



FEDERAL HOUSING FINANCE AGENCY
Office of the Director

August 9, 2017

Mr. William E. Brown, 2017 President
National Association of Realtors
500 New Jersey Avenue, NW
Washington, D.C. 20001-2020

Dear Mr. Brown:

Thank you for your June 27, 2017 letter proposing an alternative way (a Mortgage Market Liquidity Fund) to protect taxpayers from future market related losses and to reduce the possibility that Fannie Mae or Freddie Mac might require a draw.

I remain very concerned that the reduction of the Enterprises' capital buffers to zero on January 1, 2018 under the Senior Preferred Stock Purchase Agreements (PSPAs) increases the probability of a draw which could cause an adverse market reaction. I have publicly expressed my concerns that the declining capital buffers leave the Enterprises with little or no ability to absorb losses that could be caused by a variety of market and non-credit related factors. However, I am sensitive to the prospect that whatever steps FHFA could take might be misperceived as either an effort to promote recapitalization and release of the Enterprises or as interference with Congress' important work to advance housing finance reform. Consequently, as I continue to urge members of Congress to tackle the difficult and complex issues of housing finance reform, I will continue to look for ways to ensure that the concerns I have expressed are addressed constructively.

Sincerely,

Melvin L. Watt

cc: Honorable Stephen Mnuchin, Secretary, U.S. Department of the Treasury
Honorable Michael Crapo, Chairman, Committee on Banking, Housing and Urban Affairs
Honorable Sherrod Brown, Ranking Member, Committee on Banking, Housing, and Urban Affairs
Honorable Jeb Hensarling, Chairman, Committee on Financial Services
Honorable Maxine Waters, Ranking Member, Committee on Financial Services