

June 17, 2010

Ms. Wendy Edelberg
Executive Director
Financial Crisis Inquiry Commission
1717 Pennsylvania Avenue, NW, Suite 800
Washington, DC 20006-4614

Re: April 9, 2010 FCIC Hearing

Dear Ms. Edelberg:

Set forth below are my responses to the questions listed in your June 3, 2010 letter as follow-up to the FCIC's April 9, 2010 hearing:

1. The FHFA's September 6, 2008 memorandum recommended placing the company into conservatorship. Do you agree or disagree with this recommendation and the conclusion of that memorandum that Fannie Mae's executive management team made imprudent decisions that led to the company operating in an unsafe and unsound condition, despite clear signs in the latter half of 2006 and 2007 of growing problems in the economy. If you do not agree, please explain why.

Response: I announced my retirement prior to the FHFA's decision to impose conservatorship and the September 6, 2008 memorandum. While I agree that Fannie Mae needed some form of assistance or temporary relief from capital standards from the Federal government in light of the unprecedented decline of the housing market, I do not believe that conservatorship was necessary. I do not agree that the Fannie Mae executive management team made imprudent decisions that led to the Company operating in an unsafe and unsound condition. Fannie Mae carefully considered the pros and cons of increased participation in higher-risk markets, built up its risk management infrastructure before proceeding, sought to minimize risk by using underwriting standards more conservative than those prevailing in the market, and reacted to market conditions by tightening underwriting standards in 2007.

2. Would you agree that having extremely high leverage ratios and the inability to manage the risks was more important to the firm failing than a lack of diversification? Please explain.

Response: It is difficult to establish a hierarchy of the relative importance of the factors that contributed to Fannie Mae's financial problems. Fannie Mae's capital ultimately proved inadequate in the face of the unprecedented deterioration of the national housing market. The impact of the crisis was exacerbated because Fannie Mae, restricted by its Charter to one class of assets and with a Charter mandate to support market liquidity, could not simply exit the market.

3. Please explain all specific actions Fannie Mae took, either directly or through its lobbyists, to influence 1) the funding levels of its regulator; 2) the enactment of stricter capital standards; and 3) the regulator's authority to regulate the size of Fannie Mae's portfolio.

Response: Fannie Mae had ongoing discussions with government officials regarding appropriate capital standards and issues related to Fannie Mae's portfolio. I do not recall Fannie Mae taking specific actions to influence the funding levels of its regulator.

4. How large was Fannie Mae's political action committee during your tenure at the company? How many employees contributed to the PAC? How large were the contributions made to the PAC?

Response: I am no longer at Fannie Mae and do not have information regarding the number of employees who contributed to Fannie Mae's PAC or the size of the contributions to Fannie Mae's PAC. This information should be available from Fannie Mae or the public record.

5. Did Fannie make unsecured loans to delinquent borrowers under the Home Saver Advance Program or any other program where the underlying loans thereafter were no longer reported as delinquent loans? Did Fannie make those unsecured loans so it would not have to repurchase the underlying loans and record mark-to-market charges? If so, do you think the practice was proper?

Response: Fannie Mae initiated the Home Saver Advance program in 2008 to help qualified borrowers experiencing a temporary financial hardship bring delinquent mortgages current. The program permitted servicers to offer an unsecured loan to cure the payment default on a mortgage loan that Fannie Mae owned or had securitized. As Fannie Mae stated in its February 27, 2008 news release announcing the program,

Fannie Mae anticipated that Home Saver Advance would reduce the number of delinquent mortgage loans Fannie Mae purchased from its mortgage-backed securities trusts and the fair value losses it would record in connection with those purchases. The accounting for the program was determined by Fannie Mae's accountants.

6. How influential were HUD's affordable housing guidelines in Fannie Mae's purchase of subprime and Alt-A loans? Were Alt-A loans "goals rich?" Were Alt-A loans net positive for housing goals?

Response: One of the reasons for Fannie Mae's purchase of the AAA-rated portion of PLS backed by subprime loans was that those purchases contributed to Fannie Mae's achievement of its housing goals. My recollection is that while certain portions of Fannie Mae's Alt-A purchases contributed to housing goal objectives, Fannie Mae's Alt-A investments as a whole did not have a net positive effect on Fannie Mae's housing goals.

7. Did Fannie Mae's purchase of MBS structured by Wall Street allow Wall Street to increase their volume?

Response: Because Fannie Mae's participation in the PLS MBS market was substantially limited to the AAA tranches of those securities, I believe that Fannie Mae's purchases had little if any impact on the volume of the PLS MBS market.

8. Prior to September of 2008, did you ever tell Fannie Mae that its increased purchase and guarantee of risky, non-traditional mortgages was unsafe and unsound? Why or why not? Was there internal discussion within OFHEO/FHFA that the company was operating in an unsafe and unsound manner?

Response: This question appears to be directed to the actions and thought process of Fannie Mae's regulator.

Please let me know if I can be of further assistance.

Respectfully submitted,



Robert J. Levin