

The Honorable Melvin H. Watt
Director, Federal Housing Finance Agency &
Conservator, Fannie Mae and Freddie Mac
Constitution Center, 400 7th Street, SW
Washington, DC 20219

Delivered by Email, Fax & USPS

Monday, October 23, 2017

Dear Director Watt:

Let me thank you for your all your support, patience and the hard work you have put into your job as Director of FHFA and Conservator of Fannie Mae and Freddie Mac. In your executive roles, you undertook the complex task of restructuring important government entities which are essential to our nation's economic health and responsible for over 20% of the United States' gross domestic product.

Now that Fannie Mae and Freddie Mac have been under conservatorship for nine years, they have remained highly profitable companies and successfully completed their reorganization. On behalf of the loyal stakeholders, present and future homeowners, I respectfully recommend that now is the time to take a different path going forward. It is essential we make housing finance great again. By removing the conservatorship, the public image and future investors will see successful corporations emerging from a crisis with new hope and direction.

While many plans may have been put forward, none have been adopted by you or the U.S. Congress. To be sustainable, a successful plan should position U.S. stakeholders first to gain bipartisan support.

I have read the proposal, now widely known as "The Average Joe Plan" in social media, which was provided by – for you and President Trump. The purpose is to eliminate the Fannie Mae and Freddie Mac conservatorship and allow the companies to re-enter corporate America, because they are ready. This plan is understandable, not written by a hedge fund; but, by an average citizen and homeowner like me. From my perspective, the benefits of -- recommendations create:

- ✓ A simple solution for FHFA launching Fannie Mae and Freddie Mac out of conservatorship;
- ✓ Prosperity for present and future home buyers who qualify for reasonable loans restoring confidence in housing finance for all Americans again;
- ✓ A bi-partisan approach for the U.S. Government potentially unlocking over one TRILLION dollars in revenue – while costing our taxpayers' nothing;
- ✓ A solution to avoid future taxpayer burdens, as it ends government funding sent to Fannie Mae and Freddie Mac; and
- ✓ An opportunity to uplift pension funds critical to the standard of living for retired school teachers, police, and firemen, as an example; and, preferred and

common stock owners as it would return their investment ownership to full value.

For your convenience, I am including the core recommendations of -- proposal which outline his suggestions for restoring confidence in housing finance:

- “1. Immediate relinquishment of the so called 3rd Amendment of the PSPA known as the Net Worth Sweep;
2. Deem the Senior Preferred fully paid and cancel the shares;
3. Deem the warrants for approximately 80% of the companies Null and Void;
4. Order Fannie Mae and Freddie Mac to issue to the Treasury 500 Million to 1 Billion Common Stock Equity Options with a strike price of \$60 a share. This exercise price is chosen because the companies’ boards have the power to deem the share price whatever stock price value they want. Also, because \$60 would make all employee retirement savings whole. So many employees lost their savings from the 2008 crisis. Many of them trusted Fannie and Freddie not to fail;
5. Issue Fannie Mae and Freddie Mac a capital buffer equivalent to \$30 to \$60 B representative of the exercisable \$60 option strike price proceeds that would go to the companies upon execution of the option(s). This equivalent buffer could be reduced as the government executes its options. This plan gives not only the shareholders vested interest in the value of the companies, but also the government. All stakeholders will have an interest for the companies to command great equity value. For example, if the share price goes to about \$1000 a share (before forward stock splits), the government could make over a Trillion dollars in combined proceeds from exercised options and from taxable capital gains.”

I appreciate your thoughtful consideration of -- recommendations, which I endorse. From my layman’s perspective, -- plan is beneficial to all Americans of yesterday, today and of course the children, our future tomorrow. Thank you in advance for your thoughts on “The Average Joe Plan.” I look forward to hearing your views and to a profitable future working together.

Regards,

CC: Nina Nichols
Sandra Thompson
Bob Ryan
Alfred M. Pollard