August 27, 2020.

Dr. Mark Calabria
Director Federal Housing Finance Agency
400 Seventh Street,
SW Washington, DC 20219

Re: Notice of Proposed Rulemaking and Request for Comments – RIN 2590–AA95

Dear Director Calabria:

We are both retirees who hold Fannie Mae and Freddie Mac common and preferred shares. Our first purchase of commons was after OFHEO Director James B. Lockhart's and Treasury Secretary Hank Paulson's public statements that both corporations were adequately capitalized, and before they were put in conservatorship. (See exhibits 1 and 2.) Our reason for investing in these corporation was their historical, consistent payments of dividends and their historical, outstanding earnings record. We expected their dividends to be a major part of our retirement income.

We have reviewed your questions and other responses submitted to date. Highly qualified people have made a great case to lower your proposed capital standards. We will concentrate our comments to proposed capital raise, payout restrictions and staff retention. Questions 25 through 29 are interrelated and we tailored our response accordingly, so as not to be disjointed or repetitive.

QUESTION 25: Are the payout restrictions appropriately formulated and calibrated?
QUESTION 26: Should there be any sanction or consequence other than payout restrictions triggered by an Enterprise not maintaining a capital conservation buffer or leverage buffer in excess of the applicable PCCBA or PLBA?
QUESTION 27: Should the payout restrictions be phased-in over an appropriate transition period? If so, what is an appropriate transition period?
QUESTION 28: Should the payout restrictions provide exceptions for dividends on newly issued preferred stock, perhaps with any exceptions limited to some transition period following conservatorship?
QUESTION 29: Should the payout restrictions provide an exception for some limited dividends on common stock over some transition period?

RESPONSE TO QUESTIONS 25 THROUGH 29
Fannie Mae and Freddie Mac have consistently been among the most productive corporations in the country (exhibit 3). As part owners of these corporations, we believe these employees should be rewarded and retained. The payout restrictions should not apply to them when they continue to be productive. Without good employees, there will be no profits to build the CET1 capital.

We are currently in an environment of low, zero and even negative interest rates in the most advanced countries. A 4% coupon cumulative preferred shares would be very attractive to domestic and international investors. We believe these dividends should be paid every quarter the corporations make profit, and accrued for later payments in quarters they do not, once the corporations cross their CET1 capital requirement.

Our preferred shares were purchased after conservatorship. We were aware of the risks involved and do not expect dividends until the corporations are fully capitalized. However, we believe investors who bought their preferred shares prior to conservatorship should either be treated similar to the new investors or they should be offered a swap at par value to the new preferred shares. If this offer were to be extended to all preferred shareholders, we would accept the exchange.

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Some commentators have suggested converting the legacy preferred shares to common. We see no additional capital being added to the corporations by this conversion. It might just lead to additional lawsuits being filed by current common shareholders. We strongly recommend FHFA ignore requests for such conversion.

We are long time investors and would rather see our corporations fully capitalized than receive immediate dividends on our common shares. We believe this would apply to those who invest in the newly issued common shares. During the 8-year period 2012 through 2019 these two corporations reported over $280 billion in profits, after taxes. If their CONSERVATOR does not send their profits to Treasury, it won't be long before the new investors can participate in the handsome dividends.

This leads us to concerns prospective investors, who do due diligence, would have. At their then Regulator's behest, Fannie Mae and Freddie Mac raised capital in 2007 and 2008. Despite being given a clean bill of financial health by their Regulator and the Secretary of Treasury, both were put in conservatorship. President George Bush and Secretary Hank Paulson used almost identical words in describing the reason for conservatorship, "...providing stability to financial markets, supporting the availability of mortgage finance, and protecting the taxpayers" (exhibit 4). Potential investors would like to know why a "temporary" conservatorship has lasted 12 years. They would also wonder what prevent the FHFA from signing another agreement with Treasury and sending all the newly raised capital as a Net Worth Sweep to the Treasury? FHFA already did that with most of the $280 billion they earned since 2012.

The only way to appease potential investors is to follow the law and be fair to legacy investors. The 2008 financial crisis is over. Taxpayers have been overpaid for their investment. Fannie Mae's and Freddie Mac's CONSERVATOR can make the job of their REGULATOR very easy if he and the Treasury Secretary sign an amendment:

1) cancelling the Senior Preferred Shares,
2) cancelling the Liquidation Preference,
3) cancelling the Warrants,
4) returning the overpayment to the corporations,
5) and, of course, ending the 12-year "temporary" conservatorship.

If these steps are taken, their REGULATOR should have no problem in getting them fully capitalized.

We can be reached at gdacostap@yahoo.com if you have any questions.

Sincerely,

Guido da Costa Pereira

Guido da Costa Pereira
SHAREHOLDER FANNIE MAE
& FREDDIE MAC

Maria da Costa Pereira

Maria da Costa Pereira
SHAREHOLDER FANNIE MAE
& FREDDIE MAC

EXHIBITS:

1) https://www.fhfa.gov/Media/PublicAffairs/Pages/Statement-of-OFHEO-Director-James-B-Lockhart-in-Support-of-Secretary-Paulson,-Administration-and-the-Federal-Reserve-in-T.aspx
2) https://www.marketwatch.com/story/paulson-fannie-and-freddie-are-adequately-capitalized
3) https://www.visualcapitalist.com/the-20-most-and-least-profitable-companies-per-employee/
4) https://www.treasury.gov/press-center/press-releases/Pages/hp1129.aspx

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