

TOM HARKIN, IOWA
CHAIRMAN

PATRICK J. LEAHY, VERMONT
KENT CONRAD, NORTH DAKOTA
MAX BAUCUS, MONTANA
BLANCHE L. LINCOLN, ARKANSAS
DEBBIE STABENOW, MICHIGAN
E. BENJAMIN NELSON, NEBRASKA
KEN SALAZAR, COLORADO
SHERROD BROWN, OHIO
ROBERT P. CASEY, JR., PENNSYLVANIA
AMY KLOBUCHAR, MINNESOTA

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY

WASHINGTON, DC 20510-6000

202-224-2035

TTY/TDD 202-224-2587

SAXBY CHAMBLISS, GEORGIA
RANKING REPUBLICAN MEMBER

RICHARD G. LUGAR, INDIANA
THAD COCHRAN, MISSISSIPPI
MITCH McCONNELL, KENTUCKY
PAT ROBERTS, KANSAS
LINDSEY GRAHAM, SOUTH CAROLINA
NORM COLEMAN, MINNESOTA
MIKE CRAPO, IDAHO
JOHN THUNE, SOUTH DAKOTA
CHARLES E. GRASSLEY, IOWA

December 4, 2008

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 1-5
Washington, DC 20219
Docket Number OCC-2008-0016

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

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

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

**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), joint notice of proposed rulemaking published at 73 Federal Register 63656
(October 27, 2008).**

To the Listed Addressees:

Under the current risk-based capital rules, banks, bank holding companies, and savings associations must assign a 20 percent risk weight to claims on, and the portion of claims guaranteed by, government-sponsored enterprises (GSEs). The proposed rule would reduce this

risk weight to 10 percent for claims on, or guaranteed by, Fannie Mae or Freddie Mac so long as agreements entered into by the Treasury Department remain in place which effectively support the holders of such claims.

We are concerned about what could be substantial unintended negative consequences of this proposed rule on the ability of other GSEs to issue debt, most notably the potential impact on agricultural credit. The Farm Credit System (FCS) is a GSE with the mission of supporting agriculture. As a GSE, the FCS relies on capital markets to raise funds which it then uses to make affordable loans to farmers, ranchers, their cooperatives, and select farm-related businesses.

The proposed rule could disadvantage the FCS and other GSEs, such as the Federal Home Loan Bank (FHLB), in the capital markets. (Indeed, the joint notice of proposed rulemaking specifically invites comment regarding the potential effects on FHLB debt.) The proposal would cut in half the amount of capital that banks, bank holding companies, and savings associations would have to hold against Fannie Mae and Freddie Mac debt securities but leave in place the current 20 percent requirement for the debt securities of other GSEs. As a result, Fannie Mae and Freddie Mac debt securities would become relatively more attractive. In the case of the FCS, this would mean FCS will have to pay relatively higher interest rates on its debt securities and in turn increase the cost of financing for farmers and ranchers.

Farmers and ranchers across the country are facing tighter credit conditions in a time when commodity prices have fallen while input costs have remained at historic highs. Increasing the cost of capital for farmers and ranchers could have a substantial impact on their bottom line.

We very strongly believe that the capital-risk weight should be kept the same across all GSEs in order to avoid distortions in the markets and disparities among GSEs in the cost of issuing debt. We urge that you not differentiate the risk weighting on debt securities issued by various GSEs.

Sincerely,



Tom Harkin
Chairman
Committee on Agriculture, Nutrition & Forestry



Saxby Chambliss
Ranking Republican Member
Committee on Agriculture, Nutrition & Forestry