



August 31, 2020

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, SW
Washington, DC 20219

RE: Comments to RIN 2590-AA95

Dear Mr. Pollard:

In these brief comments, the American Consumer Institute (“ACI”) seeks to respond to the FHFA 2020 Notice of Proposed Rulemaking. ACI is a nonprofit (501c3) educational and research institute with the mission to identify, analyze and project the interests of consumers in selected legislative and rulemaking proceedings in information technology, health care, insurance, energy, and other matters. The goal of ACI is to bring to bear the tools of economic and consumer welfare analyses as rigorous as available data will allow, while taking care to assure that the analyses reflect relevant and significant costs and benefits of alternative courses of government action.

During its conservatorship, the transfer of mortgage credit risks from Freddie Mac and Fannie Mae to the private sector has been successful. However, we believe the new Enterprise Regulatory Capital Framework will disincentivize credit risk transfers – effectively eliminating them as a tool – as well as increasing financial risks and volatility, while potentially placing burdens on taxpayers. Mortgage risk transfers reduce costs for renters and homeowners, while the proposed guarantee fees will make homeownership less affordable, thereby leading to consumer welfare losses.

By using the diversified private capital market, mortgage risk transfers are effective in deleveraging taxpayer risks. We conclude that that credit risk transfers are absolutely needed for these government enterprises to exit conservatorship.

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