FHLBank
Topeka
Building Communities Together

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November 12, 2008

BY ELECTRONIC SUBMISSION

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

Office of the Comptroller of the Currency
250 E. Street S.W., Mail Stop 1-5
Washington, D.C. 20219

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., N.W.
Washington, D.C. 20551

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 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)

FDIC RIN# 3064-AD34

Docket No. OCC-2008-0016

Docket No. R-1335

OTS-2008-0014

Dear Sir or Madam:

This letter sets forth the Federal Home Loan Bank of Topeka's response to the federal banking agencies' proposed rule to allow banking organizations to assign a 10 percent risk weighting to claims on, and portions of claims guaranteed by, Fannie Mae and Freddie Mac. Thank you for the opportunity to share our views on this important matter.

This rule, if enacted in its current form, would create multiple unintended adverse consequences for the banking industry and for the economy as a whole during this time of economic stress. While many of FHLBank Topeka's member financial institutions would welcome a capital requirement reduction on held Fannie and Freddie obligations, the exclusion of the FHLBanks from the proposed rule is a significant oversight. FHLBank Topeka strongly urges the FDIC, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the OTS to treat comparably the debt securities of all three housing GSEs.

The proposed rule could have the unintended effect of punishing the FHLBanks for their exceptional performance during the recent economic turmoil. Consider that throughout the course of the government's response to the crisis in the housing and credit markets, extraordinary care has been taken to recognize and affirm the importance of the FHLBanks as a source of liquidity to their members. When Fannie Mae and Freddie Mac were placed into conservatorship, Federal Housing Finance Agency Director Lockhart stated that the FHLBanks have "performed remarkably well." By not including the FHLBanks, the proposal suggests that the FHLBanks do not have the same degree of government support as do Fannie Mae and Freddie Mac. In fact, recently passed legislation established temporary authority for Treasury to purchase obligations of all three housing GSEs. In addition, when Treasury established the GSE Credit Facility in September as a backstop lending facility, the facility was made available to the FHLBanks, not just to Fannie Mae and Freddie Mac. Additionally, the New York Fed is providing support to Fannie, Freddie, and the FHLBanks by purchasing their discount notes in recent open market operations.

If investors erroneously believe that FHLBank obligations are somehow less creditworthy than obligations of Fannie Mae and Freddie Mac, then investors will demand higher yields to purchase FHLBank bonds, resulting in higher advance rates. Spreads between FHLBank senior debt and comparable bonds issued by Fannie Mae and Freddie Mac have widened by 20 to 30 basis points since these entities were placed into conservatorship, and this proposal could further widen these spreads.

This action would have the unintended effect of increasing the cost of FHLBank advances and raising the cost of funding for thousands of community banks.

In the current financial crisis, funds flowing from FHLBank Topeka to local banks remain a critical source of liquidity for communities. With credit markets squeezed, banks in Colorado, Kansas, Nebraska, and Oklahoma continue to rely on FHLBank Topeka to finance home, agricultural and business loans. Unequal capital treatment for

FHLBank debt will mean higher costs for home lending and economic development. Keeping credit available at the lowest possible cost will be an important part of a national strategy to stabilize the economy and protect the needs of citizens and businesses.

FHLBank Topeka strongly urges the FDIC, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the OTS to extend the same treatment to FHLBank debt as has been proposed for Fannie's and Freddie's debt. We believe this course of action achieves the most favorable outcome for the economy and for all stakeholders.

Thank you for your consideration of our comments.

Sincerely,

Andrew J. Jetter
President and CEO