

February 7, 2012

The Honorable Dave Camp
Chairman, Conference Committee on the Temporary
Payroll Tax Cut Continuation Act of 2011
341 Cannon House Office Building
Washington, DC 20515

The Honorable Max Baucus
Vice Chairman, Conference Committee on the
Temporary Payroll Tax Cut Continuation Act of 2011
511 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Camp and Vice Chairman Baucus:

I am writing on behalf of the members of the American Bankers Association to express concerns over the use of any further increase in the credit risk guarantee fees (G-fees) levied by Fannie Mae and Freddie Mac as an offset for further extension of the payroll tax holiday.

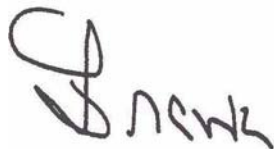
The ABA is on record supporting an increase in G-fees in an effort to better reflect the true value of the guarantee being provided, and to encourage the return of the private sector to the secondary mortgage finance market. We are extremely concerned, however, with diversion of any portion of the G-fee away from its intended role in minimizing the loss exposure of Fannie Mae, Freddie Mac, the investors in their securities, and ultimately the U.S. taxpayers.

The legislation enacted at the end of last year extending the payroll tax holiday for two months used a 10-basis-point increase in the G-fees – for a period of 10 years – as an offset for the cost of extending the tax holiday, unemployment benefits, and Medicare reimbursements. Using any portion of the G-fees for this purpose creates a number of significant concerns. Notable among these are that it creates an expected revenue stream from Fannie Mae and Freddie Mac for a period of 10 years. Given that these two Government Sponsored Enterprises (GSEs) are in federal conservatorship, and that it is generally agreed that the business model of these entities had significant flaws, it is troubling to create any expectation of long-term revenue from them, because it greatly complicates the already significant task of ending the conservatorship and enacting meaningful GSE reform.

For these reasons, we urge you and the other members of the conference committee not to consider the use of G-fees for any further extension of the payroll tax holiday or for any other purpose than the intended use of offsetting the risk associated with the guarantee being provided by Fannie Mae and Freddie Mac.

Thank you for considering our views on this most important matter.

Sincerely,



Frank Keating

Cc: House and Senate Conferees
The Honorable Spencer Bachus
The Honorable Barney Frank
The Honorable Tim Johnson
The Honorable Richard Shelby