



# INVESTORS UNITE

October 8, 2014

To Whom It May Concern:

We are pleased to have the opportunity to comment on the Federal Housing Finance Agency's proposed rule under the Housing and Economic Recovery Act of 2008 requiring the agency to establish annual housing goals for the government-sponsored enterprises Fannie Mae and Freddie Mac. These two companies play a crucial role in strengthening the foundation of the United States housing market. The government-backed guarantees to investors for buying bundled mortgage-backed securities make 30-year-fixed mortgages possible; without that guarantee, a critical segment of the housing market would cease to exist.

Affordable housing, as a matter of policy, is an admirable goal for the federal government. There are countless families and individuals working hard to save up enough for a down payment on a home. But we're concerned about recent proposals that would wind down Fannie and Freddie, because these institutions are an indispensable part of making home ownership affordable. Proposals to eliminate that GSEs would be disruptive to mortgage markets, threaten home ownership, and be at odds with the responsibilities of FHFA as the conservator of these institutions under the HERA statute.

In 2008 when the government intervened to prevent Fannie Mae and Freddie Mac from collapsing, it placed the institutions into a conservatorship to be overseen by FHFA. Now Fannie and Freddie have returned to profitability and they have continued their vital mission of providing liquidity in the mortgage markets. They have paid back more than the actual amount they were loaned by Treasury and have made enormous strides toward settling their obligations to the taxpayer, assuming that excess dividend payments should be applied to principal.

The government's conservatorship was not created to be longstanding or permanent. It could have placed them into receivership but did not. HERA, passed by Congress and signed into law by the President, prescribes FHFA's duty to conserve value for shareholders and to nurture the institutions back to profitability. Shareholders have rights under the constitution, and FHFA has responsibilities under the law – and both preclude the Treasury's decision in 2012 to take 100% of profits on an ongoing basis, which permanently undercapitalizes the institutions and does not allow investors any return on their investments.

With this as context, Investors Unite believes the best way to ensure the availability of affordable housing is to immediately stop the illegal Third Amendment Sweep and allow the GSEs to begin rebuilding their capital base. Eventually a reformed Fannie and Freddie should be released from

conservatorship. None of this would prevent the government from making a substantial return on its loans to these institutions: Besides the principal pay-down through excess dividend payments that has already occurred under the sweep, the U.S. owns 80% of the equity through common stock, which some have estimated to be worth more than \$200 billion alone. This would be a huge return for the taxpayer, and would actually produce funds that could be placed into an affordable housing trust to help troubled borrowers.

We look forward to reviewing the Federal Housing and Finance Agency's final proposal and hope that it gives the same reassurance to investors as the agency seeks to provide to potential homeowners.

Sincerely,

A handwritten signature in black ink, appearing to read 'TP', is positioned below the word 'Sincerely,'.

Tim Pagliara

Executive Director, Investors Unite