November 10, 1999

Ms. Anne E. Dewey, General Counsel
Office of General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, NW, Fourth Floor
Washington, D. C. 20552

Dear Ms. Dewey:

Thank you very much for seeking my opinion regarding OFHEO's proposed Rule on Risk-Based Capital - 12 CFR Part 1750 RIN 2550-AA02. The work that has beenn done is daunting and very commendable. We were pleased to receive a personal visit from Mr. H. James Schwing, Executive Assistant at OFHEO, and to hear that OFHEO's objective in seeking interviews was to be sure that you are helping to assure the success of the public purpose of the GSEs.

Ahead of offering my comments, I would like to provide a perspective for my comments. First, my field is neighborhood revitalization and within that field the expansion of credit opportunity to underserved people and localities. I have been passionate about this mission for more than 25 years. I see both Fannie Mae and Freddie Mac as very important to housing opportunity in America and to the availability of mortgage credit to underserved people and underserved localities. The availability of mortgage credit to such underserved people and localities is fundamental to the ability to upgrade whole neighborhoods in need of improvement.

By way of disclosure of my affiliations, in addition to my role as President of Neighborhood Housing Services of America, Inc., I am Chairman of the Federal Home Loan Bank of San Francisco, a director of The PMI Group, and a member of several housing and neighborhood advocacy groups. In addition, I have served as a member of the Fannie Mae Advisory Council and Chairman of the Affordable Housing Advisory Council of the Federal Home Loan Bank of San Francisco. All of these involvements have been as a community interest person with the goal of expanding the availability of mortgage credit to underserved people and localities.

My comment relates to Table 14 on Page 73 of the Notice of Proposed Rulemaking. That Table - **Incremental Capital for 95 Percent LTV Loans with Differing Insurance Characteristics (as a percent of additional sold loans)** - suggests that a lower capital level will be required of the GSEs when mortgage insurance is provided by AAA rated mortgage insurance companies. It is my belief that the impact of making a differentiation in required capital levels based on the difference in a AAA rating and a AA rating will have a negative impact on the costs of mortgage insurance for lower income people without bringing meaningful benefit to the GSEs or the consumer.

I believe you will find that no stand-alone mortgage insurance companies have a rating better than AA and that any AAA ratings would be tied to the balance sheet of a parent company. Clearly, to achieve the lower capital requirement, the GSEs would seek to re-direct their business to AAA rated companies. This would have the result of forcing stand-alone mortgage insurance companies to move quickly to apply capital to achieve a AAA rating to avoid the loss of GSE business. Obviously, there would be cost to such actions and, ultimately, this cost would be borne by the consumer without added value to the consumer. I am confident that this would be an unintended consequence of the regulation that OFHEO would want to avoid by making a change in this provision.

Again, thank you for this opportunity to comment on the regulation. I believe that its objective is very important.

Sincerely,

s/Mary Lee Widener

Mary Lee Widener
President