

March 7, 2000

Mr. Garth Rieman  
National Council of State Housing Agencies  
Suite 438  
444 North Capitol Street, NW  
Washington, DC 20001

Re: Joint Briefing on OFHEO's Proposed Risk-Based Capital Regulation

Dear Mr. Rieman:

We have reviewed the Joint Briefing prepared by Fannie Mae and Freddie Mac regarding a risk-based capital regulation (the "Regulation") proposed by the Office of Federal Housing Enterprise Oversight ("OFHEO"). Fannie Mae has been an active partner with the Nebraska Investment Finance Authority ("NIFA") in providing affordable housing for citizens in the State of Nebraska. (NIFA has not worked as extensively with Freddie Mac.) To the extent the Regulation will adversely affect Fannie Mae and Freddie Mac's ability to continue to expand their activities in the affordable housing arena, we would suggest that the OFHEO give serious consideration to the issues raised by Fannie Mae and Freddie Mac. Innovation and affordably priced products have been the key to the successful partnership between NIFA and Fannie Mae. Since 1996 Fannie Mae has securitized Single Family mortgages in excess of \$65 million providing affordable housing for over 1,100 Nebraska families. During that same time Fannie Mae has purchased over \$16 million in NIFA Multi Family Direct Placement Issues, thereby creating over 500 units of affordable housing.

We are currently working on yet another program with Fannie Mae where innovation is the key. To the extent certain of the provisions of the Regulation, as described by Fannie Mae and Freddie Mac, are not operationally workable or will have the result of increasing the cost of housing to renters and homeowners, we would request that serious review be given to those parts of the Regulation.

Yet we are also concerned about Fannie Mae (and Freddie Mac) maintaining their strong credit ratings, for the credit underpinnings to many of NIFA's successful programs are Fannie Mae's credit.

Finally, Fannie Mae purchases many of NIFA's single family term bonds, which helps NIFA continue its successful single family program. (Since 1996 Fannie Mae has purchased NIFA Single Family bonds totaling over \$144 million.) We believe the risk-based capital standards should reflect the low risks associated with these bond investments by Fannie Mae and Freddie Mac. We also feel that the additional 30% capital requirement contemplated by the

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regulation is excessive and are concerned that it will impose unnecessary additional costs to do business with Fannie Mae thereby limiting our ability to provide affordable housing to Nebraska families.

We understand the need for OFHEO to examine and regulate the GSE's. However, we hope that such regulation will not thwart the missions of Fannie Mae and Freddie Mac to the detriment of the low and moderate income persons served by NIFA and other state housing financing agencies.

Thank you for your consideration

Sincerely,

[signed: Judy A. Krasomil]

Judy A. Krasomil

Treasurer

Cc: Patti Peterson

Steve Peregrine