

January 17, 2002

The Honorable Armando Falcon, Jr., Director  
Office of Federal Housing Enterprise Oversight  
1700 G. Street, NW, 4<sup>th</sup> Floor  
Washington, D.C. 20552

Dear Director Falcon:

These comments concern the amended risk-based capital requirements for Fannie Mae and Freddie Mac. While we appreciate the improvements that were made to the original rule, we remain concerned that the amended rule will unnecessarily reduce the ability of Fannie Mae and Freddie Mac to invest responsibly in tax-exempt mortgage revenue bonds. Both organizations have purchased tax-exempt mortgage revenue bonds issued by the Michigan State Housing Development Authority. The ongoing ability of Fannie Mae and Freddie Mac to invest in these bonds is critical to the success the state of Michigan's affordable housing programs.

We urge your office to further amend the rules to ensure that the stress test haircut by ratings classification would not exceed 1.5% for AAA rated bonds and 3.75% of AA rated bonds. We support the specific recommendations made by Fannie Mae to accomplish this.

Without these changes, we believe that the cost of affordable rental housing and homeownership will increase. We also believe that the proposed rules do not adequately recognize the financial strength of state housing finance agencies and do not give adequate credit to bond issues collateralized by Fannie Mae or Freddie Mac MBS or Ginnie Mae securities.

Thank you for your consideration.

Sincerely,

James L. Logue III  
Executive Director