

June 24, 2010

To: Members of the Senate-House Conference on H.R. 4173

From: Edward L. Yingling, President and CEO

Re: House Title II Counteroffer – Inclusion of Fannie Mae and Freddie Mac in Definition of “Financial Company” for Purposes of the Orderly Liquidation Authority

I am writing on behalf of the members of the American Bankers Association to urge you to remove a very troubling provision in the House counteroffer to Title II that would include Fannie Mae and Freddie Mac in the definition of “financial company” for purposes of the orderly liquidation authority.

This provision (item 6 of the House counteroffer) could impose a tremendous additional liability on the banking industry of hundreds of billions of dollars. It is not clear how the markets and ratings agencies would react to this, but we are deeply concerned that it would undermine the credit ratings of banks and impair their ability to attract capital. The liability the House counteroffer could impose on these institutions and the potential impact on our economy in lost lending and job creation could be staggering.

GSE issues, including the restructuring of Fannie Mae and Freddie Mac, need to be dealt with by Congress as soon as possible. However, it is clear that this will be done in separate legislation. Liquidation issues should be dealt with in that context rather than in this legislation. Therefore, we urge you to remove the House-offered provision to include Fannie Mae and Freddie Mac in the definition of “financial company” for purposes of the orderly liquidation authority.