INDEPENDENT COMMUNITY BANKERS of AMERICA

November 26, 2008

Submitted via email

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
RE: FDIC RIN 3064-AD34

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551
RE: Docket No. R-1335

Office of the Comptroller of the Currency
250 E Street S.W., Mail Stop 1-5
Washington, D.C. 20219
RE: Docket No. OCC-2008-0016

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: OTS-2008-0014

Dear Sir or Madam:

The Independent Community Bankers of America (ICBA)[1] welcomes the opportunity to comment on the proposal by the federal banking agencies to adopt a 10 percent risk weight for claims on, and the portion of claims guaranteed by, Fannie Mae or Freddie Mac.

On September 7, 2008, the U.S. Department of Treasury entered into senior preferred stock purchase agreements with Fannie Mae and Freddie Mac which effectively provide protection to the holders of senior debt, subordinated debt, and mortgage-backed securities issued or guaranteed by these entities. In light of the financial support provided under the agreements, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and Office of Thrift Supervision, propose the 10 percent risk weight, which would apply so long as an agreement remains in effect with the respective entity. Currently, under the banking agencies general risk-based capital rules, claims on and the portion of claims guaranteed by, U.S. government-sponsored agencies receive a 20 percent risk weight. In light of the additional financial support Treasury has

[1] *The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing over 300,000 Americans, ICBA members hold $1 trillion in assets, $800 billion in deposits, and $700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

INDEPENDENT COMMUNITY BANKERS of AMERICA *The Nation's Voice for Community Banks®*
1615 L Street NW, Suite 900, Washington, DC 20036 ▪ (800)422-8439 ▪ FAX: (202)659-3604 ▪ Email: info@icba.org ▪ www.icba.org

committed to provide under the agreements, the banking agencies believe that a reduced risk weight is appropriate for claims on or guaranteed by, Fannie Mae and Freddie Mac. The change in risk weight would not apply to preferred or common stock. Also, it would not affect the calculation of the leverage ratio with respect to these exposures.

ICBA strongly supports the proposed risk weight change but urges that it also apply to similar securities issued by the Federal Home Loan Banks. Fannie Mae and Freddie Mac are playing a critical role in providing liquidity and stabilizing the secondary market for residential mortgages during this time of significant market distress. The Federal Home Loan Banks too, with their strong housing mission, are providing funding and liquidity for the thousands and thousands of banks around the country. Just like Fannie Mae and Freddie Mac, the Federal Home Loan Banks have status as government sponsored enterprises (GSEs) and are regulated by the Federal Housing Finance Agency. And while the financial condition of the Federal Home Loan Banks is far stronger that than of Fannie Mae and Freddie Mac, in September the Treasury signaled to the markets that it also stood behind the Federal Home Loan Banks as it created a backstop lending facility for them. When Congress passed the Emergency Economic Stabilization Act of 2008 it authorized the purchase of Federal Home Loan Bank obligations in addition to those of Fannie Mae and Freddie Mac. On September 25, the Federal Reserve announced that it is initiating a program to purchase the direct obligations of all three GSEs and Ginnie Mae. The Federal Reserve said it took the action to reduce the cost and increase the availability of credit for the purchase of houses to support the housing markets and foster improved financial conditions for the markets.

Since, Fannie Mae and Freddie Mac were placed in conservatorship, the debt issued by the Federal Home Loan Banks has often traded at higher spreads over comparable Treasury securities than have Fannie Mae and Freddie Mac securities. We are concerned that if the debt of the Federal Home Loan Banks is not given the same risk weight as that for Fannie Mae and Freddie Mae, the capital markets will further penalize the Federal Home Loan Banks, increasing their cost of funds.

The Federal Home Loan Banks have an important role to play in supporting their financial institution members so they in turn have money to lend at attractive rates to stimulate the economy. We urge the banking agencies to work in tandem with--not against--the Treasury and the Federal Reserve and lower the risk weighting not just on Fannie Mae and Freddie Mac obligations but also on those of the Federal Home Loan Banks.

We appreciate the opportunity to share our views. If you have any questions about our concerns, please contact me by phone at 202-659-8111 or by email at ann.grochala@icba.org.

Regards,

/s/

Ann M. Grochala
Vice President
Lending and Accounting Policy