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February 3, 2025

Federal Housing Finance Agency
Office of the Director
400 7th Street, SW, 9th Floor
Washington, DC 20219

**RE: Federal Home Loan Bank System Boards of Directors and Executive Management
Comments - RIN 2590-AB24**

Dear Mr. Jones:

The Independent Community Bankers of America (“ICBA”)¹ appreciates the opportunity to comment on the Federal Housing Finance Agency’s (“FHFA”) proposed rule focusing on the Federal Home Loan Bank (“FHLB” or “Bank”) boards of directors (“boards”) and executive management governance. One component of the proposed rule is to better articulate existing requirements and rules surrounding corporate governance of the FHLBs and the Office of Finance. A second component makes significant changes to the governance of FHLB Boards, including director qualifications, subject matter expertise, and leadership characteristics. These changes are designed to strengthen the FHLB Boards and to “enable them to effectively address emerging risks and to oversee the safety and soundness and mission achievement of the Banks in today’s financial market environment.”²

ICBA agrees that it is crucial that the FHLBs maintain sound governance comprised of capable and expert directors. Each Bank’s effectiveness and overall success is influenced by the makeup of the boards. While we appreciate that FHFA is taking positive steps to ensure each Bank is equipped to nominate and maintain executive boards, we caution FHFA against being overly prescriptive or undermining FHLB authority to effectively populate their boards according to their respective needs.

¹ The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation’s community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America’s community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers’ financial goals and dreams. For more information, visit ICBA’s website at icba.org.

² <https://www.fhfa.gov/document/federal-home-loan-bank-system-boards-of-directors-and-executive-management-proposed-rule>, p. 8.

FHFA should mainly defer to each FHLB regarding substantive changes to director eligibility, qualifications, compensation, and nomination procedures. Moreover, we strongly urge FHFA to continue to engage with the FHLBs and member institutions that might be directly impacted by any of these proposed changes.

ICBA Recommendations

- 1. FHFA should not be overly prescriptive or reduce FHLB authority to appoint, evaluate, and compensate board directors.** Existing processes and procedures have allowed each FHLB to select directors according to their respective goals and membership composition. They are also consistent with the FHLB mission and public interest requirements as amended by the Federal Home Loan Bank Act.³ We therefore urge FHFA to allow each FHLB the latitude and flexibility to appoint directors based on the eligibility and qualifications they deem appropriate. Unless there is unanimous agreement regarding FHFA's proposals, additional director qualifications should largely originate from the FHLB boards and not be imposed by FHFA on the FHLBs.

The FHLB boards should also have ample authority to set appropriate director compensation without arbitrary fee cap standards. The proposed rule would essentially allow the FHFA Director to set fees and compensation. This appears to be contrary to the congressional intent that FHLB board of directors have the authority to set director compensation.⁴

- 2. FHFA should continue to engage with the FHLBs and their members to ensure that proposed changes do not negatively impact director representation on the boards.** Community banks, for example, greatly utilize and depend on the FHLBs for liquidity and funds to invest in local communities. They also actively participate on the FHLB boards as member directors; their perspectives and knowledge of the system are uniquely valuable, and it is important that their participation is not minimized or diluted with the implementation of any new proposed requirements. This necessitates ongoing member engagement and additional opportunities to comment before any final rule.

The proposed rule establishes new independent director eligibility requirements, including additional qualifications in areas selected to prepare the FHLBs for existing and future market trends. We again urge FHFA to be cautious that this approach does not undermine FHLB ability to

³ <https://www.ecfr.gov/current/title-12/chapter-XII/subchapter-D/part-1261>

⁴ 12 USC 1427(i)(1).

select board directors and that overly prescriptive standards do not impact existing member directors or member directors transitioning to become independent directors.

ICBA appreciates the opportunity to comment on this proposed rule and looks forward to working with FHFA going forward on this important issue.

Sincerely,

Tim Roy
Vice President – Housing Finance Policy