ArborOne FINANCIAL

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December 29, 2008

Mr. Gary K. Van Meter
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Reply to the October 31, 2007 Farm Credit Administration (FCA) Advance Notice of Proposed Rulemaking (ANPR) re: Capital Adequacy – Basel Accord

Dear Mr. Van Meter:

At our November board meeting, the board of directors voted to revolve approximately half of the $2.74 million of 2001 Surplus Allocated. In anticipation of the impacts of the current downturn in market conditions; expectations of increased Allowances for Loan Losses, increasing delinquencies, downgrading of loan assets and current low interest rates, the board felt it prudent to maintain a "cushion" above our 12% Capital Plan. Although, we anticipate that our permanent capital will be in the 14.5% range by year end, the board is acting in a proactive manner with this decision. However, this is not the first time that the board has reviewed current conditions and the capitalization of the association and made the decision to be more conservative in our revolvement cycle. Several years back, the total surplus dollars for a 3 year period were divided into 4 equal amounts and revolved over a 4 year period.

We have continued to experience growth at a rate that is equal to or higher than our sister associations over a sustained period of time while our 12 county footprint market share remains in the 70% range. We are unaware of any accounts lost due to this change in revolvement cycle. We attribute this loyalty to our personal relationship business style while providing loans at the market rate. Our association has maintained its patronage program paying typically in the range of 25% of interest earned with 40% being paid in cash. This further strengthens our competitiveness in our local market.

Due to the board's flexibility and agility of maintaining the association's capital position through its careful handling of surplus allocated equities, we submit that the permanence of the association's allocated equity is not diminished by its revolvement cycle.

Sincerely,

Jack W. Shuler
President and CEO