing Board member." So I'm dismayed that we're losing so many experienced Board members, and I just want to mention some of them just to give you an idea of the loss to the System and by no means are these the only ones, but I thought I would take these as examples.

Just looking back over the years that you have been making public directors appointments, we've lost outstanding people, starting with Nick Retsinas, one of the nation's leading experts on housing, who you replaced with an assemblyman from Massachusetts, who I think his main distinction was that he headed the Democrats for Bush in 2000. We lost Governor James Florio of the New York Bank;

Lynn Llewelyn for the Cincinnati Bank, Director of the Housing Authority, outstanding experience; Roger Glunt. Roger happens to be a Republican and considered one of the really most knowledgeable, committed people on affordable housing, former president of the National Association of Home Builders, a member of the Hall of Fame. Ed Smith, the head of the North Carolina Housing Authority. Tom Bishop, Robert Neilsen, a builder in San Francisco.

Last year, we lost David Curtis, Paul Tipps, Derek Park, Roberta Achtenberg, Maxine Fitzpatrick, Steve Studdert. These are losses that are irreplaceable, and this year you're losing Fred Griffin from the Dallas Bank, Michael Hannigan from the Indianapolis Bank, Edwin Reed from New York, Roger Glunt from Pittsburgh, Mary Lee Widener from San Francisco, Harry Thomas from Seattle.

And as I say, these are people that I've been urging a reappointment and I just want to make it clear, these are not people that I had any role in appointing. They happen to be Democrats and Republicans. How do I know that some of them are Republicans? Because they've told me that they're Republicans. It doesn't matter what they are. They should be reappointed.

I also want to say I never checked their campaign contributions. I don't know who they contributed to. They

deserve to be reappointed, whether Democrats or Republicans because of the service that they gave to the Home Loan Bank System and the experience that they brought to it. When we go through the actual names, I think we'll be able to point out, not only what a loss we have, but how people who will be proposed by you, Mr. Chairman, I think fail to have equal qualifications, and I think in some instances, I've said are woefully underqualified.

Let me just talk about the process because it really bothers me. And people may say, well you're a big process guy, Leichter. Yes, I am. I think process is terribly important because process deals with governance. You can't have good governance if you don't have process. Once again, as you did in 2001, to some extent -- I'm sorry, as you did in 2002 and once again, last year, you had no consultation, no deliberation with the other members of the Board of Directors, particularly agreed, because you and I had a number of discussions. I reached out to you to try to have an effort -- I tried to make an effort to have this be a collaborative process, to have a sort of a discussion that we need to have. I met with you on December 9th. I met with you on January 7th. I thought I had assurances that this year there would be an open collegial process.

On January 12th, I sent you this email, "John, I'm surprised that we're 48 hours from the Board meeting to act on the PIDs, and we have not seen your recommendations nor had a discussion. We need to arrive at a list that we all agree will serve the System and be well received. You and I have talked about the importance of our acting cooperative and collegially. Obviously, this requires a bona fide exchange of views on how we could strengthen governance through the PIDs. I much prefer to work on this together than to be at loggerheads at the Board meeting. I will be in the office by early p.m. today."

You called me later that morning. I thought I again had your assurance that we would work together. At that time, you told me you were going to postpone the meeting to today. The last I heard from you on this was last Thursday when you said I'll call you. I'm still waiting for that call.

But it's not about Franz Leichter. It's about this Board exercising its responsibility, because unless this is done collegially and cooperatively, you're not going to get the best public interest directors. Governance requires that we work together on this, and in that connection, I want to just call attention to -- I can't locate it at the moment. I think it's very apt. This is

from the General Accounting Office study of this Board. This was the recommendation they made broadly, not just public interest directors. Let me read this from the General Accounting Office study of the Federal Housing Finance Board: "In our view, Board member collaboration would be enhanced if consultations and votes or approvals took place before key administrative decisions were made and implemented. While there is no requirement or guarantee that all Board members would agree to vote for or approve key administrative decisions, full Board participation in the process could serve to improve the decisions and enhance collegiality."

And the General Accounting Office also said, "Going forward, the Federal Housing Finance Board would benefit from considering a range of options that would involve all Board members in key administrative decisions." Unfortunately, that was not adhered to, certainly not in this particular instance. I think what we have unfortunately, is a list of public interest directors that fails to meet the needs of the System, that does not enhance governance. On the contrary, I think it weakens governance, and it's also a process that weakens this Board and shows to the world that we don't seem to be able to do our job in a

way that we're supposed to responsibly with all of the Board members being involved in important decisions.

I really regret having to state this as strongly and emphatically as I have, but I think the continuous failure to do the public interest directors appointments, as well as other things, in a cooperative collegial way, I think very much undermines the work of this Board.

I'll have more to say as we go on to speak about the individual members.

CHAIRMAN KORSMO: Are there any other opening comments?

DIRECTOR CASTANEDA: I do have a comment, Mr. Chairman. I thank you for postponing until today votes on public interest director appointments. I think everybody knows when I asked the Chairman to do that. In the two weeks since I assumed the duties of a member of this Board, I have been able to devote time to studying the matters before us today.

I am particularly impressed with the slate of public interest director nominees. They represent the geographic diversity Congress clearly intends for Federal Home Loan Bank Boards. I am also impressed with the number of women on the slate, as well as their experience. The honor and duty that accompanies public service is fresh in

my mind. The men and women the Finance Board appoint to these 12 Boards of Directors are also accepting a public duty. They do not sit on the Boards to represent the regulator. They do not sit to represent affordable housing and community investment programs.

The public interest directors we appoint today represent -- it could not be more clear -- the public interest. This slate comprises a good cross-section of the public and is diverse and well-qualified. I intend to vote for each -- and believe that each will prove able representatives of the joint public interest and the prudent operations of the Federal Home Loan Banks.

CHAIRMAN KORSMO: Thank you. Any other comments?
Director Mendelowitz?

DIRECTOR MENDELOWITZ: Thank you, Mr. Chairman.

We've just sat through a long and informative hearing on how to improve corporate governance. I think most of the people that we've heard from today have called for the Finance Board to do a better job when it comes to appointing public interest directors. We've heard testimony mentioned that public interest directors need to have a broad range of knowledge and expertise regarding the Federal Home Loan Banks.

I think almost everyone today called for a minimum baseline standard for appointed directors and in some cases, elected directors as well. While I think it's important to have diversity on the Boards when it comes to job experience and backgrounds, I also think -- I do think that experience should be limited to those areas most applicable to the Federal Home Loan Banks. Housing, finance, community economic development and mortgage finance and capital market expertise.

The testimony that we heard this morning also referenced on a number of occasions our own horizontal review of corporate governance. There were some very good observations included in that exam report. Most notably that Boards tend to turn over too frequently and that newly-appointed public interest directors do not have the expertise needed, and that some Boards are not fully engaged.

Under Gramm-Leach-Bliley, the Boards of Directors of the Home Loan Banks are now the first line of defense in assuring a safe and sound Federal Home Loan Bank System. These boards are responsible for managing the Federal Home Loan Banks' risks and performance and the performance of the senior management team. I think it is important to restate this. The Finance Board holds the Boards of Directors of

the Home Loan Banks responsible for the activities, actions, and performance of their respective institutions.

It's also important that we acknowledge the risks being taken on by the Federal Home Loan Banks are also increasing. The Federal Home Loan Banks are increasingly engaging in acquired member asset programs. These programs allow individual Federal Home Loan Banks to buy mortgages and put them on their -- put them in their portfolios. Some Banks have over half of their balance sheets in mortgage assets now. Mortgage assets are highly complex financial instruments that require specialized expertise and strategies in order to effectively manage the associated risks.

So in effect, we now have two imperatives with respect to the Boards of Directors of the Home Loan Banks. One, they are taking on increased responsibilities for Gramm-Leach-Bliley, and two, they are overseeing and managing increased risks as a result of the acquired member assets programs. At the Board's request, Chairman Korsmo sent around the resumes of people under consideration for the vacant public interest director positions. And that was a couple of weeks ago.

CHAIRMAN KORSMO: No, in December.

DIRECTOR MENDELOWITZ: It was in December. After looking at these resumes, I looked forward to meeting with him to discuss the relative qualifications of each candidate and to try to decide who would best serve the Federal Home Loan Banks. Unfortunately, we never had that conversation, and it's too bad because I do know that resumes don't always best reflect the person's qualifications, but in this case, those resume facts were the only things on which I had to base my decisions.

Out of the 25 appointments on this list, 7 are reappointments. I think that it is important to have continuity on the Boards, but I worry that these appointments may be too little -- these reappointments may be too little, too late. Frankly, I wish we had done more in 2003 and 2002. That leaves us today with 18 new appointments.

Let me be clear. I think that some of these candidates are well qualified and I look forward to working with them. But some on this list, I consider underqualified for the responsibilities of serving on a Board of Directors of Home Loan Bank. By my calculations, at least a third of this slate either do not possess the skills necessary or do not possess the best skills when compared with others that were also considered.

I have no idea why some who are on this final list were selected. I looked at the resumes and compared them with others that were also considered, and I cannot understand, in my own mind, why they were picked. I agree with Director Leichter in the fact that I think it's a shame that really talented and committed and knowledgeable people with good experience like Mary Lee Widener, Fred Griffin, Danny Pincus, Mike Hannigan, Edwin Reed and Harry Thomas were not reappointed. And I think it's a loss for the System.

I also think it's a loss for the System that highly-qualified candidates, such as Chuck Dodson, Bruce Smith, and Professor Deborah Lucas did not make it to the Chairman's slate of candidates.

Let me say at this point, I thought the candidates for one Bank in particular, did not address the special circumstances of that Bank. After reviewing all of the candidates for that particular Federal Home Loan Bank, I concluded that we must try to find someone else. We had the whole year to find the best qualified people and we didn't. And while in the intervening period, there was only a short period of time, I believe I was able to find a candidate who is hugely qualified for the position. This person -- this candidate had both the academic and professional background

that would have added great value to both the Board of Directors of that Bank and its senior management.

To use the reference to what was discussed at the hearing this morning, this is someone who not only could take the derivatives test, this person actually could make up and write and prepare the test that was administered to everyone else. I forwarded the candidate's resume to the Chairman, and I mentioned to the Chairman that I found this person, and I very quickly arranged to make sure that he got the resume. And I indicated that this person was willing to serve and was not conflicted in terms of portfolio.

To the best of my knowledge, this resume was never forwarded to my colleagues on the Board, and I'm disappointed. It is my intention to vote against all of the nominees put forward today. And I want to be very clear why. I do believe that many of the people on the list are well qualified, but I don't want to single out those today who I don't believe are qualified because we're talking about qualifications to serve only on the Board of a Home Loan Bank. I believe that all of the people on the list are good people. They're talented, they're committed, they want to serve, and we should respect that, and I have no intention of embarrassing them by singling them out. But we

cannot continue to award public interest director positions as we have done in the past.

We need to do more to make the process more transparent and more merit and needs based. And I think we need to do more to make sure that we have the very best people possible to assume the new responsibilities and the added complexity of the responsibilities of being on the Board of Directors of the Home Loan Bank.

We expect a lot out of these Boards and we hold them accountable for the actions of their Home Loan Banks. And Mr. Chairman, I worry that some of these candidates we're just setting up for failure.

Let me say that I will move that this Board take up the proposed regulation on financial expertise for public interest directors that we approved and sent as a proposed rule and sent out for comments. This proposed regulation was, as I said, was out for comment, and I think it's time to move it. We haven't moved it today because I was asked by the Chairman's staff to allow that proposal to be included as part of a larger corporate governance review of the regs. I agreed to that postponement because I believed that we would in this round of selection of public interest directors try to find expertly qualified directors while we were reviewing the corporate governance reg. I thought my

colleagues agreed and we would see the results of that agreement, and I was wrong.

I think it is past time that the process of selecting public interest directors be reformed. We must move from the system of political spoils to a system based on merit and filling the governance needs of the individual Banks. Director Leichter and I plan to offer a proposal to our colleagues on the Board to substantially form this outdated and problematic process.

Mr. Chairman, thank you.

CHAIRMAN KORSMO: Thank you. Are there any other opening comments? I guess everyone has had the opportunity to comment, so we will proceed to consideration of each individual named in the resolution separately and in succession.

The first nominee is -- I should mention, all of the 25 nominations today will each be for a three-year term beginning January 1, 2004. The first nominee to be a community interest director to serve on the Federal Home Loan Bank of Boston Board of Directors is Representative Joyce Errecart. Representative Errecart, in addition to being a member of the Vermont House of Representatives, is a lawyer. She clerked at the U.S. Tax Court, was a trial lawyer for the IRS for 7 years. She served as the state Tax

Commissioner in Vermont under the Administration of both Governor Dick Snelling and Governor Howard Dean. She has also served as legal counsel to the District of Columbia's Chief Financial Officer Tony Williams.

Is there any other discussion of the nomination of Representative Joyce Errecart?

DIRECTOR LEICHTER: Yes.

CHAIRMAN KORSMO: Director Leichter?

DIRECTOR LEICHTER: Yeah. Mr. Chairman, I'd appreciate it if you would let us know where the recommendation for this nomination came. When a book was put together with various resumes, there was no indication for some of the people included in that book, and Representative Joyce Errecart was one of them. Who made that recommendation. I think that's one of the things that we should know, and certainly the public ought to know. So I'd appreciate it you could tell us --

CHAIRMAN KORSMO: I can't honestly tell you the answer to that, Franz. I don't know. I suspect she -- I suspect that she was nominated by the White House, but I cannot say one way or the other.

DIRECTOR LEICHTER: Can I -- I suspect also that she was nominated by the White House and by the way, there's nothing wrong in that and let me also say that unlike some

of the other ones, I think Representative Errecart is somebody I would consider qualified. But I think it's important in this process that we know where nominations come from. So I'd ask you if you would be so kind to look at the records so at least we can then --

CHAIRMAN KORSMO: I'm going to have to apologize in advance. I don't -- frankly, I don't know how a lot of these candidates got --

DIRECTOR LEICHTER: Well, I assume -- I assume --

CHAIRMAN KORSMO: Some I do know, some I don't.

DIRECTOR LEICHTER: Okay. I assume your staff -- I assume there's records, there's letters that were sent, there's emails --

CHAIRMAN KORSMO: I suspect we have -- I have suspect we have letters of recommendation from any number of members of Congress for these and other candidates.

DIRECTOR LEICHTER: Well, I think one of the suggestions.

CHAIRMAN KORSMO: And I think that's probably part of the record. Again, I cannot offer that to you today, Director Leichter, but we can certainly do that after the fact.

DIRECTOR LEICHTER: If you can give us your best recollection as you did with Representative Errecart, I'd

appreciate that and maybe later on, we can so at least there's a public record so that people will know where these names came from. And one of the recommendations that Director Mendelowitz and I are going to make is to have a more open and transparent system so that all of us who ultimately bear responsibility for this, at least those who are voting for these people, the public will know where these people came from and will understand why we're making the choices that we're making.

CHAIRMAN KORSMO: Director Leichter, I appreciate your point and we'll certainly consider that. This discussion is probably out of order because we're considering the individual nominations. We can certainly have that discussion. I will tell you also that a number of candidates are the source of self-nominations.

DIRECTOR LEICHTER: That's all right. Just let us know that.

CHAIRMAN KORSMO: So, we'll follow up with that. Again, I can't -- I can't tell you necessarily deliberately today, one way or another. The reality is as -- the reality is as my staff points out to me the recommendations that are before you today all come from me.

Any other discussion of the nomination of Representative Joyce Errecart?

DIRECTOR LEICHTER: Yeah, let me just add one thing to make it clear. I'm going to vote against all of these nominees, mainly because of my objection to the process that brought these before us without deliberation or consultation and for some of the other reasons that I stated previously and that Director Mendelowitz stated.

CHAIRMAN KORSMO: All right. Any other discussion? Hearing none, the Secretary will call the roll on the nomination of Joyce H. Errecart to serve as a member of the Board of the Federal Home Loan Bank of Boston.

MS. GOTTLIEB: On the approval of the nomination of Representative Joyce Errecart as Community Interest Director of the Federal Home Loan Bank of Boston, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Representative Joyce H. Errecart is appointed as a member of the Board of the Federal Home Loan - Federal Home Loan Bank of Boston.

The second nomination to the Board of the Federal Home Loan of Boston is James L. Taft, Jr. of Wakefield, Rhode Island. Mr. Taft is a lawyer in Cranston, Rhode Island. He has provided services to the State of Rhode Island for many years. He was a member of the State Senate in Rhode Island for four terms. He was Mayor of the City of Cranston for eight years. Is there any discussion of the nomination of James L. Taft?

DIRECTOR LEICHTER: Yes.

CHAIRMAN KORSMO: Director Leichter?

DIRECTOR LEICHTER: I have the same request that I made for Representative Errecart, if we could be advised where that nomination came from.

CHAIRMAN KORSMO: Again, I'll have to answer the way I did previously. I'm not sure. I do not know.

DIRECTOR LEICHTER: Again, I request that you or your staff look at your records and provide that information.

CHAIRMAN KORSMO: We'll be happy to do that.

DIRECTOR LEICHTER: Okay.

CHAIRMAN KORSMO: Any other discussion? Seeing none, the Secretary will call the roll on the nomination of James L. Taft.

MS. GOTTLIEB: On the approval of the nomination of James L. Taft, Jr. as a Director of the Federal Home Loan Bank of Boston, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. James L. Taft is appointed to the Board of the Federal Home Loan Bank of Boston.

The next nominee is the reappointment of Richard S. Mroz of Haddonfield, New Jersey to serve an additional term on the Federal Home Loan Bank -- the Board of the Federal Home Loan Bank of New York. Mr. Mroz is an attorney in New Jersey. He is a former banking commissioner and chief counsel to the governor of New Jersey. Again, he's a previous appointment. His qualifications are well known to the members of this Board.

Is there any discussion of the nomination of Richard S. Mroz for reappointment? Hearing none, the Secretary will call the roll?

MS. GOTTLIEB: On the approval of the reappointment of Richard S. Mroz as Director of the Federal Home Loan Bank of New York, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Richard S. Mroz is reappointed.

The next nomination is to serve again as a member of the Board of Directors of the Federal Home Loan Bank of New York and in this instance to serve as a Community Interest Director. The nomination is of Anne Evans Estabrook of Cranford, New Jersey. Ms. Estabrook is an entrepreneur in the real estate development business. She owns and manages 2.2 million square feet of primarily industrial warehouse and manufacturing space. She has

served previously on the Boards of Directors of four Banks -
- Summit Bank, United Jersey Bank, Constellation Bancorp,
and the National State Bank of Elizabeth. She also
currently serves as Chair of the New Jersey Chamber of
Commerce.

Is there any discussion of the nomination of Anne
Estabrook?

DIRECTOR LEICHTER: Yes.

CHAIRMAN KORSMO: Director Leichter?

DIRECTOR LEICHTER: Aside from making the same
request as before and I assume your answer will be the same,
but I also have some additional questions, and if your
answer is somewhat different, I don't want to preempt --

CHAIRMAN KORSMO: Again, we'll provide the
information.

DIRECTOR LEICHTER: Okay. Could you tell us why
you're recommending Anne Evans Estabrook and replacing Edwin
Reed who has served since 2001 on the Board of Directors of
the New York Bank. He is highly experienced in housing, has
served extremely well on the New York Bank, has gained that
experience that we stated is so important to have. Could
you tell us the reason for that, please?

CHAIRMAN KORSMO: The reason is fairly obvious. I
believe Ms. Estabrook, with all due respect to Mr. Reed, who

I think has served with distinction. I have had the privilege of meeting the man. I think he was a great member of the Board. I happen to think that Ms. Estabrook brings a perspective to the Board that's needed there, and that's why I chose to make that appointment. Others may disagree and if they disagree, I would assume that they will vote to the contrary.

DIRECTOR LEICHTER: Mr. Chairman, let me note both of the appointments you're making to the Home Loan Bank of New York are from New Jersey. As you know, that Bank covers both New Jersey and New York.

CHAIRMAN KORSMO: It does indeed.

DIRECTOR LEICHTER: I don't know whether that provides a geographical diversity which you mentioned before. Let me also point out, you know that there are three vacancies in New York, not two?

CHAIRMAN KORSMO: Yes, Mr. Soares obviously was recently confirmed to a different position which would disqualify him from service on the Board. Frankly, we had assumed that this process would take place earlier than today. In anticipation of Director Castaneda's confirmation and appointment, we had put off, as you are aware, this appointment process until today. I apologize to the Board that we don't have another replacement in mind at this point

for -- for Director Soares. I would assume that we will have a nomination to make by the February meeting or the March meeting at the latest.

DIRECTOR LEICHTER: From what you say then, the determination to replace Mr. Reed irrespective of who you have --

CHAIRMAN KORSMO: No, not necessarily. But we may indeed have the opportunity to look at Mr. Reed's reappointment.

Is there any other discussion of the nomination of Anne Evans Estabrook to serve on the Board of the Federal Home Loan Bank of New York? Hearing none, the Secretary will please call the roll?

MS. GOTTLIEB: On the approval of the appointment of Anne Evans Estabrook as a Community Interest Director of the Federal Home Loan Bank of New York, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Anne Estabrook is appointed to the Board of the Federal Home Loan Bank of New York.

The next nomination is the nomination of Governor Cecil Underwood to be reappointed as a Community Interest Director to the Board of the Federal Home Loan Bank of Pittsburgh. Is there any discussion of the reappointment of Governor Underwood? Hearing none, the question is on the appointment.

MS. GOTTLIEB: On the approval of the reappointment of Cecil H. Underwood as Community Interest Director of the Federal Home Loan Bank of Pittsburgh, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Governor Cecil Underwood is reappointed to the Bank -- the Board of the Bank of the -- of the Federal Home Loan Bank of Pittsburgh.

The next nomination is that of Basil R. Battaglia of Wilmington, Delaware to serve as a Director of the Federal Home Loan Bank of Pittsburgh. Mr. Battaglia is Chairman and CFO of Beckworth Title Co. He provides title services and -- let me start again. I was so taken aback because he's in the same business I was in, of course, for 20 some years. Mr. Battaglia is Chairman of a title company, provides real estate title information to lawyers and developers in the State of Delaware. He previously served as the director of the Delaware Turnpike for a number of years which had concession revenue approaching \$30 million. He also previously served as a member of the Board of the Federal Home Loan Bank of Pittsburgh.

Is there any discussion of the nomination of Basil R. Battaglia?

CHAIRMAN KORSMO: I'm sorry. Go ahead. Director Leichter?

DIRECTOR LEICHTER: I have the same request and I assume I'll get the same answer as to where that nomination came from?

CHAIRMAN KORSMO: No, this nomination came from me.

DIRECTOR LEICHTER: This was your -- your nomination?

CHAIRMAN KORSMO: I've cleared it with Mr. Battaglia. I was familiar with his previous service on the Board of the Federal Home Loan Bank of Pittsburgh. Is there any other discussion of Mr. Battaglia's appointment?

DIRECTOR MENDELOWITZ: When was -- when was he a director at Pittsburgh and was it listed on the resume?

CHAIRMAN KORSMO: I'm not sure. Prior to '92, I believe. I'm not sure. John Connelly actually knew -- served with him. So they were co -- their period of service was co-terms. Any other discussion on the nomination of Basil Battaglia? Hearing none, the Secretary will please call the roll?

MS. GOTTLIEB: On the approval of the appointment of Basil R. Battaglia as a Director of the Federal Home Loan Bank of Pittsburgh, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Basil Battaglia is -- is appointed to the Board of the Federal Home Loan Bank of Pittsburgh.

The next nomination is that of Representative Wilma Sherrill to serve on the Board of the Federal Home Loan Bank of Atlanta. Representative Sherrill is serving her fifth term in the North Carolina State House of Representatives where she co-chairs the House Appropriations Committee and is a legislative representative on the North Carolina Economic Development Board. She has served on numerous boards and commissions and previously served as Commissioner of the North Carolina Motor Vehicle Division.

Is there any discussion of the nomination of Representative Wilma Sherrill?

DIRECTOR LEICHTER: Yeah, let me, in connection with her nomination besides makes the same request that I've made for others, just point out --

CHAIRMAN KORSMO: Again, off the top of my head, my recollection is that she was proposed by a member of Congress from North Carolina, but don't hold me to that until we can confirm it.

DIRECTOR LEICHTER: Okay. I just want to point out that the Atlanta Board has 50% of its Board of Directors have joined within the last year, and I think we heard Ed

Norris talk about this, that, very disappointing, Dan Pincus who served on that Board for, I believe, six years, also a former president of the National Association of Home Builders, very productive, very active, very committed member of that Board of Directors and of the System. Why he was not reappointed and you chose to go outside of the current Board and pick somebody else.

CHAIRMAN KORSMO: Oh, you're asking? I thought -- listen, I'm not going to explain every one of these appointments, Director Leichter. The reality is these are my selections. Obviously, I picked all of them because I thought they were better qualified to serve in these roles and met some goals that I thought were important. One, we've talked about previously. It was a suggestion that Mendelowitz made that we seek additional representation on these Boards from people who serve in public office.

Also, and I've made this very clear from the start, I sought to expand the geographic representation on these Boards. Representative Sherrill is a member of the legislature who has served with distinction in the State of North Carolina, which has not been represented on the Board of the Federal Home Loan Bank of Atlanta.

Is there any other discussion of her appointment?

DIRECTOR LEICHTER: Yeah. Let me just say, Mr. Chairman. I'm troubled about the fact that you're unwilling to explain what your reasoning is --

CHAIRMAN KORSMO: I've just explained it.

DIRECTOR LEICHTER: Okay. Then you're willing to explain it. That was the reason. Where did Dan Pincus come from? Wasn't he from North Carolina?

CHAIRMAN KORSMO: No, he's from South Carolina.

DIRECTOR LEICHTER: South Carolina? So that's the reason you chose her? You felt North Carolina deserved to be on and South Carolina didn't?

CHAIRMAN KORSMO: That's correct. No, there's other representatives from South Carolina. South Carolina has multiple public interest director - public interest directors. Sit there a moment, and I'll tell you who it is. Robert Dozier, who we appointed, I believe, two years ago, is from Columbia, South Carolina. So now both Carolinas are represented on the Board.

Is there any other discussion of the nomination of Representative Wilma Sherrill? Hearing none, the Secretary will call the roll.

MS. GOTTLIEB: On the approval of the appointment of Representative Wilma M. Sherrill as Director of the

Federal Home Loan Bank of Atlanta, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Representative Wilma Sherrill is appointed to the Board of the Federal Home Loan Bank of Atlanta.

The next appointment, again to the Board of the Federal Home Loan Bank of Atlanta is former Congressman James V. Stanton. Congressman Stanton is an attorney who previously served as Executive Vice President of Delaware North, a company with annual sales in excess of \$1 billion from 1971 to 1978. Mr. Stanton, a Democrat, represented the 20th Congressional District of Ohio in the United States House of - in the United States House of Representatives. He previously served in a number of public service positions, including having the distinction of having served as the youngest City Council president in the history of

Cleveland, Ohio where he had the privilege of serving with Mayor Dennis Kucinich.

Is there any discussion of the nomination of former Congressman James V. Stanton?

DIRECTOR LEICHTER: Where did that nomination come from?

CHAIRMAN KORSMO: That nomination came from Jerry Howard of the National Association of Home Builders. Is there any other discussion of the nomination of James V. Stanton? Hearing none, the Secretary will please -- please call the roll.

MS. GOTTLIEB: On the approval of the appointment of James V. Stanton as a Director of the Federal Home Loan Bank of Atlanta, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Former Congressman James V. Stanton is appointed to the Board of the Federal Home Loan Bank of Atlanta.

The next nominee to serve as a member of the Board of Directors of the Federal Home Loan Bank of Cincinnati is Stephen B. Smith of Nashville, Tennessee. Mr. Smith currently serves on the Board. He is the Principal and Secretary-Treasurer of Houry & Smith Contractors in Nashville. As I mentioned he is -- again, I'm assuming that all members of the Board are familiar with Mr. Smith's qualifications. He is a current member of the Board of the Federal Home Loan Bank of Cincinnati. Are there any -- is there any discussion of the nomination of Stephen B. Smith? Seeing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the appointment of Stephen B. Smith as a Director of the Federal Home Loan Bank of Cincinnati, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Stephen B. Smith is reappointed to the Board of the Federal Home Loan Bank of Cincinnati.

The next appointment also to the Board of the Federal Home Loan Bank of Cincinnati, also a reappointment is Carl F. Wick of Centerville, Ohio. Mr. Wick is retired and is the past Director of Engineering Human Resources at NCR Corporation where he was responsible for Human Resource activities. Again, he has been a member -- excuse me, he was a member of the State Board of Higher Education in Ohio. I believe he continues to serve in that capacity and has been a member of the Board of Cincinnati.

Is there any discussion of the reappointment of Carl F. Wick to the Board of the Cincinnati Bank? Seeing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the reappointment of Carl F. Wick as a Director of the Federal Home Loan Bank of Cincinnati, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Carl F. Wick is reappointed to the Board of the Federal Home Loan Bank of Cincinnati.

The next appointment is to the Board of the Federal Home Loan Bank of Indianapolis. It is the reappointment of Valde Garcia as a Community Interest Director. Senator Garcia obviously is a member of the Michigan State Senate. He previously served in the Michigan State House of Representatives. He is the first Hispanic elected to the Michigan Senate and served as a member of the Senate Appropriations Committee and Vice Chair of the Senate Finance Committee. He is the Chair of the Budget Committee of the Federal Home Loan Bank of Indianapolis and also holds the rank of Lieutenant Colonel in the Michigan Army National Guard.

Is there any comment or discussion, excuse me, on the reappointment of Senator Valde Garcia? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the reappointment of Senator Valde Garcia as a Community Interest Director of the Federal Home Loan Bank of Indianapolis, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Senator Valde Garcia is reappointed as the Community Interest Director on the Board of the Federal Home Loan Bank of Cincinnati.

The next appointment again to the Board of -- excuse me, Federal Home Loan Bank of Indianapolis. The next appointment, again to the Federal Home Loan Bank of Indianapolis is Senator Teresa S. Lubbers of Indianapolis. Senator Lubbers has been -- is an entrepreneur, has owned her own company in Indianapolis for 20 some years. She has served for a number of terms in the Indiana Senate where she serves on five committees, including Economic Development and Technology Committee and the Pension and Labor Committee. Involved in numerous community organizations as a Board member of the Indiana School of the Blind and a member of the Indiana Education Round Table.

Is there any discussion of the nomination of Senator Teresa Lubbers?

DIRECTOR LEICHTER: Yes.

CHAIRMAN KORSMO: Yes, sir?

DIRECTOR LEICHTER: Where did that nomination come from?

CHAIRMAN KORSMO: I cannot tell you. I will provide that information afterwards. I believe she was recommended by a member of the Congressional delegation.

Any other discussion? Hearing none, the Secretary will please call the roll.

DIRECTOR LEICHTER: I'm sorry. I just want to ask another question on that. I see that Michael Hannigan who is the Vice Chairman of that Board is not being reappointed and we're currently replacing him with Senator Lubbers. Can you give us your reasons for that?

CHAIRMAN KORSMO: No, I can't. Director - Director Leichter, I have told you who my nominee is. I've told you why I believe she is a significant nominee. I will not explain the reasons why I considered her appointment over somebody else's.

Is there any other discussion of the nomination of Senator Lubbers. If not, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of Senator Teresa S. Lubbers as a Director of the Federal Home Loan Bank of Indianapolis, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Senator Teresa S. Lubbers is appointed as a director of the Federal Home Loan Bank of Indianapolis.

The next appointment is to the Board of the Federal Home Loan Bank of Chicago. It is the reappointment of Terry Grosenheider. Mr. Grosenheider works in Customer Relations for U.S. Bank in Madison, Wisconsin, which is not incidentally, a member of the Chicago Bank, so he is not disqualified from service. In that regard, he is the former Deputy Secretary of the Wisconsin Department of Financial Institutions, spent eight years at the Wisconsin Department of Commerce serving as a Division Administrator. Terry Grosenheider's nomination is a reappointment.

Is there any discussion of the reappointment of Terry W. Grosenheider to the Bank -- to the Board of the Federal Home Loan Bank of Chicago? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the reappointment of Terry W. Grosenheider as a Director of the Federal Home Loan Bank of Chicago, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Terry Grosenheider is reappointed as a director of the Board of the Federal Home Loan Bank of Chicago.

The next appointment also to the Board of the Federal Home Loan Bank of Chicago is Alex J. LaBelle. Alex LaBelle is -- has been a real estate broker in the State of Illinois for 29 years. Last year, he was the 2003 Illinois Realtor of the Year. He is a member of the State Office of Banks and Real Estate, as well as the State Real Estate

Administration and Disciplinary Board. He has been a Commissioner in his home town and formally sent eight years as a staff member at the Federal Home Loan Bank of Chicago.

Is there any discussion of the nomination of Alex LaBelle.

DIRECTOR LEICHTER: Yeah, again, could you let us know where that nomination came from?

CHAIRMAN KORSMO: The National Association of Realtors. Is there any other discussion of the appointment of Alex J. LaBelle. Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of Alex J. LaBelle as a Director of the Federal Home Loan Bank of Chicago, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Alex J. LaBelle is appointed to the Board of the Federal Home Loan Bank of Chicago.

The next appointment to the Board of the Federal Home Loan Bank of Des Moines is David R. Frauenshuh of Minnesota. Mr. Frauenshuh has over 30 years of experience in commercial real estate. Serves as Chief Executive Office of Frauenshuh Companies. He has served on a number of Boards of Directors and very active in his community as a member of the Board of the St. Paul area Chamber of Commerce.

Is there any discussion of the appointment of David R. Frauenshuh as a member of the Board of the Federal Home Loan Bank of Des Moines. Hearing none, the -- oh, I'm sorry, Director Leichter?

DIRECTOR LEICHTER: I didn't raise my hand high enough.

CHAIRMAN KORSMO: Go ahead.

DIRECTOR LEICHTER: Yes. Could you let us know where that nomination came from?

CHAIRMAN KORSMO: I will. I'm not sure. Again, I believe it was from a member of the Congressional delegation. Any other discussion?

DIRECTOR LEICHTER: Let me just point out one thing about the Des Moines Bank, that 56% of its Board of Directors have joined within the last year and that eight public interest director slots have changed hands eight times.

CHAIRMAN KORSMO: Is there any other discussion of the appointment of David R. Frauenshuh? Hearing none, the Secretary will please call the roll?

MS. GOTTLIEB: On the approval of the appointment of David R. Frauenshuh as Director of the Federal Home Loan Bank of Des Moines, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. David R. Frauenshuh is appointed to the Board of the Federal Home Loan Bank of Des Moines. Before we move on, let me correct something. As with all of these, you've asked me to respond to the source. I'm not clear about it, so don't hold me to any specific

answer I give you at this session, but we will provide that information again after we're done.

DIRECTOR LEICHTER: I understand. Give me your best --

CHAIRMAN KORSMO: It occurs to me now - it occurs to me now -- his name may have come from the White House. I'm guessing that's probably what he's telling me.

The next nomination to the Board of the Federal Home Loan Bank of Des Moines is the -- Gerald D. Eid of Fargo, North Dakota to serve as a Community Interest Director. Mr. Eid is a second generation builder. He is the largest builder of homes in the State of North Dakota, has more than 30 years of experience as a builder and a licensed realtor. He has also served as Chairman of the North Dakota Housing Finance Agency Advisory Board, and as all of my colleagues are well aware, is very active in the National Association of Home Builders.

Is there any discussion of the appointment of Gerald D. Eid?

DIRECTOR LEICHTER: Yeah, let me just say. I know Gerry Eid. I think this happens to be a very good appointment. I'm voting against him just for the reasons I've stated and I think the whole slate is, if you will, defective because of the way it came up. But let there be

no question in anybody's mind that I like Gerry. I'm a strong supporter of his and I'd be happy to see him on the Des Moines Board.

CHAIRMAN KORSMO: Is there any other discussion of the nomination of Gerald D. Eid?

DIRECTOR MENDELOWITZ: He's a good man.

CHAIRMAN KORSMO: Just so it's clear where his nomination came from, it came from me. And in the interest of -- in the interest of full disclosure, he was a very good customer of mine for over 20 years. Is there any other discussion? If not, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the appointment of Gerald D. Eid as Community Interest Director of the Federal Home Loan Bank of Des Moines, Director Leichter, how do you vote?

DIRECTOR LEICHTER: Yes.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: I'm really happy to see Gerry on the Board, but I'm going to vote no to be consistent, but he's a good man. He shouldn't take my vote personally.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Gerald D. Eid is appointed to the Board of the Federal Home Loan Bank of Des Moines.

The next appointment to the Board of the Federal Home Loan Bank of Dallas is Representative Sarah Solomon Agee is Perry Grove, Arkansas. Representative Agee has served three years -- three terms, excuse me, as a member of the Arkansas House of Representatives where she serves as Minority Whip. She is a family farmer and a Realtor and has served 12 years on her local school board, as well as on a number of other committees in her community.

Is there any discussion of the nomination of Representative Agee? Yes?

DIRECTOR LEICHTER: The usual question.

CHAIRMAN KORSMO: I can't.

DIRECTOR LEICHTER: Can you tell us why you're putting forth her and then you're also going to put forth Mary E. Ceverha and you're replacing two excellent people, Henry Flores who served 10 years as Chairman of the Dallas Board and Frederick B. Griffin, a very prominent builder who served on the Board since 2001. Why are we losing people of that caliber and experience?

CHAIRMAN KORSMO: Again, Director Leichter, I will not explain why I'm not appointing people, although I would suggest to you that that's a question you might want to ask me after this session because it may have examination ramifications.

Is there any other discussion of Representative Agee's appointment. Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the appointment of Representative Sarah S. Agee as Director of the Federal Home Loan Bank of Dallas, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Representative Agee is appointed to the Board of the Federal Home Loan Bank of Dallas.

The next appointment also to the Board of the Federal Home Loan Bank of Dallas is that of Bobby L. Chain of Hattiesburg, Mississippi. Mr. Chain is the Founder, Chairman, and CEO of Chain Electric Company, a corporation, as I mentioned, he founded and has operated for a number of years. He is an entrepreneur. He is also the former CEO of Future Vision Cable Systems, has been on numerous boards and commissioners -- commissions, including serving a 12-year term on the Board of Trustees of the State Institutions of Higher Learning in Mississippi, and he is the former mayor of Hattiesburg, Mississippi.

Is there any discussion of the nomination of Mr. Chain to serve on the Board of the Dallas Bank?

DIRECTOR LEICHTER: Yes.

CHAIRMAN KORSMO: Yes, sir?

DIRECTOR LEICHTER: My first question is the same one, where that nomination came from.

CHAIRMAN KORSMO: I can't answer -- I will provide that information at a later time.

DIRECTOR LEICHTER: Second, it's not a question, but I asked why Representative Agee and Mary Ceverha were being nominated and why two excellent people are not and frankly, I think you made a statement, which I think is regrettable. I think if there was --

CHAIRMAN KORSMO: I --

DIRECTOR LEICHTER: Let me finish, please. If there was any information that you consider confidential that bore on this, that's precisely the sort of thing you should share beforehand. I don't think that sort of statement should be made on the record, which in any way, could be deemed to impugn the service or the integrity of any of the people who are being replaced from that Dallas Bank, and I think that ought to be clarified.

CHAIRMAN KORSMO: Director Leichter, you're absolutely correct. I apologize to both of these gentlemen who have served with distinction on the Board of the Bank. I will repeat, however, my suggestion that we have this conversation off -- after this meeting is concluded.

Is there any other discussion --

DIRECTOR LEICHTER: Well, let me -- let me just again because I think this is so serious that if there are any such instances, I think it's important in confidence since you say this involves a confidential matter, although frankly I've heard absolutely nothing that would, to my mind, have any bearing on this, but that you share that information in advance with us and not come up in this particular way.

CHAIRMAN KORSMO: I appreciate that and I will share that information with you after we adjourn. Is there any other discussion of Mr. Chain's nomination? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the appointment of Bobby L. Chain as a Director of the Federal Home Loan Bank of Dallas, Director Leichter, how do you vote?

DIRECTOR LEICHTER: I'm sorry. Did I make my question -- I assume you'll let us know --

CHAIRMAN KORSMO: Yes.

DIRECTOR LEICHTER: -- on Chain, where that came from. I vote no.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Bobby L. Chain is appointed to the Board of the Federal Home Loan Bank of Dallas.

A subsequent -- an additional appointment to the Federal Home Loan Bank of Dallas must be made subject to the review of the Finance Board of this particular individual's

Appointed Director Eligibility Certification Form which will be -- and her nomination, assuming she is appointed, will be subject to confirmation of her director eligibility.

That having been said, the next nomination is that of Mary E. Ceverha of Dallas, Texas. Ms. Ceverha is a former commissioner of the Dallas Housing Authority. She is currently serving her second term on the Texas Board of Health. She is founder and immediate past president of Trinity Commons Foundation, a non-profit organization that promotes flood protection economic development and open space preservation along the Trinity River corridor in Dallas, Texas. She has also served on numerous boards.

Is there any discussion of the contingent nomination of Mary E. Ceverha?

DIRECTOR LEICHTER: Same request.

CHAIRMAN KORSMO: I may have alluded to it. She has served on the Dallas Housing Authority with Acting HUD Secretary Alphonso Jackson.

DIRECTOR LEICHTER: So are you telling us that that came from Secretary Jackson?

CHAIRMAN KORSMO: That is - that is what I'm telling you. That is what I'm telling you. Is there any other discussion of the nomination? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of Mary E. Ceverha as a Director of the Federal Home Loan Bank of Dallas, subject to review and confirmation of the director eligibility form, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Mary Ceverha is appointed to the Board of the Federal Home Loan Bank of Dallas, contingent upon her confirmation -- the confirmation of her eligibility after receipt of her appointed director eligibility certification form.

The next appointment -- appointment is to the Board of the Federal Home Loan Bank of Topeka. The first nomination of that Board is that of Robert E. Caldwell of Lincoln, Nebraska. Mr. Caldwell is General Counsel to Linwood, the Midwest's leading manufacturer and distributor of medical and industrial gasses and welding supplies. He again, has served on numerous committees, including the

Economic Development Council for the Nebraska State Chamber of Commerce, chairs the Government Affairs Committee for the National Gasses and Welding Supply Association.

Is there any discussion of the nomination of Robert E. Caldwell of Lincoln, Nebraska?

DIRECTOR LEICHTER: Again, if you could let us know where that came from?

CHAIRMAN KORSMO: I believe his nomination came from the White House. Is there any other discussion? Hearing none, the Secretary will call the roll?

MS. GOTTLIEB: On the approval of the appointment of Robert E. Caldwell, II, as a Director of the Federal Home Loan Bank of Topeka, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Robert E. Caldwell is appointed to the Board of the Federal Home Loan Bank of Topeka.

The next appointment also to the Federal Home Loan Bank of Topeka Board is that of Jane C. Knight of Wichita, Kansas. Ms. Knight is President of Sight Based Strategies for Kansas Big Brothers/Big Sisters where she oversees the retired senior volunteers programs and develops sight based monitoring programs. She directed the Wichita Office of former Kansas governor Bill Graves, served as state ADA coordinator, and has served in a number of other capacities. She is also a former Board member of Habitat for Humanity in Wichita, Kansas's largest city.

Is there any discussion of the nomination of Jane C. Knight.

DIRECTOR LEICHTER: Again, do we know where that nomination came from?

CHAIRMAN KORSMO: It would be my pleasure. Is there any other discussion? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the appointment of Jane C. Knight as a Director of the Federal Home Loan Bank of Topeka, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Jane C. Knight is appointed to the Board of the Federal Home Loan Bank of Topeka.

The next appointment to the Board of the Federal Home Loan Bank of San Francisco is that of -- a Community Interest Director appointment, excuse me, the reappointment of Scott Syphax of Sacramento, California. Scott Syphax is the President and CEO of Nehemiah Corporation of America, one of the largest non-profit community development organizations in the country, and the largest African-American owned non-profit in the country. Again, I know all my colleagues are familiar with Mr. Syphax's reappointment. His nomination came to us -- I'll head you off at the pass -- from the National Congress of Community Economic Development, Ms. Wayman's organization.

Are there any other discussions of Mr. Syphax?

DIRECTOR LEICHTER: Let me just say. I think in the first instance that isn't where his nomination came from.

CHAIRMAN KORSMO: Well, he's a reappointment.

DIRECTOR LEICHTER: Yes.

CHAIRMAN KORSMO: But he was on their list of nominations.

DIRECTOR LEICHTER: And that isn't why he is on the Board, but it's --

CHAIRMAN KORSMO: Pardon me, but I believe he was on the -- when he was originally appointed, he was on their recommendation list. I could be wrong, but I believe that's the case.

Is there any other discussion of the nomination of Scott Syphax. Hearing none, the Secretary will call the roll.

MS. GOTTLIEB: On the approval of the reappointment of Scott C. Syphax as a Community Interest Director of the Federal Home Loan Bank of San Francisco, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Scott Syphax is reappointed to the Board of the Federal Home Loan Bank of San Francisco.

The next appointment to the San Francisco Bank Board is that of Monte L. Miller of Las Vegas, Nevada. Mr. Miller is Founder, President and CEO of Nevada Holding Services, Inc., which provides corporate management services to more than 450 Nevada investment holding companies, with approximately \$50 billion in intangible assets. The company also oversees and manages \$2 billion of fixed income investment portfolios for financial institutions throughout the Midwest. As with all of these nominees, Mr. Miller has served on any number of boards and commissions, and again, to anticipate Director Leichter's question, his nomination came to us from the office of Congressman John Porter of Nevada.

Is there any other discussion of the nomination or is there any discussion of the nomination of Monte Miller? Yes, sir?

DIRECTOR LEICHTER: All right. You know, this is one of the most disappointing nominations, not because there's anything wrong as such with Mr. Miller, but we're losing one of the best people that the Federal Home Loan Bank System has -- Mary Lee Widener. She's probably among

the most respected directors. She's the Chair of the San Francisco Board, an incredibly competent, able woman.

Let me just read some of her background. Mary Lee Widener is President, Chief Executive Officer of Neighborhood Housing Services of America. She co-founded NHSA and led its growth from the 250 million pilot - I'm sorry -- 250,000 pilot in 1974 to a social investment conduit of more than a half billion dollars backed by administrative support from the Neighborhood Reinvestment Corporation.

Mrs. Widener is Chairman of the Board of Directors of the Federal Home Loan Bank of San Francisco and serves on the Board of Directors of the PMI Group, the Social Compact, and the SH Cowell Foundation. Past professional activities includes Chairman of the Affordable Housing Advisory Council of the Federal Home Loan Bank of San Francisco, service on Fannie Mae's Advisory Council, participation on the U.S. Senate National Housing Task Force and in the International Exchange of Housing Professionals sponsored by the Ford Foundation. She is a Trustee Emeritus of the San Francisco Foundation, Trustee Emeritus of Partners for Livable Communities, and on the Advisory Board of the Two Partnership Pacific Change.

I'm not going to go through her long list of community organizations, but let me just mention awards include National Housing Conference 2000, Housing Person of the Year Award, an honorary Doctor of Law degree from John F. Kennedy University, the Candidates Award for Business Economic Development of the New York based National Coalition of 100 Black Women, the Woman Who Could Be President Award of the San Francisco League of Women Voters, and recognition by Partners for Liveable Communities as one of the leaders who built a better America.

You really couldn't pay enough money to get somebody as competent, able and qualified as Mary Lee Widener and her loss for reasons that I can't understand -- if there's a reason for it, please explain it, Mr. Chairman.

CHAIRMAN KORSMO: Mary Lee Widener has served on the Board for ten years. I have thanked her for her service as I have thanked all those who have served. In this particular case, I've decided to make a different appointment.

Is there any other discussion of the nomination of Monte Miller?

DIRECTOR LEICHTER: Let me just say. She deserves a lot of thanks for her service, but we deserve, I think, a lot of condemnation for losing her services.

CHAIRMAN KORSMO: Is there any other discussion of the nomination of Monte Miller? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the appointment of Monte L. Miller as a Director of the Federal Home Loan Bank of San Francisco, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Monte Miller is appointed to the Board of the Federal Home Loan Bank of San Francisco.

The next appointment is to the Board of the Federal Home Loan Bank of Seattle. The nomination is of Daniel R. Fauske of Anchorage, Alaska. Mr. Fauske is CEO and Executive Director of the Alaska Housing Finance Corporation where he directs the management of a publicly-owned corporation with more than \$4.4 billion in assets. Responsible for the affordable housing -- public housing -- excuse me, he is responsible for management of 300 employees

in 13 communities. The operation of more than 1700 public housing units. He previously served as Director of Finance and Administration and CFO for the North Slope Burrough in Burrough, Alaska and serves on the National Housing Development Corporation Board of Directors?

Is there any discussion of the nomination of Daniel R. Fauske?

DIRECTOR LEICHTER: Yes, could we know from where that nomination came from?

CHAIRMAN KORSMO: I'll provide that information. I don't know off the top of my head.

DIRECTOR LEICHTER: Okay.

CHAIRMAN KORSMO: Is there any other discussion of the nomination of Daniel Fauske? Hearing none, the Secretary will please call the roll?

MS. GOTTLIEB: On the approval of the appointment of Daniel R. Fauske as a Director of the Federal Home Loan Bank of Seattle, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Aye. Daniel R. Fauske is appointed to the Board of the Federal Home Loan Bank of Seattle.

The final appointment also to the Board of the Federal Home Loan Bank of Seattle is that of Dr. Jack Riggs of Kootenai, Idaho. Dr. Riggs is an Emergency Medicine Physician and entrepreneur. He previously served as Lieutenant Governor of the State of Idaho. He served several terms in the Idaho State Senate, where he served on the Agricultural Affairs Education, Transportation and Resources and Environment Committees.

As I mentioned, he is the owner and operator of Emergency and Urgent Care centers in a number of Idaho communities. He also served as a member of the Idaho State Board of Health and Welfare.

Is there any discussion of the appointment of Dr. Jack Riggs?

DIRECTOR LEICHTER: Same question.

CHAIRMAN KORSMO: Noted. Is there any other discussion of the appointment of Dr. Jack Riggs? Hearing none, the Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the appointment of Dr. Jack T. Riggs as a Director of the Federal Home Loan Bank of Seattle, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. Dr. Jack T. Riggs is appointed to the Board of the Federal Home Loan Bank of Seattle.

The next question to appear before the Board is on the resolution as a whole. I will note that the resolution also includes, in addition to the 25 nominations, one of which is the conditional nomination of Mary Ceverha to be a member of the Dallas Board, the resolution also contains the designation of four current sitting directors as Community Interest Directors of their respective Banks.

They are Charles J. Ruma to serve as a Community Interest Director on the Federal Home Loan Bank of Cincinnati Board of Directors, the nomination of Ike J.

Monty as a Community Interest Director on the Board of the Federal Home Loan Bank of Dallas, the designation of John T. Wasley as a Community Interest Director on the Board of the Federal Home Loan Bank of San Francisco, and finally, the designation as a Community Interest Director of James I. Irvine of the Federal Home Loan Bank -- we've done all of those as we've gone along, Shane. James I. Irvine is a Community Interest Director of the -- on the Board of the Federal Home Loan Bank of Seattle.

With that, is there any discussion of the complete motion? Is there any discussion of the motion? Any of the discussion of the motion? Hearing none, the question is on adoption of the resolution? The Secretary will please call the roll.

MS. GOTTLIEB: On the approval of the adoption of the resolution, Director Leichter, how do you vote?

DIRECTOR LEICHTER: No.

MS. GOTTLIEB: Director Castaneda?

DIRECTOR CASTANEDA: Yes.

MS. GOTTLIEB: Director Mendelowitz?

DIRECTOR MENDELOWITZ: No.

MS. GOTTLIEB: Director Weicher?

DIRECTOR WEICHER: Aye.

MS. GOTTLIEB: Chairman Korsmo?

CHAIRMAN KORSMO: Yes. The resolution is adopted.
The appointments are made.

Is there any other discussion? Any other comments to come before the Board? Director Mendelowitz?

DIRECTOR MENDELOWITZ: Mr. Chairman, I was saddened to learn this week that your assistant of the past two years, Shane Goettle, will be departing for what looks like a very exciting opportunity at the Department of Agriculture.

CHAIRMAN KORSMO: Only a native of North Dakota would consider an opportunity at the Department of Agriculture as exciting.

DIRECTOR MENDELOWITZ: I just want to say that I personally enjoyed the opportunity of working with Mr. Goettle. My only regret is that he was going to give me a tutorial on Robert's Rules of Order, which we haven't completed.

CHAIRMAN KORSMO: He has a week to go.

DIRECTOR CASTANEDA: You still have some time.

DIRECTOR MENDELOWITZ: Unfortunately, I'm not going to be here next week -- but I just wanted to wish Shane well. I'm sure the other members of the Board feel as I do.

CHAIRMAN KORSMO: Thank you, Director Mendelowitz. I, too, wanted to make mention of Shane Goettle's departure. Obviously, he will be missed. He has been a very valuable assistant to me here at the Federal Housing Finance Board. He committed to me at the time that he came here and joined the Board. He committed to two years, he didn't waste any time after the two years had elapsed, but he is going on to, as I mentioned -- as you mentioned and I was facetiously commenting on. It is a very exciting opportunity to work with rural development and rural housing issues which needless to say are very dear to the hearts of all of us from North Dakota, particularly those from Western North Dakota, and we will sincerely miss him. I hope that his experience here with housing issues and community development issues will be of value in his new role at USDA.

DIRECTOR LEICHTER: I just want to join in thanking Shane and wishing him good luck in his new position.

DIRECTOR CASTANEDA: So do I, thank you, Director Mendelowitz.

DIRECTOR MENDELOWITZ: You'd better say something now --

COMMISSIONER WEICHER: I already met with him once over at USDA on an issue that involves both them and us, and

wondering what he was getting himself in for. You have no idea how exciting that is going to be.

DIRECTOR LEICHTER: Maybe after the excitement here, he needs a little rest.

CHAIRMAN KORSMO: Let me just say by way of closing and make reference to a comment I made earlier at the hearing. This process is a balancing process and it is a difficult one. Watching this process is much like the old, I guess, it was Bismarck's discussion about watching laws being made and sausages. The reality is it's never easy. There are always arguments in favor of reappointments, non-appointments, other people -- the reality -- the tough -- the difficult part of this decision is that we have to pick out 82 American citizens to represent their 291 million colleagues on the Boards of these very important Banks. I know that if the National Association of Realtors had their way, we would have appointed 25 realtors today. If the National Association of Home Builders had its way, we would have appointed 25 home builders. If the National Congress of Community Economic Development would have had its way, we would have appointed 25 community economic development professionals.

If Director Mendelowitz had had his way, we would have appointed 25 Ph.D's in Economics.

DIRECTOR MENDELOWITZ: Finance.

CHAIRMAN KORSMO: Finance, excuse me. If Director Leichter had had his way, I'm not sure who we would have appointed 25 of. If I had had my way, there would have been 25 entrepreneurs, small business people preferably, who have had experience in the -- in battle, if you will. We can't all be happy. The difficult I have is that as I go through this process, basically what I do is make everybody unhappy. I understand that that comes with the territory. That's why I get the big -- the big bucks. With that --

DIRECTOR LEICHTER: Mr. Chairman, if you shared the burden with the other directors, maybe it wouldn't be that hard on you.

CHAIRMAN KORSMO: That's a discussion we can -- we can have.

DIRECTOR LEICHTER: That's a discussion we've had long enough.

CHAIRMAN KORSMO: At the risk of prolonging this and I don't want to do it and get to the point where it becomes where we engage in a discussion that your 2-1/2 year old grandson would understand well, the fact of the matter is that communication is a two-way street. I can't tell you how many phone calls and personal conversations I've had in the last two weeks with Director Castaneda.

I've actually had an unusual number of phone calls and personal conversations with Commissioner Weicher in the last two weeks. Everyday in the last two weeks, with the exception of the Martin Luther King holiday, I was in my office from 9 o'clock in the morning until at least 7 o'clock in the evening. I got no phone calls from either of you two directors. I didn't see either of your smiling faces in my office door.

My only point in making that - in making that comment is that communication goes two ways. I appreciate the suggestion you made, Dr. Mendelowitz, of a potential nominee to the Bank of the -- Federal Home Loan Bank of Chicago. Frankly, I had assumed that you had distributed her resume to our colleagues. I apologize. I didn't understand that it was up to me to do that. She was your candidate, not mine. I think she is very qualified, and in fact, if I hadn't had another mission in mind, this is the opportunity to appoint a very distinguished and qualified member of the National Association of Realtors -- in fact, the 2003, I think I mentioned twice, Realtor of the Year in the State of Illinois to the Board, I probably would have given more careful consideration to her nomination.

But it is a balancing exercise as I said, it never makes everybody happy. Are there any other -- is there any

other meaningful discussion to come before the Board. If not, this meeting is adjourned. Thank you.

(Whereupon at 3:50 p.m., the meeting was adjourned.)