March 16, 2000

Ms. Anne Dewey, General Counsel
Office of General Counsel
Office of Federal Housing Oversight
1700 G St. NW, Fourth Floor
Washington DC 20552

Dear Ms. Dewey:

On behalf of the National Community Reinvestment Coalition, I am writing to urge you to implement risk based capital rules that do not discourage Fannie Mae and Freddie Mac from purchasing loans made to low- and moderate-income borrowers and communities. Research has demonstrated that low- and moderate-income loans are no more risky than loans made to other populations. A 1997 Federal Reserve Board study entitled, The Community Reinvestment Act and the Profitability of Mortgage-Oriented Banks, found that banks that made a high number of loans to minority and low- and moderate-income populations were a little more profitable than banks that made few loans to these populations.

The Department of Housing and Urban Development has proposed significant increases in affordable housing goals mandating increased Fannie Mae and Freddie Mac purchases of loans made to underserved populations. It would be counterproductive for the Office of Federal Housing Enterprise Oversight(OFHEO) to propose risk based capital rules that would make it more difficult for Fannie Mae and Freddie Mac to meet the higher affordable housing goals.

Risk-based capital rules should also not discourage flexible and affordable home loan products. These include low-downpayment loans and loans in which a number of entities share risk. Fannie Mae and Freddie Mac should be encouraged to expand their partnerships with banks and community organizations that have designed flexible and safe products that reach traditionally underserved populations.

NCRC believes that CRA-related lending to low- and moderate-income borrowers is safe and sound. Risk based capital rules for Fannie Mae and Freddie Mac should reflect this reality.

Sincerely,

[signed: John Taylor]

John Taylor
President and CEO