Farm Credit of
Western New York, ACA
and its Subsidiaries, FLCA and PCA

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November 21, 2008

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

To Whom It May Concern:

On behalf of Farm Credit of Western New York, I appreciate the opportunity to comment on the proposed rule to lower risk weights for claims on, or guaranteed by, Fannie Mae and Freddie Mac published in the October 27, 2008 Federal Register. Our position is in support of more detailed comments being submitted by the Federal Farm Credit Banks Funding Corporation.

Farm Credit of Western New York is part of the Farm Credit System, a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. We provide credit and financial services to 3,400 farmers and farm-related businesses in the 16 western-most counties of New York. Farm Credit of Western New York is a cooperative, owned and governed by our farmer members, and is the largest lender to agriculture in the area we serve with loan volume of approximately $900 million.

As a government-sponsored enterprise (GSE) the Farm Credit System has a mandated mission under the Farm Credit Act to support agriculture and other vital rural businesses, and we have historically received the implicit support of the United States government, which has allowed the System to reliably access the debt markets and fund that mission at favorable rates.

Farm Credit of Western New York is concerned that the proposal would undermine the ability of the Farm Credit System to carry out our mission as defined by Congress by placing the System at a significant disadvantage in access to funding and in the pricing of System debt. We believe that unless the System is treated the same as Freddie Mac and Fannie Mae, the impact of this proposed rulemaking would impair the Farm Credit Funding Corporation's ability to efficiently access the debt markets. The net result would be an increase in the cost of credit made available to farmers and other agricultural businesses.

Specifically relating to this proposed rulemaking, the proposed action to lower risk weights for claims on, or guaranteed by, Fannie Mae and Freddie Mac would result in a significant differential risk weighting among the debt securities issued by the various GSEs. This proposal would cut in half the amount of capital that banks are required to hold against Fannie Mae and

Freddie Mac debt securities, making those debt securities substantially more attractive than the debt securities issued by other GSEs.

Farm Credit System debt securities should be afforded the same risk weighting as the debt securities of Fannie Mae and Freddie Mac to ensure that the System is not penalized for operating in a prudent and sound manner, while focusing on its congressionally mandated mission. We urge you not to differentiate the risk weighting of debt securities among the various GSEs. However, we believe that lowering the risk weighting of all GSE debt securities might well be merited given the current financial market situation. In any event, we believe that to not treat the System equally under any risk-weighting proposal your agencies might issue would unfairly disadvantage the Farm Credit System and send the wrong message at this time, namely that GSEs will be penalized for operating in a safe and sound manner.

Thank you for the opportunity to provide comments on the proposed regulation.

Sincerely,

C. Scott Herring

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President