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WISDOM IN ACTION℠

April 9, 2008

The Honorable Charles B. Rangel
Chairman
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am writing to you concerning the provision which will be considered by the Committee on Ways and Means today to amend Section 149(b) of the Internal Revenue Code to allow municipal bonds to retain their tax-exempt status when credit-enhanced by a Federal Home Loan Bank ("FHLBank").

Your proposal to modify H.R. 2091 as introduced includes two important modifications:

1. The proposal makes clear that a member institution on whose behalf an FHLBank is issuing a letter of credit or confirmation must fully collateralize its obligation to reimburse the FHLBank for any payments made under the letter of credit or confirmation.
2. The authority of an FHLBank to issue a letter of credit or confirmation in support of tax-exempt bonds under Section 149(b) as modified by H.R. 2019 would expire on December 10, 2010.

These changes will ensure that appropriate safeguards are codified and that the provision will be targeted to issuers that are most in need of assistance. By statutorily requiring that these transactions are fully collateralized, the potential exposure to the U.S. Treasury and the Federal Home Loan Bank System will be minimized. In addition, the December 31, 2010 sunset will allow for an appropriate review of this program to ensure that it is meeting the goals of the legislation.

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While MBIA believes that the private financial guaranty industry is continuing to fully serve these markets competitively, we will not oppose the legislation, as modified.

We would like to thank you and the Committee staff, and the sponsors of H.R. 2091 and their staffs, for your and their willingness to make important improvements to the legislation.

We look forward to continuing to work with you on this issue and others as Congress seeks to enact legislation to help stabilize the credit markets.

Best regards.

Sincerely,