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Via Federal Express and E-Mail

November 25, 2008

Office of the Comptroller of the Currency
regs.comments@occ.treas.gov
Docket Number OCC-2008-0016
250 E Street, SW
Mail Stop 1-5
Washington, DC 20219

Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gov
Docket No. R-1335
Ms. Jennifer J. Johnson
20th Street and Constitution Avenue, NW
Washington, DC 20551

Federal Deposit Insurance Corporation
comments@FDIC.gov
RIN 3064-AD34
Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
550 17th Street, NW
Washington, DC 20429

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

Re: Minimum Capital Ratios; Capital Adequacy Guidelines; Capital Maintenance; Capital: Treatment of Certain Claims on, or Guaranteed by, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Dear Sirs:

CoBank, ACB appreciates this opportunity to comment on the proposed rule to lower risk weights for claims on, or guaranteed by, Fannie Mae and Freddie Mac as published in the October 27, 2008 Federal Register. CoBank is an institution of the Farm Credit System (System), which is a federally chartered network of borrower-owned cooperatives and related service organizations with a Congressionally-mandated mission under the Farm Credit Act to support agriculture and other vital

rural businesses. The System is the oldest government-sponsored enterprise (GSE) and has historically received the implicit support of the United States government, which has allowed it to reliably access the debt markets at favorable rates in order to fulfill its mission to provide sound and dependable credit to rural America. CoBank provides financing to agricultural cooperatives, rural energy, communications and water companies, its five affiliated Farm Credit Associations and other businesses that serve rural America. CoBank's five affiliated Farm Credit Associations serve specified geographic regions in the Northwestern and Northeastern United States. As of September 30, 2008, CoBank had \$43.1 billion in loans and leases outstanding to rural borrowers.

CoBank fully supports the comments to the proposed regulation submitted by the Federal Farm Credit Banks Funding Corporation (Funding Corporation), on behalf of the Farm Credit System Banks, but wishes to express its own very deep concern about the issue raised in the Funding Corporation's comments. We agree with the Funding Corporation that, even though the Farm Credit System has not engaged in the sort of lending and investment practices that have led to the current financial crisis, the recent actions taken by Congress, the Department of Treasury and other government regulators to stabilize the banking sector and the financial markets have so altered the functioning of the agency debt market that the Farm Credit System's ability to fulfill its statutory mission as a GSE to provide stable and dependable credit to rural America is being jeopardized. By specifically reducing the risk weighting of obligations of Fannie Mae and Freddie Mac from 20% to 10%, but not reducing the risk weighting of obligations of other GSEs, the proposed rule would very likely have the effect of putting the System at yet a further disadvantage in accessing funding and in the pricing of System debt on the agency debt market.

Although the proposed rule may be justified from the standpoint of relieving capital pressures on banks and supporting the mission and operations of Fannie Mae and Freddie Mac, this objective should not be achieved at the expense of the missions of the other GSEs. We strongly believe that unless the System is treated the same as Freddie Mac and Fannie Mae, the impact of this proposed rulemaking would impair our ability to efficiently access the debt markets. The net result would be an increase in the cost of credit, and possibly, a reduction in the amount of credit, that the System is able to make available to U.S. farmers, ranchers, agricultural and other rural businesses at a time when the need for credit is greater than ever and the amount of credit available from non-GSE sources is limited.

While the preamble to the proposed rule cites the U.S. Treasury Department's agreement to purchase preferred stock in Fannie Mae and Freddie Mac as the justification for reducing the risk weighting of Fannie Mae and Freddie Mac obligations, and the System is clearly not a party to that agreement, a reduced risk weighting for System obligations could nevertheless be justified by the fact that the System's debt securities are the only GSE debt securities directly protected by a dedicated federal insurance fund, administered by an independent federal agency, the Farm Credit System Insurance Corporation (FCSIC). In addition, the recently approved Farm Bill strengthened that protection by revising the basis for the collection of FCSIC insurance premiums and providing FCSIC with the ability to significantly increase premiums, which they have subsequently done. At September 30, 2008, FCSIC holds \$2.8 billion in liquid investments for the sole purpose of protecting the purchasers of Systemwide debt securities. In addition, the System's credit rating remains AAA and its financial position, credit quality and earnings are strong.

For the reasons set forth above, we believe that Systemwide debt securities should be afforded the same risk weighting as the debt securities of Fannie Mae and Freddie Mac. We believe further that lowering the risk weighting of all GSE debt securities would not only ensure that the System is not

inadvertently penalized by the effort to support the mission of Fannie Mae and Freddie Mac and provide capital relief to banks, but is also merited given the continued strong performance of the Farm Credit System and the existence of its insurance fund.

Again, we appreciate this opportunity to provide comments on the proposed regulation.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian P. Jackson", written over a circular stamp or seal.

Brian P. Jackson
Executive Vice President and Chief Financial
and Administrative Officer

cc: President and CEOs and Chief Financial Officers, System Banks
Jamie B. Stewart, Jr., Funding Corporation
H. John Marsh, Jr., Funding Corporation