



**PACIFIC**  
**COMMUNITY**  
CREDIT UNION

November 18, 2008

Robert E. Feldman  
Executive Secretary  
Attention; Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 Seventeenth Street, N.W.  
Washington, D.C. 20429  
Email: [comments@fdic.gov](mailto:comments@fdic.gov)

Re: Notice of Proposed Rule Making - Minimum Capital Ratios (FDIC RIN# 3064-AD34)

Dear Sir or Madam:

I would like to comment on the federal banking agencies' proposed rule to allow banking organizations to assign a 10 percent risk weight to claims guaranteed by Fannie Mae and Freddie Mac while maintaining a 20 percent risk weighting for FHLBank debt obligations.

Our credit union welcomes a reduction in the capital requirement for holding obligations of Fannie Mae and Freddie Mac but we believe the rule should also assign a 10 percent risk weighting to FHLBank debt obligations. Our primary concern is that the proposal as drafted will put the FHLBanks at a competitive disadvantage by increasing the cost to the FHLBanks of issuing their debt obligations, and that those increased costs will be passed on to member financial institutions in the form of higher advance rates.

A higher risk-rating requirement for FHLBank could also limit the availability of advances during a time when we are depending on FHLBank as an important source of liquidity. It is our understanding that investors are already demonstrating a preference for Fannie and Freddie obligations and that spreads between FHLBank senior debt and comparable bonds issued by Fannie Mae and Freddie Mac have widened as much as 20 to 36 basis points since these entities were placed into conservatorship. We believe the proposed regulation will only aggravate this situation.

Because this proposal will increase the cost of advances available from the FHLBanks, it is also likely to increase the cost of mortgages that are funded by such advances. My institution and others depend on access to low-cost liquidity from the FHLBanks to provide credit in our communities for all types of loans. In particular, we depend on liquidity from the FHLBanks to make loans that do not meet conforming loan underwriting standards. Because the private securitization market is presently not an option for such loans, raising the cost of FHLBank advances would have a detrimental effect on the mortgage market and housing market, in some of the most severely impacted regions of the country, furthering the downward economic spiral in these regions.

Finally, many members of the FHLBanks are also investors in FHLBank System debt. While the proposed lower risk weighting for Freddie and Fannie debt is welcome, it is unfair to members as investors in FHLBank System debt to require a higher risk weighting for comparable FHLBank debt instruments. I strongly urge the OCC, the Board of Governors of the Federal Reserve System, the FDIC, and the OTS to treat all the housing GSEs as comparable with regard to risk-based capital rules.

Sincerely,

Kevin Pendergraft  
President and CEO  
Pacific Community Credit Union