

18 January 2001

Mr. Robert S. Seiler, Jr.  
Manager of Policy Analysis  
Office of Federal Housing Enterprise Oversight  
1700 G Street, N.W.  
Fourth Floor  
Washington, D.C. 20552

Re: Study of Possible Systemic Risk Posed by  
Freddie Mac and Fannie Mae

Dear Mr. Seiler,

This letter is in response to the Office of Federal Housing Enterprise Oversight (OFHEO) solicitation of public comment on the systemic risks posed by Fannie Mae and Freddie Mac. Navy Federal has offered mortgage loans to members since February 1979. On average, Navy Federal sells over \$1 billion in mortgage loans to investors in the secondary market each year.

Although we welcome the opportunity to comment on matters concerning government-sponsored enterprises (GSE), the questions posed in the agency's request for comments are very broad. The agency asks the public to discuss the systemic risks posed by the GSEs, including the impact on depository institutions, securities firms, derivatives dealers, and pension/retirement funds. We believe various models involving systemic risk theory could be effectively addressed by competent macroeconomists. Therefore, our comments reflect the knowledge and experience we have gained from our activities in the secondary market.

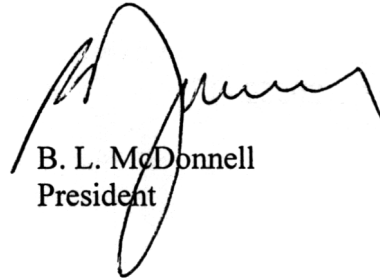
While it has been said that the GSEs pose risks, we believe such risks are substantially mitigated by the fact they are well managed, financially sound, and regulated. Further, Fannie Mae and Freddie Mac voluntarily committed to strengthen their safety and soundness measures by:

- Pledging to maintain the sum of core capital and outstanding subordinated debt equal to or more than four percent of assets.
- Committing to maintain more than three months' of liquidity.
- Implementing interim stress tests.
- Publicly disclosing results of various risk tests.

Navy Federal believes that the GSEs are performing their jobs well and are financially sound. Absent information indicating Fannie Mae and Freddie Mac are operating in an unsafe and unsound manner, we believe additional regulatory action to expand the OFHEO's oversight activities is unnecessary.

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Should you have any questions concerning our comments, you may contact me at (703) 255-8201, or Lou Jennings, Executive Vice President, Mortgage at (703) 255-8430.



B. L. McDonnell  
President

BLM/scg