

# FANNIE MAE'S COMMITMENT TO THE DISTRICT

Feb. 22, 1995, Washington Post.

I must take exception to the comments of Fannie Mae's James Johnson {op-ed, Jan. 30}.

I'll start by agreeing with the last paragraph. No other corporation has made a bigger commitment to the District. But this commitment must be placed in context. No other District-based corporation can borrow directly from the U.S. Treasury or has the ability to borrow from the financial markets at reduced rates. No other D.C.-based corporation has a monopoly in one of the world's most profitable market sectors. Yes, Fannie Mae's commitment to the District is real. It is also shallow.

Mr. Johnson notes his corporation has invested \$2.5 billion in the District over five years, or one-half billion dollars a year. This would be an impressive number for any corporation except one that in a single year -- 1993 -- purchased \$92 billion in mortgages and issued \$221 billion in mortgage-backed securities. Mr. Johnson points to his \$60 million investment in bonds issued by the D.C. Housing Finance Agency as evidence of his commitment to the city, but Fannie Mae's investment portfolio totaled \$21 billion in 1993. And keep in mind that Fannie Mae earned interest on these investments.

Consider, too, the following: If Fannie Mae distributed mortgage dollars in a manner that matched the pattern shown in The Post, then the corporation lent just 2.3 percent of those 2.5 billion mortgage dollars to African Americans. This would mean that, of 30,000 District families helped over five years, only 690 were African American. That works out to just 138 families per year.

Mr. Johnson states that his corporation's exemption from state and local income taxes is not a loophole but "a function of long-standing national housing policy." Every corporation receiving some tax break makes this claim. Energy companies claim tax breaks allowed them are a function of "long-standing energy policy" and must not be disallowed. Defense companies claim that "long-standing defense policy" justifies any special tax relief they receive. The pattern here is obvious, and this argument is invalid.

Fannie Mae performs many good deeds. It is a powerhouse, active in every sector of the mortgage market. The company is peopled by many of the brightest minds in finance. The District cannot afford to lose Fannie Mae. These facts notwithstanding, the company is now being asked to deepen its commitment to the city. Given Mr. Johnson's response, it is unlikely to do so on a voluntary basis. This type of corporate intransigence, most recently displayed by another market leader, the Intel Corp., is always costly in the short run. And it never works in the long run.

As I have since 1991, I urge Fannie Mae to work with city leaders, local minority-owned financial institutions and others to do more to help the District. It is easy for Fannie Mae to announce a trillion-dollar nationwide commitment to finance homes and communities. But character is forged at home. Its true test comes during times, like these, of crisis.

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