Mortgage Insurance Companies of America

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Mr. Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA26
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, DC 20552

Dear Mr. Pollard:

The Mortgage Insurance Companies of America (MICA) is pleased to comment on the proposal from the Federal Housing Finance Agency (FHFA) to restructure the affordable housing goals for Fannie Mae and Freddie Mac.[1] MICA is the trade association for the U.S. private mortgage insurance (MI) industry and, as such, has a keen interest in ensuring that the government sponsored enterprises (GSEs) play a strong, constructive role in enhancing the vital goal of sustainable home ownership and resilient neighborhoods.

Reflecting this, MICA has long worked with FHFA and HUD prior to that to enhance the affordable housing (AH) goals. In 2009, we commented extensively on FHFA's proposal[2] to redesign the 2009 goals and start the broader AH process now underway, stating then that:

> MICA urges FHFA not only to proceed with the proposed affordable housing framework, but to build on it to ensure that going forward all GSE-purchased affordable-housing loans in fact promote home ownership by low-and moderate-income individuals and support neighborhood development through responsible underwriting.

We commend FHFA for proposing such a constructive framework in the current notice of proposed rulemaking (NPR) and below provide our comments on a permanent framework that, MICA believes, will be of great value in preventing any repeat of the systemic risk and

[1] 2010-2011 Enterprise Affordable Housing Goals, Proposed Rule, 75 Fed. Reg. 9033 (Feb. 26, 2010).
[2] 2009 Enterprise Transition Affordable Housing Goals, Proposed Rule, 74 Fed. Reg. 20236 (May 1, 2009).

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borrower/neighborhood harm that has resulted from inappropriate GSE affordable housing activities. However, we note that aspects of the NPR are premised on incorrect conclusions about the current condition of the private mortgage insurance industry. In summary, the NPR suggests that the GSEs may be unable to meet AH needs because of limited MI capacity. In fact, the U.S. MI industry has ample capacity to absorb additional risk, as evidenced not only by capital capacity, but also by the flow of new capital coming into the private MI sector. In fact, MI is a significant source of viable private capital supporting U.S. residential finance, with $850 billion of risk now in force. We provide an additional discussion of MI capacity below, as we think it critical that FHFA premise its rulemakings and supervisory action on an accurate, current understanding of MI.

This is important not only to MICA members, but also to a sound restructuring of the GSEs, bringing them out of conservatorship in a way that recognizes their unique strengths and targets any future taxpayer support – implicit or explicit – only to those areas that require the federal government. As Secretary Geithner told Congress on March 23:

> [T]he Administration is committed to encouraging private capital to return to the housing finance market. The substantial direct support for the housing markets that has been put in place will be allowed to fade as the market recovers and fully stabilizes. In addition, through regulatory reform and other supervisory actions, the Administration is committed to clarifying the framework for new securitizations to restart these important markets.[3]

MICA members are ready, willing and eager to play their role in restructuring the GSEs and returning housing markets to this better balance between government support and private capital. MICA's members are actively seeking opportunities to increase the amount of business written, given the competitive pressures from FHA.

The NPR also suggests that MI policies are somehow problematic for the GSEs as they seek to fulfill appropriate AH goals in the single family sector. As discussed in more detail below, MI firms have recently tightened their underwriting to reflect appropriate policies in areas such as debt-to-income level, documentation and similar matters to ensure that all mortgages backed by private MI are sound loans that contribute to sustainable home ownership. This supports Fannie Mae and Freddie Mac by providing independent underwriting criteria – not

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[3] Honorable Timothy Geithner, Secretary, U.S. Department of the Treasury, Written Testimony before the House Committee on Financial Services (Mar. 23, 2010), *available at* http://www.treasury.gov/press/releases/tg603.htm.

to mention first loss private capital – to supplement lender underwriting and origination practice. It thus contributes to long term, prudent affordable housing.

In addition to our comments on the private MI industry's capacity and AH role, MICA's comment will make the following points:

- MICA supports the proposed approach to GSE goals, which would not set arbitrary, inflexible standards but instead measure GSE performance in the context of broader market factors. One reason subprime, high-risk lending grew so rapidly during the housing crisis was that prior AH goals measured GSEs on flat percentage rates without taking into account broader market trends that in fact put Fannie Mae and Freddie Mac – not to mention borrowers – at undue risk. FHFA standards should promote sound, prudent mortgages that serve the genuine needs of low- and moderate-income borrowers, not revive incentives for the GSEs to take risks out of fear of the political or legal consequences of goal non-compliance.

- MICA supports provisions in the NPR which bar counting second liens related to structured mortgages retained by the GSEs for purposes of the AH goals. However, we urge FHFA also to make clear that only loans in full compliance with the GSEs' charters qualify for inclusion in the goals. Any first liens that are accompanied by simultaneous second liens (so-called "piggyback" mortgages) should be excluded because of the role these loans have clearly played in preventing loan modification and, thus, exacerbating the current mortgage crisis. Addressing only second liens does not remedy the GSE risk and borrower and neighborhood harm resulting when the GSEs' enable piggyback mortgages by purchasing first liens related to simultaneous seconds that lead to loans with combined LTV at or above 100 percent at origination. Of course, FHFA should go beyond this also to block the GSEs from purchasing any mortgages structured to evade charter or prudential requirements.

- MICA supports other proposed exclusions from the goals, particularly the proposed exclusion of subprime mortgage backed securities (MBS). FHFA is correct with regard to the role GSE purchases had played in promoting the mortgage market's collapse and precipitating foreclosures.

- MICA supports counting only "sustainable" mortgages. We had urged FHFA to do so in our 2009 comment and are pleased to see this idea included in the NPR, although not with the specificity that may promote immediate adoption of this requirement. In this letter, MICA provides a definition of how qualifying mortgages should be defined to support rapid FHFA action on express restrictions on qualifying mortgages for AH purposes. Given the GSEs' major role in U.S. residential finance, MICA has long urged FHFA to allow the GSEs only to purchase sound, prudent mortgages in full compliance with the GSEs' charters. However, at the least, any loans with high-risk features should not count towards the AH goals because of their pernicious impact on first time, vulnerable or other borrowers and neighborhoods not well served by private markets. The AH goals were intended by Congress to assist these borrowers, not put them at still more risk by providing incentives for the GSEs to "enable" predatory lending or promote practices like no-documentation loans that facilitate fraud.

I. Role of Private Mortgage Insurance

As noted, we think it critical for FHFA to premise not only these AH goals, but also broader policy on an accurate, current understanding of MI capacity, regulation and risk. We believe that, following this review, FHFA will concur with the view of MI recently expressed in a lengthy assessment of mortgage regulation conducted by the Joint Forum of banking, securities and insurance regulators:

> Mortgage insurance provides additional financing flexibility for lenders and consumers, and supervisors should consider how to use such coverage effectively in conjunction with LTV requirements to meet housing goals and needs in their respective markets. Supervisors should explore both public and private options (including creditworthiness and reserve requirements), and should take steps to require adequate mortgage insurance in instances of high LTV lending (e.g. greater than 80 percent LTV).[4]

[4] The Joint Forum, *Review of the Differentiated Nature and Scope of Financial Regulation*, Key Issues and Recommendations, (Jan. 2010), at page 17, *available at* http://www.bis.org/publ/joint24.pdf?noframes=1.

Reflecting this view, the Federal Deposit Insurance Corporation (FDIC) has recently proposed to exempt any mortgage backed by loan-level MI from sanctions that would bar mortgages subsequently sold into the secondary market from the safe harbor provided should an insured depository subsequently fail.[5]

A. Role of Credit Rating Agencies

As noted, the NPR includes a discussion of MI that suggests that problems in the MI sector will make it difficult for the GSEs to meet the FHFA's AH goals in the single family area. In part, MI problems are demonstrated by referring to a recent decision by a credit rating agency (CRA) to downgrade one firm.[6] MICA urges FHFA not to base any regulatory decisions on CRA determinations. The conclusion drawn in the AH proposal related to MIs is incorrect. Similar decisions in other contexts such as the pending revisions to the GSEs' risk-based capital rules, could pose even more serious prudential risk.

As has been amply – and all too expensively – demonstrated throughout the financial market crisis, CRA determinations are highly imperfect credit risk judgments. It is for this reason that the U.S. Congress has instructed regulators to reduce ratings reliance both in current law[7] and legislation which has passed the House.[8] The Securities and Exchange Commission (SEC) has recently enacted rules sharply limiting the degree to which Money Market Funds and other investment companies may rely on CRAs.[9] The Basel Committee on Banking Supervision is also reducing its reliance on CRAs,[10] reflecting ongoing work by the International Organization of Securities Commissions (IOSCO)[11] and other global agencies. All of this work should, MICA believes, influence FHFA and make clear with what care CRA determinations should be reflected – if at all – in FHFA action.

[5] Treatment by the Federal Deposit Insurance Corporation as Conservator or Receiver of Financial Assets Transferred by an Insured Depository Institution in Connection With a Securitization or Participation After March 31, 2010, 75 Fed. Reg. 934 (Jan. 7, 2010).
[6] *See supra* note 1, at page 9039.
[7] *The Credit Rating Agency Reform Act*, Pub. L. No. 109-291 (2006).
[8] *Wall Street Reform and Consumer Protection Act*, title V, subtitle B, *Accountability and Transparency in Rating Agencies Act*, H.R. 4173, 111th Cong. (2009).
[9] Money Market Fund Reform, 75 Fed. Reg. 10060 (Mar. 4, 2010).
[10] Basel Committee on Banking Supervision, *Strengthening the Resilience of the Banking Sector*, Consultative Document (Dec., 2009), *available at* http://www.bis.org/publ/bcbs164.pdf?noframes=1.
[11] IOSCO, *Code of Conduct Fundamentals for Credit Rating Agencies* (May 2008), *available at* http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf.

B. Role of FHA

Both with regard to MIs and in the more general discussion of its approach, FHFA suggests that MI capacity limits and/or stricter underwriting standards have sparked the recent sharp growth in Federal Housing Administration (FHA) volume. For example, the NPR notes that, "With the stresses on private mortgage insurers, borrowers without substantial down payments are increasingly dependent on government insurance programs." However, nowhere in the NPR does the FHFA note the growing risk in the FHA's insurance book. This is clearly reflected in ongoing changes to FHA procedure, funding and overall activities. However, FHA market share grew to the volumes discussed in the NPR in large part because it was willing to take risks MIs rightly thought imprudent.

urther, the NPR fails to address recent pricing decisions at the GSEs that have played a far more important role in driving what once was GSE business to the FHA.

We would note that it is not just MICA that believes that GSE pricing is a factor that shifts high-LTV loan originations to FHA. Fannie Mae noted in its 2009 10K filing that, "[i]n 2008 and 2009, changes in our pricing and eligibility standards and in the eligibility standards of the mortgage insurance companies reduced our acquisition of loans with higher LTV ratios and other high-risk features. In addition, FHA has become the lower-cost option, or in some cases the only option, for loans with higher LTV ratios."[12]

The GSEs have predicated recent pricing decisions in part on grounds that they reflect credit risk. MICA has noted in the past that pricing is not an appropriate form of credit risk mitigation – that comes only from capital, reserves and third-party credit enhancement. Pricing per se is not an appropriate risk mitigant because funds deriving from pricing are only available to absorb risk if they are first so large as to withstand it and, even then, retained over time to form a long-term loss-absorption cushion. If revenue derived from pricing is instead used for other purposes – operational costs, salaries, dividends, etc. – it is wholly inadequate.

Bank regulators share this view, as was made clear in guidance from all of the banking agencies on non-traditional mortgages (NTMs) [71 FR 58609] and subprime hybrid adjustable-rate mortgages (ARMs) [72 FR 37569]. Each of these guidances contains an express prohibition against pricing for risk. Key provisions state:

[12] Fannie Mae 2009 Schedule 10K, p.44.

- NTM Guidance: "While higher pricing is often used to address elevated risk levels, it does not replace the need for sound underwriting."

- Subprime ARMs: "… a higher interest rate is not considered an acceptable mitigating factor."

Thus, any pricing decisions made by the GSEs should not be viewed as risk-related and instead recognized by FHFA as the profit-driven determinations they are. To the extent they influence the GSEs' ability to meet prudent AH goals, FHFA should work with the GSEs to rollback pricing, not unduly reduce AH requirements.

C. MI Capacity

Recent market developments make clear that private investors have not been dissuaded by CRA determinations, with the industry attracting new equity capital and showing clear capacity to handle additional volume comprised of prudently-underwritten loans with high loan-to-value (LTV) ratios. As noted, the U.S. MI industry has $850 billion of insurance in force, comprising the only significant private capital now supporting new loans in the high-LTV sector so critical to the recovery of the U.S. mortgage market, especially for vulnerable borrowers seeking to modify problem loans in areas of sharp house-price depreciation.

II. Market-Tested AH Goals are Appropriate

As noted, MICA supports the proposed approach to setting GSE affordable housing goals. We believe it would ensure that Fannie Mae and Freddie Mac meet their statutory obligations to support under-served single and multi-family markets without taking on undue risk. However, we would note that the implementation of this new goal structure may be complex. We therefore urge FHFA to make public its calculation methodology as a technical guidance, showing in it how the goals are measured and how they would be run under various test scenarios. We found the technical paper attached to the NPR of use in understanding the current market, but had difficulty simulating it to anticipate likely GSE activities under various market scenarios.

In this regard, we note some concerns with the way the broader mortgage market would be measured for purposes of the benchmark. The NPR states in proposed Sec. 1282.12 that the "market" will be measured based on total single family, owner occupied conventional volume. MICA is concerned that excluding FHA and other government loans from the market calculation will distort FHFA

measurement of the market and essentially require the GSEs to measure themselves against themselves. Further, this may distort the data based on relative market share, with Freddie Mac (of course the smaller GSE) measuring itself against a market largely defined by Fannie Mae to undue disadvantage. Additional review, clarification and, if necessary, revision of the market measure would ensure an appropriate benchmarking system that truly judges the GSEs in relation to the market and prevents mistakes, manipulation or risk.

Proposed Sec. 1282.14 would allow a GSE to petition FHFA to reduce the level of any goal or subgoal. Proposed Sec. 1282.14 would set forth the standards and procedures for determining whether to reduce a goal or subgoal level. MICA generally supports both the discretionary provision and the procedure, but we urge FHFA to make public any petitions by a GSE to ensure transparent consideration of the full implications of any such request. Permission should not be unduly withheld given the prudential and market impact of overly high AH goals, but care should be taken to ensure that the GSEs at all times meet appropriate affordable housing requirements consistent with their statutory obligations and market need.

Proposed Sec. 1282.16(e) would clarify that FHFA may provide guidance on the treatment of any transactions under the affordable-housing goals. MICA supports this proposal, but again urges that FHFA make public any and all such guidance to promote a transparent, orderly market that ensures that all participants in it fully understand the role played by Fannie Mae and Freddie Mac.

III. Proposed Exclusions from the Goals are Appropriate, But Should be Explained

Proposed Sec. 1282.16 would set forth special counting requirements for the receipt of full, partial or no credit for a transaction toward achievement of the housing goals. MICA below provides our views on proposed exclusions for single family mortgages from the goals.

A. Subordinate Liens

Proposed Sec. 1282.16(b)(10) would exclude the purchases of subordinate lien mortgages (second mortgages) from counting towards the
Enterprises' housing goals. FHFA notes that:

> This exclusion would reflect the fact that, under section 1331 of the Safety and Soundness Act, as amended, the

> single family housing goals are limited to purchase money or refinancing mortgages. This would exclude "piggy-back" liens that may be acquired by an Enterprise along with the corresponding first lien mortgage and subordinate lien mortgages, such as home equity loans, acquired separately by an Enterprise where the Enterprise does not also acquire the corresponding first lien mortgage.[13]

This provision in the NPR appropriately reflects FHFA's correct understanding of the pernicious role piggy-back mortgages and similar structures have played in the mortgage crisis. Second liens have proven to be even riskier in the current financial crisis than previously anticipated as recent data on actual losses has shown. [14] If the GSE purchases both the first and second lien, it can and should count the loan at its true, total combined LTV and then, as required by law obtain one of the three forms of credit enhancement stipulated in the GSEs' charters. However, the NPR must go beyond this also to address the concern posed by the first liens in piggy-back mortgages that may be purchased by the GSEs. Piggy-back structures are sources of significant risk to the GSEs and borrowers regardless of which piece of the loan is held by Fannie Mae or Freddie Mac, as the GSEs themselves have recognized.[15] Simply focusing on how such loans may be counted for the AH goals may address to some degree AH-related incentives to hold subordinate liens, but does not go far enough to limit the GSEs' ability to take risk related to Alt-A mortgages and permit lending structures designed to evade their charters to put borrowers at risk. As the chairman of the House Financial Services Committee, Rep. Barney Frank (D-MA), has made clear in recent statements and letters to the banking agencies, simultaneous second liens and, indeed all subordinate liens, have posed profound risk to the U.S. mortgage market, borrowers and investors. FHFA must thus act in all areas to address this urgent problem and bar structured mortgage products that involve second liens.

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[13] *See supra* note 1, at 9060.

[14] See for example S&P Research publication U.S. Closed-End Second-Lien RMBS Performance Update: January 2010, published March 3, 2010 which notes that "As of the January 2010 distribution date, cumulative losses totaled 4.84%, 20.50%, 33.30%, and 35.63% of the original aggregate pool balances for the 2004, 2005, 2006, and 2007 vintages, respectively."

[15] The GSEs have recognized this risk in their past SEC reports. For example, in its 2008 10K Freddie Mac noted "an observed increase in delinquency rates and the percentage of single-family loans that transition from delinquency to foreclosure, with more significant increases concentrated in certain regions of the U.S. and for loans with second lien, third party financing….Similarly, as of both December 31, 2008 and 2007, approximately 14% of loans in our single family mortgage portfolio had second lien, third party financing at origination; however, we estimate as of December 31, 2008, that these loans comprise more than 25% of our delinquent loans, based on unpaid principal balances.." pp. 82 to 83.

MICA has frequently advised FHFA of our deep concerns with piggy-back mortgages, noting years ago the risks these loans posed to Fannie Mae and Freddie Mac. The Enterprises in part argued that no limits could be placed on these loans because they were unable from a systems point of view to track which first and/or second liens were associated with each other. FHFA must and should ensure that the GSEs have robust systems well understood by agency examiners to permit compliance not only with the AH goals, but also more broadly with the GSEs' charters. If the systems costs for doing so are prohibitive or if other obstacles are found to do so, then the GSEs can and should instruct all originators that any first or second liens associated with piggy back loans violate GSE purchase conditions and will be returned for repurchase.

B. Private-Label MBS

MICA concurs with Proposed Sec. 1282.16(b)(13), which would exclude private-label MBS (PLS) from counting for the AH goals. As FHFA notes, PLS have proved a disproportionate risk to the GSEs without playing a constructive role in promoting affordable housing because of the problematic, if not predatory nature of the loans included in PLS and the numerous errors rating agencies made in granting them the highest-possible rating. MICA endorses FHFA's reasoning in the NPR about the need for the GSEs to support mortgage credit availability in each sector of the market in a prudent, sustainable fashion and we do not believe that permitting PLS purchases to substitute for mortgages is thus appropriate.

Based on this, MICA does not support the exclusions to the flat counting ban on which the FHFA seeks comment in the NPR. For example, we believe that a process that permitted a GSE officer to "certify" that loans in PLS are prudent and intend to count the PLS will not ensure that the GSEs target their capital towards urgently-needed AH lending throughout the mortgage market. First, a certification process may be subject to uncertainty or even abuse if profit incentives related to PLS again tempt the GSEs to hold large volumes of these positions in their portfolios. Indeed, under pending portfolio limits, the pressure to hold PLS will be even greater, making it essential that FHFA set hard, firm guidelines and bar PLS as part of the AH goals. We would also note that Congress is presently working on legislation[16] that would substantially revise PLS disclosure and due diligence requirements. Unless or until these requirements are instituted, implemented and proven, a GSE officer would have great difficulty determining the actual characteristics of any loans included in PLS and,

[16] *See supra* note 8.

thus, providing FHFA with reliable representations as to the worthiness of such investments towards the AH goals.

C. Jumbo Mortgages

Sec. 1282.16(b) of the NPR would also eliminate the current exclusion of jumbo loans from the AH calculation. MICA concurs that it is no longer appropriate to exclude jumbo loans because of recent increases in the GSEs' conforming loan limit. When a final determination has been made on these limits by Congress, FHFA may then wish to reconsider this issue, but it can do so promptly at that time and thus need not address the issue any further at this time.

IV. Only "Sustainable" Mortgages Should Count Towards the Goals

Section 1332(i) of the Safety and Soundness Act, as amended by HERA, provides that no credit may be given for mortgages that FHFA determines are "unacceptable or contrary to good lending practices." MICA below discusses revisions to the NPR to reflect this directive and broaden exclusions to any and all single family mortgages that do not ensure sustainable long-term home ownership. However, we think it particularly critical that FHFA target in its rules any mortgage that is structured to evade GSE charter requirements. Thus, as noted above, we urge the FHFA not only to adopt its provisions related to piggy-back mortgages for the AH goals and to expand them to cover first liens, but also simply to bar the GSEs from purchasing first and/or second liens related to piggy-back loans. Doing so will significantly enhance borrower protection, as noted recently in the paper from global regulators cited above, which also addressed the prudential risk associated with "equity extraction."[17]

Based on its statutory authority and, MICA believes, express instruction from Congress, FHFA should revise the NPR and in the final rule detail the characteristics for single family mortgages that will qualify them for consideration in the AH goals. All eligible single family mortgages should first be in full compliance with all applicable federal and state standards governing mortgage origination. However, given the complexities of federal financial regulation and the ability of state-regulated entities to exempt themselves from prudential and consumer-protection requirements, the FHFA should establish a clear, minimum standard that limits AH consideration only to single family mortgages in full compliance with applicable standards from the federal banking agencies (i.e., the Office of the Comptroller of the Currency, FDIC, Federal Reserve Board, Office of Thrift Supervision, National

[17] *See supra* note 4.

Credit Union Administration, Federal Trade Commission and any committee of these agencies such as the Federal Financial Institutions Examination Council). When constituted as the Office of Federal Housing Enterprise Oversight (OFHEO), the FHFA stipulated compliance with certain federal standards for mortgages purchased by the GSEs in PLS,[18] but did so only as the mortgage "boom" was reaching its height. Had it done so earlier and more broadly instructed Fannie Mae and Freddie Mac to follow banking-agency standards, FHFA would have helped avert much of the risk that led the GSEs into conservatorship.

In the FDIC advance notice of proposed rulemaking noted above, the agency details an array of mortgage origination practices it believes ensure prudent practices that also protect borrowers and investors. MICA urges FHFA to model its rules on the FDIC criteria, including the following standards for any and all mortgages purchased by the GSEs, as well as those that may qualify for AH credit:

- a reasonable downpayment that ensures appropriate loan-to-value ratios or use of private or government mortgage insurance (e.g., MI from private firms, FHA, VA, etc.). MI ensures capital at risk and a "second set of eyes" that protects both borrowers and investors and avoids the need for such high downpayment requirements that first-time, minority and low-income borrowers are frozen out of home ownership;

- full, verified documentation based on reliable documents such as tax returns, W-2s or similar documentation;

- underwriting that ensures long-term ability to repay based on fully-indexed amortization of the mortgage at the highest possible interest rate that may be charged on the loan;

- escrow payments for taxes, insurance and similar payments;

[18] Office of Federal Housing Enterprise Oversight, '*OFHEO Director James B. Lockhart Commends Enterprises on Implementation of Subprime Mortgage Lending Guidance*, News Release (Sept. 10, 2007), *available at* http://www.fhfa.gov/webfiles/1608/LockhartcommendsENTERPRISEsreSubprime91007.pdf.

- demonstrated value to the borrower through procedures such as those mandated by the Federal Reserve Board[19] to prevent "flipping" and similar practices; and

- lack of early-payment default. Any loan that goes to delinquency within ninety days of origination should not be counted towards the AH goals to ensure appropriate controls to limit both GSE and borrower risk. Each quarter's AH counts should be adjusted accordingly.

You will note that MICA does not recommend reliance on originator risk retention, as we fear that this aspect of the FDIC's proposal is over broadly drafted and does not take into account work under way at other agencies and in the Congress to enhance incentive alignment in the asset-securitization process.

Conclusion

As detailed above, MICA endorses FHFA's efforts to align the GSEs' affordable housing goals with broader market factors to prevent a repeat of the risk incentives that helped to precipitate the current crisis and the GSEs' conservatorship. However, we urge FHFA to refine and expand the goals to bar consideration of all loans that violate the GSEs' charters, not just second liens associated with piggy-back first liens retained by the GSEs. We also urge that the goals be broadened to ensure coverage only of sustainable mortgages, as we have defined them in this comment letter. However, given the critical importance of ensuring long-term home ownership, FHFA should not only carefully constrain GSE mortgages purchased for AH-goal counting purposes, but also more broadly expressly limit the mortgages Fannie Mae and Freddie Mac are allowed to purchase to those clearly authorized by law that are in full alignment with long-term borrower and investor interests.

We would be pleased to work further with FHFA on all of these issues and appreciate your consideration of our views.

Sincerely,

Suzanne C. Hutchinson

[19] Truth in Lending, 73 Fed. Reg. 44522 (July 30, 2008).