

TRANSCRIPT OF PROCEEDINGS

FEDERAL HOUSING FINANCE BOARD

BOARD MEETING

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FEDERAL HOUSING FINANCE BOARD

BOARD MEETING

Federal Housing Finance Board
1777 F Street, N.W.
Board Room
Second Floor
Washington, D.C.

Wednesday, January 19, 2000
10:00 a.m.

PRESENT:

- BRUCE A. MORRISON, Chairman
- DIRECTOR J. TIMOTHY O'NEILL
- DIRECTOR WILLIAM C. APGAR
- WILLIAM W. GINSBERG
- ERIC RAUDENBUSH
- DEBORAH SILBERMAN
- JOSEPH MC KENZIE
- NEIL CROWLEY
- JAMES BOTHWELL
- THOMAS JOSEPH

1 P R O C E E D I N G S

2 (10:11 a.m.)

3 CHAIRMAN MORRISON: The meeting will come to
4 order.5 Item number one on the agenda is the Final
6 Rule: Reorganization of Finance Board Regulations.

7 Mr. Ginsberg, Managing Director.

8 MR. GINSBERG: Thank you, Mr.
9 Chairman, Members of the Board.10 Without further ado, I will turn this item
11 over to Eric Raudenbush in the Office of General
12 Counsel.

13 Eric?

14 MR. RAUDENBUSH: Thank you.

15 Good morning, Mr. Chairman, and Board Members.

16 Staff today is proposing that the Board vote
17 to finalize our Rule reorganizing the Finance Board's
18 Regulations.19 We published a Proposed Rule in September
20 proposing to establish new subchapters within Chapter 9
21 of the Code of Federal Regulations, and to take the
22 existing material in the Regulations and reorder that
23 into the new subchapters, and using new part numbers in
24 order to make it flow more logically and to reflect the
25 current way that the Bank System and the Finance Board

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1 are regulated.

2 The changes between the proposed Rule and the
3 Final Rule that is being presented today basically have
4 to do with the fact that the Financial Management and
5 Mission Achievement Regulation, which was published in
6 proposed form at the same time that the Reorganization
7 Rule was published in proposed form, has been withdrawn.

8 And therefore at the Proposed Rule stage,
9 things that are going to be FMMA items were marked in
10 the proposed Reorganization Rule with the FMMA
11 designations, but because that Rule has been withdrawn
12 parts of it may go forward piecemeal.

13 The Reorganization Rule has been changed to
14 remove the FMMA designations but to keep some of those
15 sections reserved in there that we know we are soon going
16 to do rulemakings on. So even though they will not be in
17 there as soon as the reorganization occurs, it will be
18 clear where they will fall within the reorganization.

19 Other than that, there has just been some
20 minor renumbering of the part numbers by staff, just
21 to give a little more breathing room in the organization
22 in case new, unforeseen regulations will
23 be added in the future and they can be put in
24 logically without some massive renumbering to keep
25 the logic of the rule intact.

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1 There is nothing that appears in the Final
2 Rule before you today that is not either an existing
3 regulation or something that has been previously
4 proposed in the earlier Reorganization Proposed Rule.

5 We received no comment letters, so obviously
6 public comments were not taken into account in
7 formulating the Final Rule.

8 Other than those changes, the Final Rule
9 simply, as did the Proposed Rule, consolidates
10 general definitions into one section and makes
11 some technical changes to make the Rules conform
12 to the nomenclature of the CFR as it properly
13 should.

14 If anyone has any questions, I would be
15 happy to answer them.

16 CHAIRMAN MORRISON: This document that's
17 redlined that everyone has is essentially the roadmap of
18 how this has changed?

19 MR. RAUDENBUSH: Comparing the Proposed Rule
20 to the Final Rule.

21 CHAIRMAN MORRISON: To the Final as far as.

22 MR. RAUDENBUSH: There are a few minor
23 typographical errors in that, but however they would be
24 minor tweaks that were made in titles; but, yes, that's
25 the proper organization.

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1 CHAIRMAN MORRISON: Okay. Does anyone have
2 any questions or comments about this proposal that Eric
3 and I have enjoyed so much together.

4 DIRECTOR APGAR: And we managed to do it
5 without any comments.

6 CHAIRMAN MORRISON: Yes.

7 DIRECTOR O'NEILL: One thing.

8 Although most of the ones that are stricken
9 because of FMMA are reserved, some of them are stricken
10 completely like Part 916.

11 I guess that's because under the statute, we
12 no longer have responsibility for that? So it's just
13 stricken with nothing else?

14 MR. RAUDENBUSH: Right. I'm sorry. That was
15 actually taken out as part of the Devolution Rule that we
16 did, I think it was at the last Board meeting?

17 MR. GINSBERG: Right.

18 MR. RAUDENBUSH: That also brings to mind the
19 fact that I forgot to mention the topic of Investments,
20 which is now Part 956, and Deposits which is Part 969,
21 because of the Modernization Act, that of course was part
22 of the reason FMMA did not go forward simultaneously with
23 this, but the information that is in Part 956 and Part
24 969 is sort of outdated regulations which we had intended
25 to remove but which were moved from, sort of put in there

1 as a holding action until new regulations could be done.

2 So that change, and removal of items that
3 needed to be removed because of the Modernization Act
4 that were previously removed but this reflects the fact
5 that they had been removed.

6 MR. GINSBERG: But I think in response to
7 Director O'Neill's question or point, is it not right to
8 say, Eric, that this Final Rule does reflect things that
9 the Board has done.

10 MR. RAUDENBUSH: Right.

11 MR. GINSBERG: Since the Proposed Rule.

12 MR. RAUDENBUSH: Right. I did not make myself
13 clear.

14 MR. GINSBERG: That's another element of
15 change since the Proposed Rule.

16 MR. RAUDENBUSH: Right. It reflects changes
17 that were made because of the Modernization Act and other
18 changes made to the Regs since the proposed Rule
19 occurred. Those changes aren't being made for the first
20 time.

21 DIRECTOR O'NEILL: So that means, for example,
22 under Part 985 the Office of Finance, that this would be
23 the new one, taking into account what we did at the last
24 Board meeting as far as the Office of Finance?

25 MR. RAUDENBUSH: Well, no, it's not that yet

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1 because it just proposed.

2 MS. SILBERMAN: That's just a Proposed Rule.

3 MR. RAUDENBUSH: That was the Proposed Rule,
4 but everything that's in here is what is currently our
5 Regulations. Whether it has yet been published or not,
6 it's in the form that it is currently, so that has not
7 yet become finalized.

8 CHAIRMAN MORRISON: But I guess your point is
9 that the Office of Finance was spread into three
10 different parts here, you've brought them all together?

11 CHAIRMAN MORRISON: I mean these things
12 were all over the place.

13 MR. RAUDENBUSH: Right. They were.

14 CHAIRMAN MORRISON: And you've put them all
15 together under one.

16 MR. RAUDENBUSH: Existing separate and apart
17 and, yes, they were just brought together in the same
18 section.

19 CHAIRMAN MORRISON: That sort of reflects
20 in a nutshell what the problem was; that things had just
21 sort of been put in order whenever somebody thought of
22 them and added them to the Regs and they got the next
23 number.

24 MS. SILBERMAN: Right.

25 CHAIRMAN MORRISON: And they were hanging

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1 around. And it probably only matters to us and other
2 people will have to actually regularly access our
3 regulations, which is a small priesthood to which special
4 ceremonies are required to join.

5 CHAIRMAN MORRISON: But in any case, for
6 those of us who like things in their outlined, orderly
7 form, this is quite satisfying.

8 DIRECTOR O'NEILL: And Subchapter J about
9 New Federal Home Loan Bank Activities, are those the
10 pilots? It says "Reserved."

11 MR. RAUDENBUSH: Under FMMA, that was a
12 certain construct having to do with new business
13 activities of the Banks. Presumably we'll be going
14 forward with something similar to that which I
15 personally don't know but leave that heading on there.

16 CHAIRMAN MORRISON: Well there is no
17 change by this in our current procedure for approving
18 new pilot activities, which is under the FMP. This
19 doesn't supplant that or do anything to that.

20 But when we proposed the FMMA, we proposed
21 a Notice and Opportunity for the Board to act process
22 for new activities. And that is not anywhere.

23 The space is reserved for that concept, which
24 I would expect we would be considering sometime this
25 spring when we're talking about things like member

1 mortgage assets and such definitions, that it would be
2 our goal to create a mechanism by which the Banks can
3 move forward on new ideas but give us notice and then
4 opportunity if we think that they're questionable as to
5 either safety and soundness or compliance with mission
6 limitations that we would act; otherwise, not.

7 DIRECTOR O'NEILL: Well speaking of FMP, how
8 does FMP get subsumed under this?

9 MR. RAUDENBUSH: Well as I very inarticulately
10 was attempting to explain before we kind of got up a
11 blind alley, we have an existing regulation, Section
12 934.1 on Investments which basically allows the Banks to
13 make investments, among other things, according to the
14 policy of the Finance Board.

15 And the Financial Management Policy has been
16 that policy for the last seven or eight years, however
17 long it's been.

18 MS. SILBERMAN: Twenty years.

19 MR. RAUDENBUSH: So that's the way it works
20 right now. The Regs sort of hand off that authority to
21 the FMP. That is one of the old Regs that I was talking
22 about that we've preserved temporarily in a new position
23 because the FMP still is in place.

24 So as imperfect as that setup is, we would
25 still need a Reg in place.

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1 DIRECTOR O'NEILL: Well is it the FMP. The
2 only thing that the FMP deals with is Investments?

3 MR. RAUDENBUSH: No, anything that the FMP
4 does deal with, all of the financial management of the
5 Banks, remains in place because we don't have any Regs.

6 MR. RAUDENBUSH: It's the same exact
7 Mechanism.

8 DIRECTOR O'NEILL: And all of that now is
9 under Investments?

10 MR. GINSBERG: No. This does not change the
11 FMP, per se. The FMP remains in place.

12 DIRECTOR O'NEILL: Well where is it in this.

13 MR. GINSBERG: It's not. It remains in place
14 as a policy, not as a regulation.

15 DIRECTOR O'NEILL: Oh, that's right. It's a
16 policy. It's not a regulation, it's a policy.

17 MR. GINSBERG: What Part 956 becomes, as Eric
18 just said, is the old Section 934.1 which basically says,
19 which refers to the Board's policies as to investments,
20 which is the FMP. This simply takes the existing
21 Sections 934.12 and 13 and brings them together in a new,
22 renumbered Part 956. That's all.

23 CHAIRMAN MORRISON: The process of replacing
24 the FMP with a regulatory framework is part of the work
25 that we're in the middle of, because risk-based capital

1 and everything that comes with that will supplant a lot
2 of the risk management that is in the FMP.

3 Definitions of Member Mortgage Assets, and
4 Other Assets that the Banks are authorized to hold will
5 supplant that part of the FMP.

6 Rules like this were contained in the
7 Prudential Rules Section of the FMMA that dealt with
8 limits on Equity Investment or other such things, and
9 limits on Exposure to Counterparties, and Systemwide
10 versus Individual Bank, all that sort of stuff is
11 ultimately going to have to come forward in one or
12 another of the things that's marching forward toward us.

13 DIRECTOR O'NEILL: So, for example, the FMP
14 Policy dealing with Capital will be supplanted by Part
15 930, which is Subchapter E dealing with Federal Home
16 Loan Bank Management and Capital Standards, so that
17 will be a regulation replacing part of the Financial
18 Management Policy.

19 CHAIRMAN MORRISON: Right. And it's more
20 complicated than that, not meaning to prolong this, but
21 where we propose the Office of Finance Regulation, one of
22 the things that we did was to put in place a different
23 way of articulating the leverage limit which had
24 previously been on the debt side, and to bring it up to
25 date to modern ways of doing, that's why it was put on

1 the asset side.

2 So that's hanging out there as part of the of
3 Proposal.

4 But by June on our schedule we will have these
5 blanks filled in and we'll know where we're going and
6 there's really no confusion as to what the current Rule
7 is.

8 The FMP is the current Rule for all of these
9 things, and there are various proposals. But we've got a
10 lot of train track. I guess we've got a lot of cars on
11 the train that are being shuttled up and put in place.

12 This is basically a map as to where they go.

13 DIRECTOR O'NEILL: Okay.

14 CHAIRMAN MORRISON: Any other questions,
15 comments, things we have not covered?

16 (No response.)

17 CHAIRMAN MORRISON: If not, all in favor of
18 approving the Regulation as final, please say aye.

19 (Chorus of ayes.)

20 CHAIRMAN MORRISON: Opposed, no.

21 (No response.)

22 CHAIRMAN MORRISON: The Regulation is
23 approved.

24 I would ask unanimous consent that the staff
25 be permitted to make conforming and technical changes so

1 as to publish this as a Final Regulation in the Federal
2 Register.

3 (No response.)

4 CHAIRMAN MORRISON: Without objection, so
5 ordered.

6 Okay, Item number two: Proposed Rule on the
7 Calculation of REFCORP Obligation.

8 MR. GINSBERG: Mr. Chairman, Item two is part
9 of our ongoing activity to do our duty as specified in
10 Gramm-Leach-Bliley. In this case with respect to changes
11 in the calculation of the REFCORP obligation owed by the
12 Federal Home Loan Banks.

13 And this proposed rule deals with the
14 calculation of that. I'm going to ask Joe McKenzie from
15 the Office of Policy to describe the proposed rule to the
16 Board.

17 Joe?

18 MR. MCKENZIE: Good morning, Mr. Chairman,
19 Board Members.

20 The staff is requesting Finance Board
21 consideration of a proposed rule that would implement
22 Section 607 of the Gramm-Leach-Bliley Act.

23 That Section changed the statutory
24 obligation of the Federal Home Loan Banks to pay the
25 Resolution Funding Corporation a flat \$300 million per

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1 year to an obligation to pay REFCorp 20 percent of net
2 earnings.

3 As required by the statute, the proposed rule
4 sets forth the methodology to determine when the Banks'
5 REFCORP payments will end, which is when the actual
6 payments made by the Banks equals a \$300 million annuity
7 whose maturity date is April 15th of 2030.

8 The Financial Institutions Reform, Recovery,
9 and Enforcement Act of 1989 established FIRREA as part of
10 the mechanism for resolving failed savings institutions.

11 REFCORP has issued just under \$30 billion of
12 long-term, non-callable bonds with final maturities that
13 range from October 15th, 2019 to April 15th, 2030.

14 FIRREA requires that the Banks annually pay
15 \$300 million in interest payments on these bonds, if
16 REFCORP income from other sources was insufficient to pay
17 the interest due.

18 That has been the case. The REFCORP income
19 from other sources has always been insufficient, and the
20 Banks have paid \$300 million annually to REFCORP.

21 They have paid this \$300 million in four
22 quarterly installments of \$75 million each.

23 Before the amendments made by the Gramm-
24 Leach-Bliley Act, the Banks obligation to REFCORP would
25 have ended in the first quarter of 2030 when they would

1 have accrued their final payment of \$75 million. This
2 would have been made payable on April 15th, 2030, which
3 is the final maturity date of the last REFCORP Bond.

4 The Gramm-Leach-Bliley Act changes the Banks
5 REFCORP obligation from \$300 million annually to 20
6 percent of net earnings.

7 To ensure that the Banks pay their entire
8 obligation to REFCORP, the Act requires the Finance Board
9 annually to determine the extent to which the value of
10 aggregate payments made by the Banks under the 20
11 percent regime exceeds or falls short of an annuity of
12 \$300 million per year that commences on the issuance date
13 of the REFCORP bonds and ends on the final scheduled
14 maturity date of those Bonds.

15 The Act also requires the Finance Board to
16 select appropriate present-value factors for making such
17 determination in consultation with the Secretary of the
18 Treasury.

19 The proposed regulation before you offers a
20 methodology for making the required determination and
21 adjusting the date of the final REFCORP payment due from
22 the Banks.

23 The methodology entails the simulated purchase
24 each quarter of zero-coupon Treasury Bonds to defease the
25 most distant non-defeased quarterly payment of \$75

1 million.

2 When all future \$75 million quarterly payments
3 have been defeased, the Bank's obligation to REFCORP
4 would cease.

5 Let me give an example of how this scheme
6 would work.

7 Suppose the Bank's income for the first
8 quarter of two thousand, which is 20 percent of net
9 income was \$86.3 million. The excess over the \$75
10 million that they've been paying now are \$11.3 million.

11 The future value of this \$11.3 million, using
12 as a discount rate the interest rate on a 30-year
13 Treasury Zero, is \$75 million.

14 Thus, this \$11.3 million above the \$75 million
15 would fully defease the Bank's REFCORP payment that's due
16 on April 15th of 2030.

17 If 20 percent of the Bank's income in the
18 first quarter of 2000 were greater than \$86.3 million,
19 then all or part of the payment due on January 15th of
20 2030 could also be defeased.

21 And if 20 percent of earnings were between \$75
22 million and \$86.3 million, then only a portion of the
23 payment due on April 15th, 2030, would be defeased.

24 Conversely, if 20 percent of net income for a
25 quarter were less than \$75 million, the defeasement

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1 scheme would work in reverse and, instead of lopping
2 payments off from the end, you would simply add payments
3 on to the end.

4 Longstanding REFCORP practices call for
5 quarterly payments by the Banks, and we expect this
6 practice to continue.

7 A quarterly calculation of the appropriate
8 present-value factors is consistent with the current
9 quarterly payment practice and best assures that the
10 Banks receive credit for the time value of money for
11 any payments in excess of \$75 million per quarter or,
12 conversely, are charged interest for REFCORP quarterly
13 payments less than \$75 million.

14 The staff recommends that the recalculation
15 of the Banks final REFCORP payment due date be done
16 quarterly, and staff views that this quarterly
17 calculation is consistent with the Act.

18 The use of Zero-Coupon Treasury Bonds is
19 consistent with OMB Circular A-11 which implements
20 the Federal Credit Reform Act of 1990.

21 Finance Board staff has informally discussed
22 this methodology with the staff of both the Office of
23 Management and Budget and with the Treasury Department's
24 staff and they both generally supported the overall
25 approach.

1 Staff will transmit a copy of the proposed
2 Rule to the Secretary of the Treasury and the Finance
3 Board staff will consider any comments the Secretary or
4 his staff makes during the comment period.

5 We consider the transmittal of the proposed
6 rule and consideration of any comments made by the
7 Treasury Department to fulfill the statutory requirement
8 for consultation with the Secretary in determining the
9 appropriate present-value factors.

10 Staff recommends a 30-day comment period.
11 A longer comment period would not permit the Finance
12 Board to take action on a final rule before the April
13 15th, 2000, date of the Banks first payment based on
14 20 percent of net earnings.

15 I would be happy to answer any questions you
16 may have.

17 CHAIRMAN MORRISON: Questions?

18 (No response.)

19 CHAIRMAN MORRISON: Comments?

20 DIRECTOR O'NEILL: I would like to compliment
21 the staff. Obviously people like the Office of
22 Management and Budget have dealt with these kinds of
23 issues, and I think it was great that we asked for their
24 help. I think this is a great way of getting over a
25 messy subject.

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1 DIRECTOR APGAR: That sounds like the
2 flexibility of the added value, and presumably we were
3 told to do it, and it's nice that we've done it so
4 quickly.

5 CHAIRMAN MORRISON: Yes, well, I think we
6 should tell the American Banker that the first rules for
7 form have actually been done in December, but apparently
8 we don't count in the accounting here.

9 It says "FFIAC Agencies Only."

10 CHAIRMAN MORRISON: The staff has been very
11 prompt, and we obviously passed rules at our last meeting
12 and we're proposing this rule which is required by the
13 statute, and we have all the other rules, as we said
14 earlier, marching down the track to join us sometime this
15 spring.

16 So whatever it is that the staff on the Hill
17 is interested in, they're not going to be disappointed at
18 the speed with which we move forward and, you know, have
19 their questions about whatever it is that is inside the
20 pages, inside the covers of the book, but the book will
21 be done.

22 So are there any other concerns?

23 (No response.)

24 CHAIRMAN MORRISON: The 30-day comment period
25 is short but legally sufficient, and certainly necessary

1 for the time frame that we have to deal with.

2 So may I have a motion to approve the proposed
3 rule for publication?

4 DIRECTOR O'NEILL: So moved.

5 CHAIRMAN MORRISON: All in favor, please say,
6 aye.

7 (Chorus of ayes.)

8 CHAIRMAN MORRISON: Opposed, no.

9 (No response.)

10 CHAIRMAN MORRISON: The motion is adopted, and
11 I ask unanimous consent that the staff be permitted
12 (pause)

13 MS. SILBERMAN: Mr. Chairman?

14 CHAIRMAN MORRISON: Yes.

15 MS. SILBERMAN: Before (pause)

16 CHAIRMAN MORRISON: Oh, we forgot.

17 I ask unanimous consent that the technical
18 amendment, which has been circulated, be added to the
19 proposed rule for publication, which is actually not
20 specifically related to this annuity requirement but
21 is just correcting language that exists in the AHP Reg
22 for the AHP assessment, and is based on the old \$300
23 million a year rather than 20 percent a year formula.

24 That is purely technical because there is no
25 longer a pro rata share. It is 20 percent for everybody.

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1 So without objection, this will be added to
2 the proposed rule, and I apologize for overlooking it and
3 once again ask unanimous consent that any other technical
4 or conforming changes of similar noncontroversial and
5 nonsubstantive nature be permitted by the staff in the
6 publication process.

7 (No response.)

8 CHAIRMAN MORRISON: Without objection, so
9 ordered.

10 The next item on the agenda was to be the
11 Interim Final Rule: Amendments to Election Regulation.

12 We do not have, as you know by your Board
13 book, we do not have a proposed rule here. Rather
14 than just knock it off the agenda, I thought I should
15 give a report on what's involved and where it is.

16 As you know from an earlier meeting where we
17 needed to act on directorships, the changes in the terms
18 and the imposition of a staggering requirement with
19 respect to directorships appears simple until you do it,
20 or try to do it.

21 The reason that it turns out not to be simple
22 is that our requirements for board membership are not
23 simple for the Banks.

24 They are an overlay of several generations
25 of changes. And so there is a state-by-state one-

1 state/one-vote requirement.

2 There is a maximum of six votes per state
3 requirement.

4 There are grandfather requirements that say
5 states cannot have less representation than they had at a
6 certain point in 1960, which is one of the times that the
7 structure of the boards was changed in the past.

8 And then there are, on top of that,
9 discretionary increases in board membership that are
10 permitted and that have been exercised from time to time
11 for various reasons.

12 So with all of those quotas, when you then
13 say: And now have it so over years at a time people
14 will have essentially one-third of the board rotating
15 every year, this is not rocket science, but it's close.

16 We have made the tentative decision, initial
17 decision, to propose to do the staggering of appointed
18 directors and elected directors separately, although with
19 attention to one another, because to try to do them
20 together when they're two separate electoral processes
21 and two sets of rules is sort of beyond comprehension.

22 But then within the elected directorships we
23 have all these quotas that we have to work through. And,
24 while it is easy to look at a list and say well let's
25 just give these people these terms, what that overlooks

1 is that next year when we do the designation some of
2 those directorships may move from one state to another,
3 and the person who is in the directorship is not a legal
4 representative of, under the statute of the state that
5 now has the right.

6 So working through this, and Neil has been
7 diligently trying to do this, we would hope in the near
8 future to have a structure. But some consideration may
9 be given, I think we've had this as an Interim Final
10 Rule, if we can make the timing work and we can get it
11 done quickly enough, it may be useful to propose it and
12 then do it final just because I'm sure the first reaction
13 to it is going to be: Why is it so complicated?

14 Because then they have to call Neil, and Neil
15 will ask them if they'd like to come and try to do it,
16 and then after he makes that offer they'll say, oh, all
17 right.

18 CHAIRMAN MORRISON: Because Neil has suffered
19 through it for two months now.

20 So what I would like to suggest is that, if it
21 is agreeable to my colleagues, while we usually don't do
22 regulations, except at formal Board meetings, we don't
23 usually do them by Notational Vote, it is certainly
24 within our authority to do them by Notational Vote, and
25 that we can move this process along more quickly and do a

1 proposed reg and not be under time pressure if, as soon
2 as Neil can get it done, we could put it out for
3 notational vote, if that's agreeable.

4 Obviously if, upon seeing it, any member of
5 the Board is uncomfortable, we can obviously defer it.
6 But we will try not to have that be the case so that we
7 can move the ball forward.

8 The pending concern in the Banks is that we
9 have this ineffective election that has occurred. Now
10 overall a majority of those who were re-elected, are
11 unaffected because they were on the Board and they got an
12 extension of a year and they were re-elected, too.

13 So while there was much storm and drama about
14 it, the numbers of people who were actually affected is
15 pretty small.

16 On the other hand, we have basically said
17 to the Banks that they are going to have an option to
18 either use that election for 2001 or to void it. And
19 some of the Banks have purported to decide that question
20 already, which is really kind of premature and
21 ineffectual since they haven't been authorized to do
22 that, and they can't really do it because there are a
23 bunch of decisions they have to make about staggering.

24 And so whatever they thought they were doing
25 won't be valid if they did that, and so they'll want

1 reassurance, but they need to know that that won't work.

2 The other thing that we expect to do in this
3 rule is to require that, before they make a decision
4 about this to void or not to void or to ratify or not to
5 ratify, I suppose is a better way to put it, the election
6 that occurred in 1999, is that they need to consider,
7 they will have to see the designation of directorships
8 for the coming year.

9 Because if the designation of directorships
10 leaves them with slots to be filled that they didn't
11 elect somebody to, then that will be a reason to go and
12 do a new election.

13 And, you know, if the proportions have
14 changed in any significant way, they may have to do that
15 even though they would prefer to ratify the election.

16 So we need to have all of this come out in
17 final form by early April when the designation will be
18 coming forward and it will all sort of come together.

19 So that is kind of the time frame that we
20 are working on.

21 Are there any questions or comments?

22 Yes, Mr. O'Neill.

23 DIRECTOR O'NEILL: I appreciate that we
24 will be doing this via a Notational Vote. I know
25 that's not normally the way it's done, but I know

1 that several Banks have asked when we're going to put
2 out the criteria that are necessary so that the Banks
3 can make the decision.

4 As I understand, those criteria probably
5 have to be bound up with the staggering, so it is not
6 as simple as it looks. But I think that, to the
7 extent that we can get this done sooner rather than
8 later, that will be great.

9 So I also think a Notational Vote would be
10 the way to go.

11 CHAIRMAN MORRISON: Okay. Anything else?

12 (No response.)

13 CHAIRMAN MORRISON: If not, that is the
14 state of things and we have completed the agenda and
15 the meeting shall be adjourned.

16 Thank you.

17 (Whereupon, at 10:45 a.m., Wednesday,
18 January 19, 2000, the meeting was adjourned.)

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REPORTER'S CERTIFICATE

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3 DOCKET NO.: N/A

4 CASE TITLE: FEDERAL HOUSING FINANCE BOARD BOARD MEETING

5 HEARING DATE: January 19, 2000

6 LOCATION: Washington, DC

7

8 I hereby certify that the proceedings and evidence are
9 contained fully and accurately on the tapes and notes
10 reported by me at the hearing in the above case before the
11 Federal Housing Finance Board.

12

13

14 Date: January 19, 2000

15

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