

March 10, 2000



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

Dear Ms. Dewey:

I am writing, on behalf of the National Neighborhood Housing Network (NNHN), to provide comments on the proposed rule for risk based capital for Fannie Mae and Freddie Mac. First, let me give you a little background on NNHN, a membership organization representing almost 100 NeighborWorks® organizations across the nation. For the past eight years, NeighborWorks® organizations have focused a great deal of attention on making homeownership a reality for lower income Americans. Our success has been tremendous. In just the past twenty-four months, nearly 16,300 families have become homeowners. Of those families, 53 percent are minority, 67 percent have incomes below 80 percent of the area median income and 64 percent are single-head of household. Central to these results are hundreds of local lenders as well as both Fannie Mae and Freddie Mac.

Certainly your objective, to ensure that Fannie Mae and Freddie Mac are adequately capitalized to withstand market fluctuations, is one we support. It is important to our members who serve lower income households, frequently living in distressed communities, that the secondary markets purchase loans at all times in all places. Thus, like you, we have an interest in their capital soundness. We also understand the hard work that has gone into drafting such a complex and difficult rule.

Our concern is that the proposed rule may have a negative impact on Freddie Mac and Fannie Mae. Low down payment loans are essential to the continued health of lower income communities. Inhibiting the availability of these mortgages would have a disproportionately negative impact, based on our experience, on lower income communities with a high proportion of minorities.

We are also concerned, although perhaps not fully understanding the technical details, that regional distinctions in risk based capital requirements might lead to withdrawals or higher pricing of mortgages in communities experiencing down turns. At worst, this could have the impact of accelerating a negative trend. Freddie Mac and Fannie Mae bring a constancy to our lower income home owner market place even when local lenders might otherwise be reluctant to lend.

As major beneficiaries during the past decade of constant innovations in product design -- including one in conjunction with the NeighborWorks® network -- we would not want to see carefully structured, limited pilots and demonstrations curtailed. Our own experience is that the innovative, in 1993, NeighborWorks® product was standard issue by 1998. The risk pool Neighborhood Reinvestment put up to guarantee (along with MGIC in top loss position) and reduce Freddie and Fannie loss was not necessary -- because conventional wisdom was wrong.

Thank you for the opportunity to share these comments with you. As you work to preserve the safety and soundness of Fannie Mae and Freddie Mac, we hope you will consider the possible unintended negative consequences to lower income neighborhoods. If you have any questions, please do not hesitate to contact us.

Sincerely,

[signed: Richard Stallings]

Richard Stallings
President