

From: "Nygren, James" - 11/26/2008 02:30:04 PM

Subject: Risk Weight Reduction (Fannie Mae and Freddie Mac)

The following letter (attached and below) are provided on behalf of Douglas Stark, President and CEO, and Richard Hall, Chairman of the Board, of Farm Credit Services of America.

November 26, 2008

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

Dear Sirs:

On behalf of Farm Credit Services of America (FCSAmerica), we appreciate the opportunity to forward these comments 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 initial concern about the proposed rulemaking is that it will undercut the basic mission set out for the Farm Credit System (System) by Congress by putting us at a significant disadvantage in access to funding and in the pricing of System debt. Unless the System is treated the same as Freddie Mac and Fannie Mae, the impact of the proposed rule would impair our ability to efficiently access the debt markets.

Because this proposal would cut in half the amount of capital that banks are required to hold against Fannie Mae and Freddie Mac debt securities, those debt securities will be substantially more attractive than the debt securities issued by other GSEs. As a result of the proposed differentiation between the housing GSE debt securities and System debt securities, it is highly likely that higher interest rates on System debt securities and tighter credit availability for farmers, ranchers, and other agricultural businesses would result.

The debt securities issued by the System are the only GSE debt securities that are directly protected by a dedicated federal insurance fund, administered by an independent federal agency, the Farm Credit System Insurance Corporation (FCSIC). This self-created protection, as well as other proactive efforts by the System to operate in a prudent and sound manner, has enhanced our ability to achieve our congressionally mandated mission to serve agriculture. It is unreasonable that a government policy should negatively impact institutions that have effectively managed their businesses.

FCSAmerica believes that lowering the risk weighting of all GSE debt securities might well be merited given the current financial market situation. However, debt securities accessed by the System should be afforded the same risk weighting as the debt securities of Fannie Mae and Freddie Mac to ensure market fairness. We urge you not to differentiate the risk weighting of debt securities among the various GSEs.

Thank you for your thoughtful consideration.

Sincerely,

Douglas R. Stark
President and Chief Executive Officer
Farm Credit Services of America

Richard Hall
Chairman, Board of Directors
Farm Credit Services of America

Farm Credit Services of America is proud to finance the growth of rural America, including the special needs of young and beginning producers. With more than 73,000 customers, assets of \$12.9 billion, and a patronage program, FCSAmerica is one of the largest providers of credit and insurance services to farmers, ranchers, agribusiness and rural residents in Iowa, Nebraska, South Dakota and Wyoming.

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