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November 13, 2008

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

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

Dear Mr. Feldman:

The New Jersey League of Community Bankers appreciates this opportunity to express our concerns with the federal banking agencies recent proposal 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. While a reduction in the capital requirement for holding obligations of Fannie Mae and Freddie Mac is welcome, the exclusion of the Federal Home Loan Banks from the proposed rule is a significant omission. If enacted in its current form, the rule would result in more expensive FHLBank costs of funding and, in turn, would increase the cost of advances to member banks.

Particularly in the current economic environment, the FHLBanks play a critical role in providing liquidity to member banks. We respectively ask that FHLBanks be given equal treatment in risk weighting for the following reasons: first, Congress created a new regulator, the Federal Housing Finance Agency (FHFA), to oversee all of the housing GSEs; second, when the FHFA took control of Fannie Mae and Freddie Mac, the Director remarked that the FHLBanks are performing remarkably well and are well capitalized; and third, the Treasury is providing the same temporary backstop funding facility to all of the housing GSEs through the GSE Credit Facility. Additionally, the Federal Reserve Bank of New York is providing support for the FHLBanks, as well as Fannie Mae and Freddie Mac, by purchasing their discount notes in recent open market operations.

Despite these actions, investors are demonstrating a preference for Fannie and Freddie obligations. Since these entities were placed into conservatorship by the Federal Housing Finance Agency, the FHLBanks' cost of issuing senior debt has actually *increased* by 20 to 30 basis points in comparison with comparable bonds issued by Fannie Mae and Freddie Mac.

Our greatest concern is that this proposal will result in further increases in the cost of advances from the FHLBanks. Our community bank members depend upon access to low-cost liquidity from the FHLBank of New York, which lowers home ownership costs in our communities. 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 in their local communities under difficult circumstances in the credit markets.

We urge the federal banking regulatory agencies to treat debt securities of all housing GSEs, including the FHLBanks, as comparable with regard to risk-based capital rules.

Thank you for this opportunity to comment on this important manner. I can be reached at 908-272-8500, ext 614 or jmeredith@njleague.com.

Sincerely,

James Meredith

James M. Meredith
Executive Vice President