

January 17, 2002

The Honorable Armando Falcon, Jr.
Director
Office of Federal Housing Enterprise Oversight
1700 G Street, NW, 4th Floor
Washington, DC 20552

RE: OFHEO Risk-Based Capital Rules

Dear Mr Falcon:

The Montana Board of Housing (MBOH) is a State Housing Finance Agency whose main business is issuing mortgage revenue bonds to provide a key source of funds for first-time homebuyers. Proceeds from these tax-exempt bonds are lent to qualifying low- and moderate-income borrowers at below market rates. All mortgages originated under these programs are federally insured. Our bond issues are currently rated AA allowing us the greatest flexibility to operate.

The Montana Board of Housing has provided over \$290,000,000 of financing in Montana in the past 3 years originating 1 of every 4 loans done in the state. We serve only moderate and low-income clients that may not be able to afford a home without our programs. Our delinquency rate is approximately 3% and our foreclosure rate is approximately .5% which is well below the national average. We also capitalize a reserve fund within the indenture to reduce risk to the bond holders. These reserve funds have never been needed in the 25 year history of the MBOH. These factors coupled with the fact that our bonds are all backed by mortgages insured by a federal entity such as FHA, RD or VA makes an investment in MBOH bonds a very low risk.

Fannie Mae has purchased over \$39,000,000 of bonds in the past three years making them one of the principle purchasers of our long-term debt. Without this active participation in our program we would have not been able to serve as many people as we have in Montana.

I encourage you to reconsider your upcoming rule on risk based capital. This rule will have detrimental effects for the MBOH. We consider ourselves to be a low risk investment based on our history.

Thank-you in advance for your consideration of this issue.

Sincerely,

Bruce Brensda
Executive Director