Farm Credit System Insurance Corporation

November 12, 2008

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Re: Temporary Liquidity Guarantee Program – RIN 3064-AD37

Dear Mr. Feldman,

The Farm Credit System Insurance Corporation (FCSIC) appreciates the opportunity to comment on the FDIC's Interim Rule that establishes a Temporary Liquidity Guarantee Program (TLG Program) for the nation's insured banks and thrifts. The FCSIC is an independent Federal Government-controlled corporation whose primary mission is protecting investors who purchase insured Farm Credit System bank issued bonds and notes. To accomplish this task, the FCSIC manages the Farm Credit Insurance Fund with $2.8 billion in assets at September 30, 2008.

The Farm Credit System (System) is a Government Sponsored Enterprise (GSE) that finances 35 percent of all US farm business debt, providing credit to more than 450,000 agricultural producers and their cooperatives through a nationwide framework of 5 banks and 92 local retail associations. Currently, the System has assets exceeding $200 billion and capital exceeding $25 billion. The Farm Credit System banks issue unsecured consolidated debt obligations and, like the Federal Home Loan Banks, they are jointly and severally liable for the obligations. On September 30, 2008, the System banks had $174 billion in insured obligations outstanding.

If a Farm Credit System bank is unable to pay on a timely basis an insured debt obligation for which that bank is primarily liable, the FCSIC is required to pay the investor. The insurance provided through the Insurance Fund is not an obligation of and is not a guarantee by the United States government. Once the Insurance Fund is exhausted, joint and several liability of System banks can be invoked.

The FCSIC supports the Federal Government's initiatives to stabilize the financial markets, including the Emergency Economic Stabilization Act of 2008. We understand that extraordinary events have caused a serious erosion in confidence and unprecedented disruption in the nation's credit markets. However, steps taken to prevent future disruptions in the market may have unintended consequences that impair the Farm Credit System's ability to continue serving the agricultural needs of its borrowers. Like other firms that regularly access the capital markets,

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System funding costs have increased, particularly for longer term obligations, since establishment of the Federal conservatorships (Fannie Mae and Freddie Mac) and exclusive Federal Reserve backup borrowing facilities for all of the housing GSEs in early September. Funding costs increased again after the announcement of the new FDIC TLG Program in mid-October. Since October 10, the yield curve on Farm Credit System issuances reflects an increase of 50 basis points or more for debt securities with terms of 5 years or longer.

As part of the TLG Program the FDIC is guaranteeing the payment of certain newly-issued senior unsecured debt until June 30, 2012. The FDIC guarantee is designed to preserve confidence and encourage liquidity in the banking system. However, it also may have the unintended effect of eroding confidence and decreasing liquidity in senior unsecured debt of financial institutions that don't qualify for the guarantee, including the Farm Credit System banks. Already, investors who buy agency securities, including Farm Credit System debt, are reluctant to lend money for periods in excess of a year and the FDIC guarantee program may be exacerbating this problem. While the Farm Credit System remains well capitalized and has good asset quality, an increase in funding costs or the inability to issue longer term debt could affect its ability to provide credit to agriculture and Rural America. Furthermore, the financial assistance given to other institutions may lead investors to limit their debt purchases to those institutions because they perceive them to be more explicitly backed by the U.S. Government.

In light of the unprecedented market turmoil numerous new liquidity backstops have been added for financial institutions. In September, Treasury entered into a Senior Preferred Stock Purchase Agreement with both Fannie and Freddie to provide additional security to their debt-holders. Treasury also entered a Lending Agreement with each of the Federal Home Loan Banks to provide them a source of contingency liquidity. The recently passed Emergency Economic Stabilization Act temporarily lifted the borrowing limits for FDIC and NCUA with Treasury, again providing backup liquidity for these Federal entities. Now FDIC is providing a temporary guarantee for bank and thrift senior unsecured debt.

We agree with your decision to make the TLG Program time limited both for the new debt issuances that are covered as well as the sunset date for the guarantee coverage. We believe these time limits may help contain the unintended negative consequences being felt by the System banks and other ineligible issuers. We urge you to resist requests that may arise to extend either the issuance deadline beyond June 30, 2009 or the absolute final effective coverage date of June 30, 2012. We request that you monitor the effects of the TLG program on financial institutions that are not covered so that any additional temporary measures can be tailored to avoid unintended consequences from destabilizing non-FDIC insured financial institutions, including the Farm Credit System. If we can answer any questions about the Farm Credit System, please do not hesitate to contact us.

Sincerely

Nancy C. Pellett

Nancy C. Pellett
Chairman