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December 12, 2014

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
400 7th SW
Washington, D.C. 20024

Dear Director Watt:

On behalf of the Independent Community Bankers of America, the voice for more than 6500 community banks of all sizes and charter types, I am writing to you today to express concern regarding recent announcements from Fannie Mae and Freddie Mac (GSEs) and the Federal Housing Finance Agency (FHFA) that could put both GSEs at risk of failure again. Specifically, both GSEs, which are currently under conservatorship of the FHFA, have recently announced their intention to resume purchasing mortgage loans with as little as 3% down payments, and that both GSEs will also be required to commence funding of the Affordable Housing Trust Fund.

ICBA is supportive of improving access to credit for creditworthy borrowers. However, as recently witnessed during the Great Recession, the GSEs held too little capital to support the credit risks they were assuming. The collapse of home values, soaring defaults and foreclosures that resulted from the crisis drove the GSEs to the point of failure, requiring the federal government and U.S. taxpayers to provide a \$197 billion bailout. While the market and the economy have improved and both GSEs are solvent again, neither GSE has sufficient capital to weather another credit event or market downturn, and would again need to access funds from the U.S. Treasury to sustain their operations. Additionally, the mortgage-backed securities issued by these entities are currently enjoying the guaranty of the full faith and credit of the United States, which further extends the U.S. taxpayers' liability.

As the safety and soundness regulator for the GSEs, which supports over \$5 trillion in MBS outstanding, ICBA urges the FHFA to require the GSEs to retain capital to support these new initiatives as well as their ongoing business and operations. Expanding the footprint of the GSEs either through new loan

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programs or funding trust funds for affordable housing initiatives, diverts precious revenue away from the GSEs which could otherwise help protect them and the rest of the mortgage market from the next economic downturn.

Sincerely,

/s/

Camden R. Fine
President and CEO