



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

JAN 18 2006

Mr. Anthony F. Marra
Senior Vice President and
Deputy General Counsel
Regulatory Policy
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Dear Mr. Marra:

The Department has recently completed a review of certain types of real estate mortgage investment conduit (REMIC) securities to determine whether these are authorized purchases eligible for housing goal credit. Although it is the Department's understanding that Fannie Mae does not invest in the type of REMIC securities the Department reviewed, in order to ensure that both Fannie Mae and Freddie Mac receive the same information and guidance relative to the housing goals, by this letter the Department is providing Fannie Mae with the results of its recent determination. These results have also been provided to Freddie Mac.

Specifically, the Department reviewed REMICs that are structured as Commercial Mortgage-Backed Securities backed by multifamily residential mortgages and non-residential commercial mortgages ("CMBS") and Asset-Backed Securities backed by conforming residential mortgages and non-conforming (jumbo) residential mortgages ("ABS") where all principal and interest payments from the underlying collateral are pooled together and then distributed to investors according to a priority established by the REMIC (hereinafter referred to as "single waterfall Mixed-Pool CMBS" or "single waterfall Mixed-Pool ABS").¹

The Department has determined that neither Fannie Mae nor Freddie Mac has the legal authority under their respective charters to purchase, or to purchase and guarantee, single waterfall Mixed-Pool CMBS or single waterfall Mixed-Pool ABS. The purchase of these types of securities constitutes a "mortgage purchase" within the meaning of Fannie Mae's and Freddie Mac's charters, and the respective charters expressly limit Fannie Mae's and Freddie Mac's mortgage purchase authority to conforming residential mortgages. Because the purchase of single waterfall Mixed-Pool CMBS and single waterfall Mixed-Pool ABS necessarily entails the purchase of ownership interests in the underlying collateral that includes non-residential commercial mortgages (CMBS) or non-conforming (jumbo) residential mortgages (ABS), these purchases are not authorized by either Fannie Mae's or Freddie Mac's charters. Accordingly, such purchases are not eligible for housing

¹ The REMIC securities described herein differ significantly from REMIC securities with directed-pay tranche structures in which the mortgage collateral backing the securities is divided into discrete bond groups. HUD provided guidance by letter to Fannie Mae dated September 30, 2005 with respect to calculating housing goal credit for dwelling units derived from directed-pay tranche REMICs.

goal credit. The Department's determination is effective for all such securities purchased on and after January 1, 2005.

Should you have any questions about the Department's determinations regarding single waterfall Mixed-Pool CMBS and single waterfall Mixed-Pool ABS, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Sandra L. Fostek". The signature is written in a cursive style with a long horizontal flourish at the end.

Sandra L. Fostek
Director
Office of Government Sponsored
Enterprises Oversight

cc:

Luke H. Brown
Director, Regulatory Policy
Fannie Mae