



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

January 17, 2002

Dear Mr. Falcon;

The New Mexico Mortgage Finance Authority is a quasi-public agency, created by the state legislature over 25 years ago to finance affordable housing throughout the state. The primary resource we have used over the years has been tax exempt bond financing, for both owner occupied and rental housing. I understand that the revised risk based capital rules promulgated by OHFEO, although less burdensome than previous rules, may have a negative effect on our ability to continue to finance affordable housing through the capital markets as efficiently as we have done in the past.

Because the rules require substantial capital reserves on the part of key investors in the housing bond market, such as FNMA, those reserves create a potential barrier to investment in our bonds. If this occurs we will have to identify new investors unfamiliar with the market, which may drive up the costs of financing to our low and moderate income home owners and tenants. Secondly, I believe that the reserve levels set may not adequately reflect the high level of confidence we have achieved in the capital markets, with FNMA and GNMA securitization of the bonds. Finally, it is important to note the quality and strength of the housing finance agencies throughout the country that rely most heavily on the use of MRB issues to meet their public mission of providing affordable housing. These agencies have dedicated themselves to monitoring and managing their business, and this commitment contributes to the stability of the bond issues.

I hope that you will take these considerations into account in making your decision to amend the risk based capital rules, and that you will feel free to contact me if I can provide any additional information.

Sincerely,

James W. Stretz
Executive Director

cc: James Beachler
Steve Anaya