

March 23rd, 2000

Ms. Anne Dewey, General Counsel
Office of General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, NW, Fourth Floor
Washington, DC 20006

Dear Ms. Dewey:

I would like to take this opportunity 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/or communities. Research has demonstrated that low and moderate-income loans do not pose a greater risk 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 making a higher number of loans to minority and/or low and moderate-income borrowers were somewhat more profitable than banks that made few loans to these same populations.

The Department of Housing and Urban Development has proposed significant increases in affordable housing goals, mandating that both Fannie Mae and Freddie Mac purchase an increased number of loans made to underserved populations. It would be counterproductive for the Office of Federal Housing Enterprise Oversight to propose risk-based capital rules that would make it difficult for these Government Sponsored Enterprises 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.

The Coalition on Homelessness and Housing in Ohio (COHHIO) believes that CRA related lending to low and moderate-income borrowers is both safe and sound. Risk-based capital rules for Fannie Mae and Freddie Mac should reflect this reality.

Respectfully,

(signed Rick Taylor)

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