GARY HINDES

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Federal Housing Finance Authority
400 Seventh St. SW, 8th floor
Washington, DC 20219

To whom it may concern: Re: RIN-2590-AA95

Numerous commenters have made the point that the proposed capital requirements are unduly excessive and will necessarily inhibit the enterprises from being able to raise the amount of capital which will be necessary to effect the conservator's goal of putting them into a safe and sound position. To quote fellow shareholder Bill Ackman, *". . . the new minimum capital level of 4 percent is far too high and fails to balance the objective of safety and soundness of the Enterprises with the need to deliver affordable mortgage rates to consumers and market returns to investors. This capital level treats the GSEs as if they are banks, when in reality they are monoline insurers."* (I note also that in its comment letter filed earlier this afternoon, CMLA stated that *"as a general matter, overall capital near 4 percent cannot be justified by any model or data sets; a level that high is "conceptual risk" only."* (Emphases added.)

I share their views.

Left unsaid, however, is the impact of what overly conservative capital requirements will have on the value of the taxpayer's present investment in the enterprises.

The warrants Treasury currently owns to purchase 79.9 percent of the equity of Fannie Mae and Freddie Mac for $0.0001 per share (I may have omitted a decimal point, but you can assume it was another zero) have been valued by astute and respected financial professionals as potentially being worth $100-$150 billion or more. This is, of course, over and above the $120-plus billion profit the government has already collected on its Senior Preferred Stock. Indeed, the so-called 'bailout' of Fannie and Freddie may very well turn out to be the best investment for the taxpayer since the Louisiana Purchase.

However, if, due to unnecessarily high capital requirements, potential new investors are unable to achieve what they consider a reasonable rate of return, they will either reduce or eliminate entirely the amount of money they are willing to commit to recapitalizing the companies. This, in turn, would significantly and negatively impact the value of the aforementioned warrants.

It would be like calling in an artillery strike on your own position.

Respectfully,

Gary E Hindes

WILMINGTON, DE 19807-4589