

March 10, 2000

Mr. Alfred Pollard
General Counsel
Office of the General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, N.W., Fourth Floor
Washington, DC 20552

Re: Notice of Proposed Rulemaking: Risk-Based
Capital (RIN 2550-AA02)

Dear Mr. Pollard:

On behalf of the Credit Union National Association, which represents 90% of the nation's 10,500 credit unions and their 77 million members, we offer these comments concerning risk-based capital standards for Freddie Mac and Fannie Mae.

Mortgage lending is an area of growth for credit unions. These government-sponsored enterprises, Freddie Mac and Fannie Mae, have a critical role to play in facilitating credit union activities in the mortgage market. The ability to offer home mortgages to credit union members at competitive rates is an increasingly critical component of many credit unions' service to their members. Credit unions need easy access to the secondary mortgage market in order to avoid the undue accumulation of interest rate risk in their portfolios.

As not-for-profit cooperatives, credit unions do not have direct access to the capital markets. Freddie Mac and Fannie Mae exist to create an efficient link between capital markets and lending institutions. By using the services of these GSEs, credit unions can take advantage of their capital market access, expertise, and low cost of funds. The GSEs can help ensure that funds for mortgage lending are freely available at credit unions and that interest rate risk can be minimized as loans are sold by credit unions to the GSEs.

Excess capital requirements have a cost that ultimately reduces the value that these GSEs can pass through to institutions such as credit unions, while undercapitalized GSEs threaten the continued availability of the services they provide. Accordingly, CUNA urges OFHEO to ensure that the capital requirements OFHEO adopts reflect a strict, empirically verifiable analysis of the actual risk faced by the GSEs—nothing more, and nothing less. The essence of the Federal Housing Enterprises Safety and Soundness Act is that every aspect of the capital requirements should be related to historical experience.

In short, we urge OFHEO to measure the impact of its capital proposal on the ability of relatively small, not-for-profit financial institutions to act as effective participants in mortgage lending activities or, in other words, to maintain the advantages that they derive from the activities of the GSEs.

Sincerely,

[signed: Mary Mitchell Dunn]

Mary Mitchell Dunn
Associate General Counsel and Senior Vice President