

December 18, 2008

The Honorable Ben S. Bernanke
Chairman, Federal Reserve System Board of Governors
20th Street and Constitution Ave, NW
Washington, DC 20551

Dear Chairman Bernanke,

We write out of concern that the current economic environment is having a negative impact on the ability of lower and moderate income Americans to secure loans to purchase homes. The current situation has had a particularly negative impact on the country's Housing Finance Agencies (HFAs) that have traditionally played a key role in serving this population. We urge you to use a variety of steps, including your authority under section 13(3) of the Federal Reserve Act, to permit Federal Reserve Banks to support the HFAs by making loans to housing finance agencies based on the securities of their mortgage revenue bonds and, where necessary, help provide them with increased liquidity.

Due to the frozen credit markets, HFAs have had difficulty both finding investors for their bonds and new liquidity providers. As a result, multiple agencies have had to suspend or limit mortgage lending programs, and without assistance, many more will follow suit. While Congress and the Administration recently increased the volume cap of housing bonds which can be issued by HFAs and expanded the use of the proceeds from the bonds, the economic environment has basically halted the purchasing of mortgage revenue bonds (MRBs).

The Federal Reserve could and should use all tools, including the newly created Term Asset-Backed Securities Loan Facility, under its authority to support the MRB market. Additionally, the recently announced consumer credit initiative should be utilized to instruct the housing GSEs to implement measures to support the state HFAs. This would fulfill Congressional initiatives to use HFAs as a way to help troubled homeowners stay in their homes and assist ailing housing markets across

the country.

Congress and the Federal Government need to work together to find creative and practical solutions to spur our economy and help Americans through this economic down turn. Housing finance agencies are stable entities which invest directly into a states' economic development. With the negative impact the credit crisis has had on current HFA lending programs we ask you to take expedient action to explore options to help these agencies so they may continue providing important financing in the housing market.

Sincerely,

PATRICK LEAHY
United States Senator

HERB KOHL
United States Senator

(and 17 additional senators)