

January 14, 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:

One of the primary purposes of the North Dakota Housing Finance Agency, and state housing finance agencies across this nation, is to provide a lower cost mortgage funding source for low and moderate income first-time homebuyers within our state. We accomplish this objective through the sale of tax-exempt mortgage revenue bonds on the national markets. FannieMae, for several years, has consistently been a purchaser of our bonds, and at times has been the only purchaser of long-term housing bonds.

We believe the proposed Risk-Based Capital Rules could have a very negative effect on our first-time homebuyer loan program. To the extent the cost of funds used to purchase our housing bonds is increased, this increased cost is passed on directly to our first-time homebuyer mortgagor. The proposed rules appear to not provide any credit for the underlying loan portfolio. During the past seven years, 80.8% of our new loan volume was either insured or guaranteed by a U.S. Government entity. Further, in our review of the proposed regulations, we could find no credit for the recognized financial strengths of state housing bond issuers (there has been no State HFA MRB default in more than 25 years), nor recognition of the public purpose mission and oversight of HFA activities.

Thank you for the opportunity to express our concerns on the above proposed regulations and trust that you will take these comments into consideration in implementing your final rules.

Yours truly,

Pat S. Fricke
Executive Director