

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

31st August 2020

Dear Mr Pollard

RIN-2590-AA95

We appreciate the opportunity to comment on the proposed capital framework for Freddie Mac and Fannie Mae. We understand the aim is to build a strong capital framework for both GSEs, however, as proposed, we believe it would lead them to drop the use of Credit Risk Transfer (CRT). Fannie Mae has already ceased all CRT and we expect Freddie Mac to follow, if the proposed rule is adopted. CRT has reduced the historical concentration of risk in the GSEs and diversified this between capital market investors and global reinsurers. MS Amlin AG have supported GSE transactions originating as far back as 2014. Our A rating from S&P and AM Best together with the A+ rating of our parent, has provided the GSEs with superior financial support during this time. These ratings have enabled us to deliver the highest quality reinsurance product throughout the world for many years.

The GSEs have used CRT to transfer risk at a lower cost than the cost of the required equity capital. CRT can help the GSEs emerge from conservatorship both by reducing the amount of equity capital they will have to raise and through lowering costs, improve future investor returns. These lower costs are likely to be passed on to US homeowners. The alternative will be for the GSEs to raise their guaranty fees to attract the necessary equity capital. Higher GSE costs may also drive an even greater percentage of borrowers into alternative government programs backed by the US taxpayer.

We believe the proposed rule will mean that CRT will provide no benefit for GSEs when the leverage ratio cap is binding. This has been the case in the vast majority of recent transactions. When the leverage ratio cap is not binding, the proposed rule will dramatically reduce any capital credit for CRT under the proposed risk-based capital requirements. We can understand the risk weighting matrix being calculated off the 2008 recession, but do not support the further adjustments which will eliminate any capital credit for CRT (and may even reverse it).

MS Amlin AG is a member of the Reinsurance Association of America (RAA) who have submitted a number of detailed changes to the proposed rule. MS Amlin AG support the changes requested by the RAA. We believe it is in the interests of all stakeholders that the proposed rule should contain strong incentives for the use of CRT by the GSEs.

Yours sincerely



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