Oneida Savings

November 4, 2008

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

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

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and 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

Att: OTS-2008-0014

Ladies and Gentlemen:

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 they support Fannie Mae and Freddie Mac. Such a perception does not make sense for the following reasons. First, 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

Oneida Savings

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 available from the FHLBanks. Thousands of community banks depend upon access to low-cost liquidity from the FHLBanks, which allows us to lower home ownership costs in our communities. We trust that the federal banking agencies do not intend 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 in their local communities under difficult circumstances in the credit markets.

We strongly urge the FDIC, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, 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,

Michael R. Kallet
President
And Chief Executive Officer