



April 27, 2009

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
1700 G Street, NW, Fourth Floor
Washington, DC 20552

Re: Comments/Securitization Study

Dear Mr. Pollard:

The Mortgage Bankers Association (MBA)¹ appreciates the opportunity to submit comments in response to the Federal Housing Finance Agency's (FHFA) study of the securitization of mortgages purchased by the Federal Home Loan Banks (FHLBanks) through an Acquired Member Assets (AMA) program.² The study is being conducted pursuant to the Federal Housing Regulatory Reform Act, Division A of the Housing and Economic Recovery Act,³ which requires the FHFA to report to Congress on the feasibility, benefits and risks associated with issuing securities backed by mortgages purchased under the FHLBanks' AMA programs. MBA supports the FHLBank System which provides a stable and affordable source of liquidity for the housing finance activities of FHLBank member financial institutions. The FHLBank System's response to the current disruptions in the financial markets is a testament of its commitment to its mission.

MBA Position

Authorized nearly a decade ago, the AMA programs have become an integral liquidity channel to FHLBank System members. MBA believes the ability to issue mortgage backed securities (MBS) is a necessary and lawful adjunct to the AMA programs and would enable the FHLBanks to manage their risks without unduly restricting liquidity to their members.

Currently, the FHLBanks do not have regulatory approval to pool the loans they purchase into securities for sale in the secondary market. Because most secondary market investors prefer purchasing MBS rather than whole mortgages, FHLBanks are unable to efficiently remove mortgage assets from their balance sheets. As a result, FHLBanks participating in AMA

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

² 74 Fed. Reg. 38, 8955-8961, Feb. 27, 2009.

³ Public Law 110-289, 122 Stat. 2654, July 30, 2008.

programs often face capital constraints in expanding these programs because of the difficulty in obtaining additional capital from their members, many of whom also face challenges in raising capital. To ensure that community banks can continue to rely on their FHLBanks to be a viable mortgage purchaser, the FHLBanks must have the ability to move these mortgages off their books by selling them as securities in the secondary market.

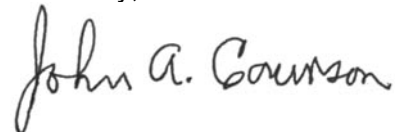
Adding a securitization component to the AMA programs also would enable the FHLBanks to better manage their risk exposure. In an MBS transaction, the MBS investor assumes the interest rate risk that would otherwise be borne by the FHLBank if the securitized mortgages remained in its portfolio. In the AMA programs, the FHLBank member selling the mortgage to the FHLBank retains the credit risk. Thus, accountability would be shared by all participants in an AMA-based MBS transaction.

MBA further believes securitization is a safe and sound solution for providing liquidity without putting undue stress on the FHLBanks' balance sheets. MBA notes the FHFA has issued an interim final rule that requires Fannie Mae and Freddie Mac to reduce the size of their mortgage portfolios as a risk mitigation measure.⁴ MBA believes the ability to securitize mortgages held in portfolio is a comparable safety and soundness measure for the FHLBanks.

Conclusion

To ensure that community banks can continue to rely on their FHLBanks to be a stable and affordable liquidity channel, MBA believes the ability to issue MBS is a key component of the AMA programs' long-term viability. Should you have any further questions, please do not hesitate to contact Michael Carrier, Associate Vice President of Secondary and Capital Markets, at (202) 557-2870 or mcarrier@mortgagebankers.org.

Sincerely,



John A. Courson
President and Chief Executive Officer

cc: Christopher T. Curtis

⁴ 74 Fed. Reg. 19, 5609 – 5618, Jan. 30, 2009.