

**From:** NELSONYU@aol.com [MIME :NELSONYU@aol.com]  
**Sent:** Tuesday, April 13, 1999 1:45 PM  
**To:** RegComments,  
**Subject:** risk based capital rules for Fannie and Freddie



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Fannie and Freddie are apparently successful at what they do. And what they do is important for the average American in that the liquidity they provide to the secondary mortgage market lowers mortgage rates for homebuyers. They also seem more intelligent and have a better track record at managing their risk than the savings and loans did. Are there interest rate scenarios under

which they could be squeezed somewhat? Probably. But given their track records and the fact that they are intimately involved with the business every day, assessing their risk, I would find it dubious that a branch of the

federal government would have better foresight into their risk characteristics than they do themselves. Some complain about the rich incentives afforded to managements of these respective companies through stock options. I would think the stock options create terrific focus toward managing the business. Why do we have such lousy elementary public education

in this country? Because it is run by bureaucrats and there is no money to

be made in improving it. America, the land of capitalism, was built on incentives. I don't think Fannie and Freddie would operate better as branches of the Federal government, or with Uncle Sam telling them how to manage risk.

-Nelson Yu