400 CAPITAL

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March 9, 2021

Mr. Mark Calabria
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, S.W.
Washington, D.C. 20219

Re: Minimum Enterprise Liquidity Requirements
Notice of Proposed Rulemaking, RIN 2590-AB09

Dear Mr. Calabria,

I am writing on behalf of 400 Capital Management LLC ("400 Capital" or the "Firm"), an alternative credit asset management firm registered with the U.S. Securities and Exchange Commission as an investment advisor. Our Firm manages over $4.6 billion of invested capital on behalf of state, city, and corporate pension plans, endowments and foundations. We actively manage total return, private debt and separately managed portfolios focused primarily on investment opportunities in securitized mortgages and structured credit products.

We commend the Federal Housing Finance Agency's continuing work to promote the financial viability of Fannie Mae and Freddie Mac (the Government-Sponsored Enterprises, or "GSEs"). The attention reforming the GSEs has received reflects their importance to the U.S. housing market and its overall economic stability. Any solution should carefully weigh the various competing interests. Like many market participants, we are very supportive of housing finance reform generally, and specifically GSE reform.

Ensuring the GSEs are adequately capitalized with sufficient liquidity and risk management policies that avoid taxpayer liability is at the core of having private capital partnership strategies. It is our view that these initiatives collectively can support the institutions' important role of providing affordable access to homeownership, while maintaining prudent risk management as a foundation of the housing finance system. We believe a comprehensive discussion of GSE reform is more effective than approaching the solution incrementally.

Acting too quickly without transparently balancing the various competing interests could undermine the stability of the housing-finance market and erode the necessary support homeowners are getting during the COVID-19 pandemic. By focusing on disparate components of GSE reform individually – in this case on liquidity reform – it is impossible to fully assess whether an action could (unintentionally) disrupt the historically low-interest rates available to borrowers, or increase the cost of lending to borrowers. Either result could push many credit-worthy borrowers out of affordable lending options which would be detrimental to promoting affordable housing in the recovery.

In a holistic discussion of GSE reform – whether through administrative action, legislative action, or a combination of the two – we believe preserving the efficiencies of the GSEs and their histories of innovation also should be important considerations. The secondary mortgage market in the U.S. is one of the most systemically important markets globally to financial institutions and investors and plays a central role in providing families with sufficient affordable and sustainable housing today and in the coming years. These twin achievements reflect the deep, liquid markets the GSEs have developed and promoted, and their purchases and guarantees of loans in the secondary market are the backbone of the supply of new mortgage funding. The net result of this has been reducing mortgage rates for homebuyers and establishing an important source of liquidity for banks and investors.

While we understand GSE conservatorship was expected to be an interim step and was not intended to last this long, the U.S. has a very effective, robust housing market which is underpinned by the availability of mortgages backed by the GSEs and their promise to make investors whole, in case of default. This system has kept down the price of home loans and roots the popular 30-year fixed-rate mortgage.

GSE reform raises complex issues with many differing views. As such, it requires a comprehensive roadmap that establishes the path to ending conservatorship while ensuring the GSEs' ongoing role in promoting affordable housing and having a continuing, central role in the U.S. recovery from the COVID-19 pandemic. At the same time, the roadmap should contemplate how to ensure their continuing efficiencies and histories of innovation.

While the liquidity proposal may be the correct approach, we believe it would be more effective if it were part of a comprehensive solution. I am certain many would join me in supporting the release from conservatorship of the GSEs in a transparent process that is responsive and equitable to the many stakeholders involved.

Thank you for your consideration of this letter. Please feel free to contact me at (221) 612-3102 (or chentemann@400capital.com) if you have any questions or require additional information.

DocuSigned by:

Sincerely,

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Christopher Hentemann
Managing Partner & Chief Investment Officer
400 Capital Management LLC

cc: George Clinton, General Counsel
Federal Housing Finance Agency

The Honorable James Himes
U.S. House of Representatives