BANK AND TRUST COMPANY
ESTABLISHED IN 1870

November 13, 2008

Regulation Comment, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N. W.
Washington, DC 20552

Attention: OTS-2008-0014

RE: FDIC RIN #3064-AD34

We would like to comment on the proposal to lower the risk weighting for Fannie Mae and Freddie Mac debt to 10% from the 20% risk weighing. Such a change would be welcome by our institution, but seems to discriminate against debt of the Federal Home Loan Banks.

There may be unintended consequences to excluding FHLB from the change in risk weighting. Fannie and Freddie both had to be taken over by the government, while the new GSE regulator has stated that FHLB performed remarkably well and are well capitalized.

It appears that even the proposed change in risk weighting has impacted negatively on the cost of funding for FHLB. Spreads between FHLB bonds and those of Fannie and Freddie have widened since Fannie and Freddie were taken over by the government. Financial institutions that rely upon FHLB advances to fund residential home lending have to pay a higher cost for funds. Thus, the borrower ends up paying a higher rate.

We feel strongly that FDIC should not add to the problems by charging extra assessment to institutions using advances as a funding source. Most of the institutions that rely upon FHLB advances for 15% or more of their funding are OTS institutions. Thus, it sure appears that FDIC is discriminating against Savings institutions that use advances to fund home loans.

It is our feeling that FHLB should also be given the 10% risk weighting being proposed for Fannie and Freddie.

Sincerely,

W.M. Sharp,
EVP

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