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VIA E-Mail (regcomments@fhfa.gov)

October 15, 2010

Alfred M. Pollard, General Counsel  
Federal Housing Finance Agency, Fourth Floor  
1700 G Street, NW  
Washington, D.C. 20552

Re: Guidance on Private Transfer Fee Covenants [No. 2010-N-11]

Dear Mr. Pollard:

The Federal Home Loan Bank of Seattle ("Seattle Bank") has reviewed the notice of proposed guidance published by the Federal Housing Finance Agency ("Finance Agency") on August 16, 2010, proposing that the entities that the Finance Agency regulates should not deal in mortgages on properties encumbered by private transfer fee covenants ("Proposed Guidance"). The Seattle Bank understands the Finance Agency is concerned about the impact these covenants may have on liquidity, affordability and stability in the housing finance market, and we appreciate the opportunity to comment on the Proposed Guidance.

The Proposed Guidance does not mention when the final guidance would be effective. The Seattle Bank recommends that the Finance Agency make clear that the final guidance would apply prospectively only. The Seattle Bank also recommends that the final guidance apply only to mortgage loans originated and mortgage-backed securities issued 120 days after the effective date of the final guidance so that the Seattle Bank's members and investment counterparties can have sufficient time to revise their underwriting and origination guidelines as necessary. Retroactive application of the final guidance to previously originated mortgage loans or issued mortgage-backed securities could have significant unintended consequences for the Federal Home Loan Banks ("FHLBanks") and their members.

Additionally, the Seattle Bank has significant concerns regarding how it could effectively implement and monitor compliance with the Proposed Guidance. The Proposed Guidance states that "Fannie Mae and Freddie Mac should not purchase or invest in any mortgages encumbered by private transfer fee covenants or securities backed by such mortgages. The Banks should not purchase or invest in such mortgages or securities or hold them as collateral for advances." For mortgage loan collateral, unless the loan file contains documents that clearly evidence the private transfer fee covenant, the Seattle Bank cannot determine whether the mortgage is subject to a private transfer fee covenant. Likewise, for securities collateral, the Seattle Bank does not have access to the individual underlying mortgage loan files and therefore cannot determine whether the security is subject to a

covenant. Similarly, with respect to its investment portfolio, the Seattle Bank does not have access to the individual mortgage loan files for the loans underlying the mortgage-backed securities (either private label or Agency) held by the Seattle Bank. For these reasons, the Seattle Bank believes it would not be possible to implement the Proposed Guidance effectively. The Seattle Bank therefore recommends that, if the Finance Agency issues guidance in this area, it consider an alternative that can be effectively implemented by the FHLBanks or expand the Proposed Guidance to include appropriate standards of implementation, in either case, with appropriate notice and opportunity for comment, so that the FHLBanks can comply with the guidance.

Thank you for considering our comments.

Sincerely,

A handwritten signature in cursive script that reads "Richard M. Riccobono". The signature is written in black ink and is positioned above the printed name and title.

Richard M. Riccobono  
President and Chief Executive Officer