



July 18, 2002

By Messenger and Electronic Mail

Alfred M. Pollard
General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, N.W.
Fourth Floor
Washington, D.C. 20552

Re: Proposed Safety and Soundness Regulation
67 Fed. Reg. 42200 (June 21, 2002), RIN 2550-AA22

Dear Mr. Pollard:

Freddie Mac appreciates the opportunity to comment on the Office of Federal Housing Enterprise Oversight's (OFHEO) recently proposed Safety and Soundness Regulation.¹

OFHEO describes this proposal as an effort to "support increased transparency and public awareness of minimum supervisory standards" that OFHEO adopts and to address potential safety and soundness issues before they become actual concerns.² Freddie Mac supports OFHEO's goals of transparency and public awareness of the supervisory standards applicable to Freddie Mac and Fannie Mae (the Enterprises) and OFHEO's approach of addressing potential issues in advance of any actual safety and soundness concerns. Transparency and awareness serve the best interests of OFHEO, the Enterprises and the financial markets. Having clear standards ensures that the Enterprises are able to plan for them and meet them. Making the standards public provides the marketplace with information it needs to analyze the Enterprises and ensures the public that the Enterprises are well regulated and operate safely and soundly.

The proposal also indicates OFHEO's intention to follow an approach of designing safety and soundness guidance that identifies the "ends" OFHEO wants to achieve, while allowing the Enterprises flexibility to design and implement "means" appropriate for their individual operations rather than "dictating" how the Enterprises must be operated and managed.³ We fully support such an approach as the most effective way

¹ 67 Fed. Reg. 42200 (June 21, 2002).

² *Id.*

³ *Id.*

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to integrate safety and soundness objectives into an ever-changing business environment.

Our only suggestion is a minor editorial change to clarify that the source of OFHEO's authority is the Federal Housing Enterprises Safety and Soundness Act of 1992 (the Act). Specifically, we recommend that OFHEO revise the last sentence of proposed § 1720.2 by adding the highlighted language:

If OFHEO determines that an Enterprise does not meet a requirement set out in such a policy guidance, it may require corrective or remedial actions by the Enterprises, and take such enforcement action as the Director deems to be appropriate, *to the extent such actions are authorized by the Act.*

In conclusion, Freddie Mac supports having transparent, public safety and soundness standards, and we commend OFHEO's efforts toward these goals. We would be pleased to provide any information or input that might facilitate OFHEO's development of the process for issuing guidance under this regulation, or the development of any specific guidance.

Sincerely,

Allan Ratner
Vice President and Deputy General Counsel