FEDERAL HOME LOAN BANK OF DALLAS

8500 Freeport Parkway South
Irving, Texas
75063-2547

P.O. Box 619026
Dallas, Texas
75261-9026

214-441-8500
fax 214-441-8552
www.fhlb.com

November 25, 2008

By Electronic Mail to: comments@fdic.gov, regs.comments@occ.treas.gov, regs.comments@federalreserve.gov

By Facsimile to: 202-906-6518

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
Re: FDIC RIN # 3064-AD34
(Treatment of Certain Claims On, or Guaranteed By, Fannie Mae and Freddie Mac)

Office of the Comptroller of the Currency
250 E. Street SW, Mail Stop 1-5
Washington, DC 20219
Re: OCC Docket No. OCC-2008-0016

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551
Re: Docket No. R-1335

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: OTS-2008-0014

Ladies and Gentlemen:

The Federal Home Loan Bank of Dallas ("FHLB Dallas") appreciates the opportunity to comment on the agencies' proposed rule (the "Proposed Rule") that would allow institutions regulated by the agencies to assign a 10 percent risk weight for claims on, and the portion of claims guaranteed by, Fannie Mae or Freddie Mac (collectively, the "Enterprises"). In the Proposed Rule, the agencies requested comment on the potential effects of the proposal on other banking organization claims on government-sponsored enterprises ("GSEs"), such as Federal Home Loan Bank ("FHLBank") debt, and the appropriateness of the current 20 percent risk weight on claims on GSEs. This letter provides FHLB Dallas's views on those issues.

FHLB Dallas supports the proposed reduction of the credit risk weight for claims on, and the portion of claims guaranteed by, the Enterprises. However, FHLB Dallas is very concerned about the omission of claims on the FHLBanks from the proposed rule and urges the agencies to extend the credit risk weight reduction to include such claims.

In the release accompanying the Proposed Rule, the agencies explain that the proposed change reflects the reduction in credit risk of Fannie Mae and Freddie Mac as a result of financial support that the United States Department of the Treasury ("Treasury") has committed to the Enterprises. FHLB Dallas believes that similar factors have reduced the credit risk of the FHLBanks. Therefore, FHLB Dallas believes that the risk weight for claims on or guaranteed by the FHLBanks should therefore be lowered as well.

The agencies' release cites the Government-Sponsored Enterprise Credit Facility ("GSECF") extended by Treasury to Fannie Mae and Freddie Mac as one of the factors contributing to the enterprises' lower credit risk. We would note that the FHLBanks also have entered into a GSECF with Treasury. Similarly, on September 19, 2008, the Federal Reserve announced that the Open Market Trading Desk would purchase short-term debt obligations issued by both the Enterprises and the FHLBanks in the secondary market. These actions ensure that the FHLBanks have credit availability that is similar to that of the Enterprises.

In addition, the Housing and Economic Recovery Act of 2008 ("HERA") combined regulatory oversight of the Enterprises and the FHLBanks in the Federal Housing Finance Agency (the "FHFA"), provided the FHFA with the same regulatory authorities over the FHLBanks as over the Enterprises, and authorized Treasury to provide comparable levels of credit and capital support for the FHLBanks as for the Enterprises. In a September 7, 2008 statement, the Director of the FHFA, James Lockhart, observed that the FHLBanks had "performed remarkably well" during the past year. The FHLBanks are well capitalized and, because of their cooperative structure, their capital base grows as their lending activity grows.

In fact, the FHLBanks' cooperative business model has enabled the FHLBank System to serve as a reliable source of low-cost, long-term liquidity for member financial institutions since its creation in 1932. The FHLBanks' primary business activity is making fully collateralized loans (called advances) to member financial institutions. The FHLBanks' access to the capital markets and their ability to issue relatively low-cost debt have enabled them to continue to provide low-cost advances to their more than 8,000 members, which are predominantly community banks, throughout the current difficult circumstances.

The consistent access to liquidity and longer term funding that the FHLBanks have made available to their members during the recent economic difficulties has allowed those institutions to continue to serve their local communities. If the Proposed Rule is not revised to lower the credit risk weight with respect to the FHLBanks, investors may conclude that the agencies view FHLBank debt as a greater credit risk than that of the Enterprises, which could raise the cost of funds for the FHLBanks. Any such increase in the FHLBanks' cost of funds would likely result in higher advance rates to FHLBank members and might consequently have a negative impact on housing finance and economic growth in member institutions' communities.

Extending the credit risk weight reduction for claims on and guaranteed by the Enterprises to claims on and guaranteed by the FHLBanks would help ensure that the FHLBanks can continue to meet the liquidity and term funding needs of their members. This access to liquidity and term funding may be especially important to the FHLBanks' smaller members, which have access to fewer sources of liquidity and interest rate risk management tools than larger institutions have.

For the reasons stated above, FHLB Dallas strongly encourages the agencies to lower the risk weight with respect to claims on, or guaranteed by, the FHLBanks as the agencies propose to do with respect to the Enterprises. FHLB Dallas thanks you for the opportunity to be heard on this matter.

Sincerely,

Terry Smith
President and CEO