



AMERICAN

Savings Bank

October 24, 2008

Timothy K. Schools
President

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Dear Mr. Feldman:

Re: FDIC RIN# 3064-AD34 Treatment of Certain Claims On, or
Guaranteed By, Fannie Mae and Freddie Mac

This letter is a comment in response to the publication of the federal banking agencies proposed rule to allow a banking organization to assign a 10 percent risk weight to claims on, and portions of claims guaranteed by, Fannie Mae and Freddie Mac.

Our institution has significant concerns about the proposal. While a reduction in the capital requirement for holding obligations of Fannie Mae and Freddie Mac is welcome, the exclusion of the FHLBanks from the proposed rule is a significant and unfortunate oversight. This rule, if enacted in its current form, may have unintended adverse consequences for the banking system during this time of economic stress.

Our first concern is that the proposal suggests agencies of the U.S. government do not support the FHLBanks and their mission to the same degree as Fannie Mae and Freddie Mac. Such a perception does not make sense for the following reasons. First, the Congress created a new regulator to oversee all of the housing GSEs. Second, when the new regulator took control of Fannie Mae and Freddie Mac, the Director of the new regulator remarked that the FHLBanks are performing remarkably well and are well capitalized. Third, the Treasury is providing the same temporary backstop funding facility to all of the housing GSEs through the GSE Credit Facility. Finally, the New York Fed is providing support for the FHLBanks, as well as Fannie Mae and Freddie Mac, by purchasing their discount notes in recent open market operations.

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Despite these actions, my conversations with bond dealers and the FHLBank of Seattle indicate that investors are demonstrating a preference for Fannie and Freddie obligations. Spreads between FHLBank senior debt and comparable bonds issued by Fannie Mae and Freddie Mac have widened by 20 to 30 basis points since these entities were taken over by the new regulator.

Our greatest concern is that this proposal will result in further increases in the cost of advances available from the FHLBanks. Thousands of community banks depend upon access to low-cost liquidity from the FHLBanks, which allows us to lower home ownerships costs in our communities. I sincerely doubt that the federal banking agencies wish to raise the cost of funds for banks in this troubled market. If investors continue to believe that the obligations of the FHLBanks are somehow less creditworthy than those of Fannie Mae and Freddie Mac, they will demand higher yields to purchase FHLBank bonds, resulting in higher advance rates during a period when the banking industry is faced with the challenge of supporting housing finance and economic growth under difficult circumstances in the credit markets.

We strongly urge the FDIC, the Comptroller of the Currency, the Fed Governors, and the OTS to treat debt securities of all housing GSEs as comparable with regard to risk-based capital rules. We believe this to be the course of action that achieves the most favorable outcome for all stakeholders in the housing GSEs during this extraordinary time of financial crisis.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim", with a stylized flourish at the end.

Tim Schools