



November 21, 2008

Federal Housing Finance Agency
1625 Eye Street, NW
Washington, DC 20006
Attention: Public Comments/RIN 2590-AA03

RE: Federal Housing Finance Agency Interim Final Regulation with Request for Comments: Federal Home Loan Bank Boards of Directors – Eligibility and Elections

Ladies and Gentlemen:

On behalf of the Federal Home Loan Bank of Cincinnati (the Bank), this letter sets forth comments with respect to the Federal Housing Finance Agency's (FHFA) interim final rule regarding the eligibility and election of Federal Home Loan Bank directors. We appreciate the FHFA's effort to expedite its rulemaking on this topic, and we thank you for the opportunity to comment on this important matter. The Bank shares the FHFA's goal of promoting safety and soundness and believes that the election of qualified and accountable directors is a critical element in achieving that goal. With that shared goal in mind, we offer the following comments for your consideration:

- **Permit the FHLBank Boards to Establish the Number of Public Interest Directorships.** The FHFA requests comment on whether the FHFA Director or the FHLBank boards should establish the number of public interest directorships for each FHLBank. We believe that FHLBank directors should designate the number of public interest directorships because the directors are in the best position to identify the skills and experience needed by the board as a whole. Depending on the particular skills of incumbent directors and other considerations, such as the FHLBank's strategic goals or risk profile, a board may determine that oversight is enhanced by having a greater number of individuals with the qualifications of public interest directors. At other times, depending on such considerations, a board may determine that its shareholders are better served by having no more than the number of public interest directors required by statute and a greater number of independent directors with skills and experience in other areas that address the FHLBank's needs at that time. The flexibility to make this determination enhances the board's ability to ensure that the board as a whole possesses the optimum combination of skills and experience.

- **Clarify the Interim Final Rule’s Application of the Statutory Term Limitation.** The FHFA seeks comment on the Interim Final Rule’s application of the consecutive full-term limitation in section 7(d) of the Federal Home Loan Bank Act (Bank Act). The Bank Act, as amended by the Housing and Economic Recovery Act of 2008, limits the service of directors chosen by election to three consecutive full terms; directors are then eligible for re-election two years after the end of the last full term. We understand and agree with the intention of the rule to ensure that existing three-year terms of both member and independent directors expiring after December 31, 2008 and four-year terms beginning after the effective date of the Act (July 30, 2008) are full terms. Terms beginning after July 30, 2008 that are shortened to implement staggering are not intended to be full terms; nor are they intended to be gaps in service. However, further clarification is needed to ensure that this intention is met and to address the application of the term limitation provision to directors appointed by the Federal Housing Finance Board.
- **Retain the Consultative Role of the Advisory Council.** The FHFA seeks comment on whether it should require the Advisory Council to play any specific role in consulting with the board regarding independent director nominees and whether the FHFA should prescribe procedures on how the consultation should take place. The form, content, and timing of advice that each FHLBank needs from its Advisory Council will differ depending on the background and experience of the FHLBank’s board and the FHLBank’s process for identifying nominees. As written, the Interim Final Rule provides adequate flexibility for each FHLBank and, therefore, we recommend no changes to this section.
- **Retain the Rule Permitting the Board to Nominate a Minimum of One Nominee for Each Independent Directorship.** The FHFA has asked whether FHLBank boards should be required to nominate more candidates for independent directorships than there are positions to be filled, if the board determines that there are sufficient applicants who are both eligible and qualified. The Bank agrees with the previously stated reason supporting the current practice that the most highly qualified candidates may not apply unless they are assured of a seat after having been nominated. Boards should be free to nominate the candidates who are most qualified and who will contribute experience and skills that enhance board oversight. A rule requiring more nominees than directorships to be filled may force boards to nominate candidates who meet the minimum requirements for eligibility and qualifications, but who are not the most qualified considering the board’s particular needs at the time. Such a rule potentially limits the board’s role to that of a conduit, merely placing eligible, qualified candidates’ names on the ballot. Given that independent directors are elected at large, shareholders may not be familiar with candidates who are not from their states, and they should be able to rely on the board’s judgment in identifying the most highly qualified candidates.
- **Do Not Require 20 Percent of Eligible Votes Cast to Elect Independent Directors.** The Bank requests that this requirement be deleted, or, in the alternative, that the minimum percentage be lowered to 10 percent. The Bank understands the concern the requirement is designed to address – that director-nominated candidates

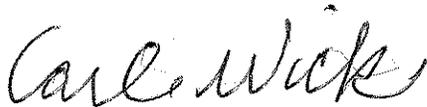
may not be the choice of shareholders. However, such a concern is minimized in the context of the Bank cooperative structure, where member shareholders nominate and elect 60 percent of the board and Bank management is prohibited from serving on the board. If, despite this factor, the FHFA determines to retain such a requirement, the requirement should be reduced to a lesser percentage, such as 10 percent, to mitigate the possibility of failed elections.

- **Clarify the Election Process following Failed Independent Director Elections.** If the FHFA retains some percentage requirement for the election of independent directors, it should more explicitly define the process for holding elections subsequent to an election in which a nominee fails to obtain the required percentage of votes.

- **Bylaws and Independent Director Nominating and Election Procedures.** The Bank requests the FHFA not require the FHLBanks to include detailed procedures in their bylaws for the nomination and election of independent directors. The Interim Final Rule is, effectively, the procedure. Therefore, the statutory requirement for inclusion of such procedures in the FHLBanks' bylaws can be satisfied with a reference to applicable regulations.

Thank you for your consideration of our comments.

Sincerely,



Carl F. Wick
Chairman
FHLBank Cincinnati Board of Directors