



**DAVID L. LEDFORD**

SENIOR VICE PRESIDENT  
HOUSING FINANCE AND LAND DEVELOPMENT

April 28, 2009

Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency  
4<sup>th</sup> Floor  
1700 G Street, NW  
Washington, DC 20552

Attention: Comments/Securitization Study  
No. 2009-N-03

Dear Mr. Pollard:

On behalf of more than 200,000 members of the National Association of Home Builders (NAHB), I am pleased to respond to the request for comments on the Federal Housing Finance Agency's (FHFA) Study of Securitization of Acquired Member Assets (AMA). FHFA seeks comments that will examine the benefits and risks associated with a Federal Home Loan Bank (FHLBank) securitization program, the potential impact of securitization on liquidity and competitiveness in the mortgage and broader credit markets, the ability of the FHLBanks to manage the risks associated with a securitization program, and the effect of a securitization program on the FHLBanks' existing activities.

NAHB strongly supports authority for the FHLBanks to securitize mortgages acquired from member institutions. This action would further competition in the secondary mortgage markets, reduce the cost of mortgage credit and help expand homeownership opportunities. In addition, securitization authority would improve the ability of the FHLBanks to manage their balance sheets, improving the safety and soundness of the FHLBank System.

The Housing and Economic Recovery Act of 2008 (HERA or the Act) requires FHFA to conduct a study on securitization of home mortgage loans purchased or to be purchased from FHLBank System member financial institutions under the AMA program. The Act also requires FHFA to submit a report to Congress by July 30, 2009, detailing the results of the study. The report must include policy recommendations based on the Director's analysis of the feasibility of the FHLBanks, either individually or collectively, issuing mortgage-backed securities (MBS), and the benefit and risks associated with such a program.

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NAHB has been a longtime advocate of innovative FHLBank programs and has strongly supported AMA activities. A securitization program would result in even greater flexibility and credit availability during a period when many creditworthy borrowers are shut out from financing opportunities because of harsh underwriting standards, high costs, and disorderly markets.

Securitization powers would significantly increase competition and lower mortgage rates while providing better terms for consumers. In addition, the securitization option would enhance the FHLBanks' statutory housing finance mission by authorizing the use of a financing technique that is critical to both reducing risk and increasing mortgage purchase capacity. These powers should extend to AMA activities as well as to programs that would result in the purchase, securitization, and guaranty of member bank mortgages, much like the crucial secondary market operations of Fannie Mae and Freddie Mac.

A securitization program would offer smaller community-based lenders greater access to the secondary markets generally on terms that are available to those of larger financial institutions. Community banks are vital sources of credit for home buyers and home builders, due in large part to the products and services provided to them by the FHLBanks. Granting securitization authority to the FHLBanks would allow community-based lenders to gain much greater access to the secondary markets, and put them in a much stronger position to manage their own capital and interest rate risk, thereby benefiting the communities they serve.

Securitization offers the FHLBanks an additional tool to address the needs of member institutions and it is an important financing technique that most other regulated financial institutions have at their disposal. Such authority would allow the FHLBanks to more fully manage balance sheet risks, including their capital position and interest rate risk exposure, by having the option to efficiently redistribute mortgage assets. Some of the portfolio problems experienced by the FHLBanks in recent periods are due in part to their inability to use this basic asset management tool. While the FHLBanks should have the authority to employ this financing vehicle, NAHB believes it is up to FHFA to ensure that any MBS program is executed in a safe and sound manner and that terms and procedures, systems, resources, and expertise are in place to sufficiently address and manage program risks.

In closing, I appreciate this opportunity to comment on behalf of NAHB. Securitization offers the FHLBanks an additional tool to address the needs of their member institutions. It would generate competition, innovation and efficiencies that would inevitably lead to lower mortgage related costs. Finally, a well designed program would allow both the FHLBanks and their members to more efficiently manage their respective balance sheets so that capital can be preserved and more effectively deployed to benefit consumers and the housing markets. We urge policymakers to authorize the program and we also urge FHFA to develop the appropriate requirements, controls and oversight for such programs to enable the FHLBanks to continue to meet, and enhance, their important housing mission.

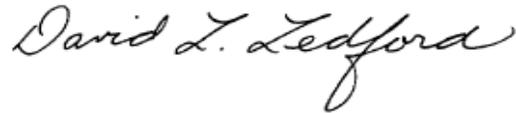
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Please direct questions regarding this matter to John Dimitri, NAHB's Director of Financial Institutions and Capital Markets, at 202-266-8529, or via e-mail at [jdimitri@NAHB.com](mailto:jdimitri@NAHB.com).

Sincerely,

A handwritten signature in cursive script that reads "David L. Ledford".

David L. Ledford  
Senior Vice President  
Housing Finance and Land Development

DLL/jd