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July 29, 2009

Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, D.C. 20429

Re: Comments of Fannie Mae on Notice of Proposed Rulemaking  
Regarding Possible Amendment of the  
Temporary Liquidity Guarantee Program, RIN 3064-AD37

Dear Mr. Feldman:

Fannie Mae appreciates the opportunity to comment on the FDIC's Notice of Proposed Rulemaking (NPR) regarding possible amendment of the Temporary Liquidity Guarantee Program (TLGP), as published in the Federal Register on June 30, 2009.<sup>1</sup> The NPR requested comment on two alternatives for phasing out the Transaction Account Guarantee (TAG) component of the TLGP. Fannie Mae believes that the TAG program should continue beyond the current expiration date of December 31, 2009, and therefore prefers Alternative B, which would extend the program through June 30, 2010.

The TAG program provides for a temporary full guarantee by the FDIC for funds held at participating insured depository institutions (IDIs) in qualifying noninterest-bearing transaction accounts above the existing deposit insurance limit. As the FDIC explains in the NPR:

[The TAG program] was designed to improve public confidence and encourage depositors to leave these large account balances at IDIs of various sizes. Loss of these accounts would have potentially impaired the funding structure of the banking institutions that relied on them, as well as other institutions that had relationships with these banks.<sup>2</sup>

Fannie Mae concurs with this assessment of the TAG program's benefits. Fannie Mae has a strong interest in the liquidity and stability of IDIs because, among other reasons, our servicers maintain custodial accounts at IDIs throughout the country, containing principal and interest payments related to mortgages that we own or guarantee. Fannie Mae monitors the financial condition of the IDIs that host these accounts, and may require servicers to withdraw uninsured balances from IDIs if they do not meet our eligibility standards or if we are not otherwise satisfied that our funds are secure.

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<sup>1</sup> 74 Fed. Reg. 31217 (June 30, 2009).

<sup>2</sup> *Id.* at 31318.

The TAG program is especially helpful for smaller and medium-sized IDIs, which may have fewer resources to promote liquidity and fewer alternative options for structuring large deposit facilities. According to the NPR, more than 7,100 IDIs are currently participating in the TAG program.<sup>3</sup>

Positive developments in the stability of IDIs have occurred recently, but the economic conditions that led to the TAG program's creation have not yet fully abated. If the TAG program were ended prematurely, entities such as Fannie Mae that hold large amounts in accounts covered by the program will likely re-evaluate their practices and may feel compelled to move funds out of certain IDIs. This would be contrary to the program's goals.

For these reasons, Fannie Mae supports the six-month extension of the TAG program proposed by Alternative B. The FDIC also requested comment as to whether, if the TAG program is extended, six months is an appropriate length of time for the extension. Fannie Mae supports an extension of at least six months, but would also support a longer extension.

One possibility is to provisionally extend the TAG program for a longer period (*e.g.*, 18 months), while providing IDIs with frequent opportunities to opt out if they determine that the program no longer meets their needs. This would permit the FDIC to wind down the program over time through periodic evaluations of the financial condition of participating IDIs and the continued usefulness of the program. Abrupt termination of the TAG program could have an adverse impact on the financial markets generally, as multiple depositors scramble to find alternative deposit account solutions. A gradual phase-out would avoid this type of market disruption.

In addition to extending the TAG program, Alternative B proposes increased fees for participation in the extended program, limited opportunity for IDIs to opt out of the extended program, and certain new disclosure requirements. Fannie Mae expresses no position with respect to these aspects of Alternative B.

Sincerely,



Julie Katzman  
Vice President & Deputy General Counsel

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<sup>3</sup> *Ibid.*