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May 14, 2008

The Honorable Chris Dodd
Chairman, Committee on Banking, Housing
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Richard Shelby
Ranking Member, Committee on Banking, Housing
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Dodd and Ranking Member Shelby:

On behalf of the members of the American Bankers Association, I am writing to express our support for the legislation to be considered by the Senate Banking Committee to reform the regulation of Fannie Mae, Freddie Mac and the Federal Home Loan Banks. We appreciate the Committee's long-term efforts to bring this important legislation up for consideration.

ABA has long supported reforming the regulation of the Government Sponsored Enterprises (GSEs). We have developed a number of principles which we believe should guide any reform of GSE regulation. We are pleased that these principles have been incorporated into this legislation. They are:

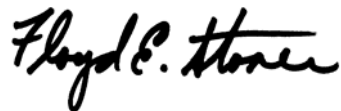
- Any new GSE regulatory agency should be an independent agency. The agency should be modeled on other banking regulatory agencies, and should not be reliant upon the appropriations process for funding.
- Any new agency with oversight of Fannie Mae and Freddie Mac should have authority to regulate mission adherence, product approval, and safety and soundness of these enterprises. Establishment and review of specialized affordable housing goals should reside with the new regulator.
- The new agency should not impede the enterprises' access to the capital markets beyond the current authority of the Treasury Department to regulate "traffic flow" to the markets.

- Any new agency must take into consideration the considerable differences among the GSEs, and particularly with regard to the Federal Home Loan Banks, that there are significant differences between the FHLBs and Fannie and Freddie with regard to their missions, their lines of business, and the customers they serve. These differences must be reflected in the organizational structure and the regulatory agenda of the new agency.

We are particularly pleased that this legislation reflects these principles and goes beyond previous efforts in recognizing the unique mission and ownership structure of the Federal Home Loan Banks.

The legislation to be considered by the Senate Banking Committee creates a strong, reliable, and coherent supervisory structure for these GSEs. We applaud the Committee for its work and strongly support the passage of this legislation.

Sincerely,

A handwritten signature in black ink that reads "Floyd E. Stoner". The signature is written in a cursive, flowing style.

Floyd E. Stoner