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**Authority:** Section 3507 of the Paperwork Reduction Act of 1995, 44 U.S.C. 35, as amended.

Dated: October 24, 2000

**Wayne Eddins,**

*Departmental Reports Management Officer,  
Office of the Chief Information Officer.*

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**BILLING CODE 4210-01-M**

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### Office of Federal Housing Enterprise Oversight

#### Solicitation of Public Comments on Systemic Risk

**AGENCY:** Office of Federal Housing Enterprise Oversight, HUD.

**ACTION:** Solicitation of public comments.

**SUMMARY:** The Office of Federal Housing Enterprise Oversight (OFHEO) is soliciting comments on systemic risk. To fulfill its supervisory responsibilities, OFHEO has initiated a comprehensive study of the risks the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) may pose to the financial system in general and to U.S. housing finance markets in particular. The study will examine the nature and magnitude of any risks posed by the Enterprises, whether and to what extent Fannie Mae and Freddie Mac contribute to or mitigate systemic risk, and actions that OFHEO and others could take to limit any systemic risk the Enterprises may pose. The purpose of this notice is to solicit public comment on specific research questions that the study may address.

**DATES:** Written comments regarding systemic risk due by December 29, 2000.

**ADDRESSES:** Send written comments to Robert S. Seiler, Jr., Manager of Policy Analysis, Office of Federal Housing Enterprise Oversight, 1700 G Street, N.W., Fourth Floor, Washington, D.C. 20552. Written comments may also be sent by electronic mail to [sysrisk@ofheo.gov](mailto:sysrisk@ofheo.gov).

**FOR FURTHER INFORMATION CONTACT:** Robert S. Seiler, Jr., Manager of Policy Analysis, Office of Federal Housing Enterprise Oversight, 1700 G Street, N.W., Fourth Floor, Washington, D.C. 20552, telephone (202) 414-3785 (a toll free number). The telephone number for the Telecommunications Device for the Deaf is: (800) 877-8339.

### Background

In 1992 the Congress created the Office of Federal Housing Enterprise Oversight (OFHEO) as an independent office within the Department of Housing and Urban Development (HUD) to ensure that the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are adequately capitalized and operating safely. OFHEO's mission is to promote housing and a strong economy by ensuring the safety and soundness of the Enterprises and fostering the strength and vitality of the nation's housing finance system. In fulfilling that mission, OFHEO imposes capital requirements on Fannie Mae and Freddie Mac, conducts annual examinations of each Enterprise, and engages in a broad research program. OFHEO's research focuses on the markets in which Fannie Mae and Freddie Mac operate, the risks the Enterprises face, the economic effects of their activities, and any risks they may pose to other participants in mortgage and financial markets.

Financial firms that have large amounts of liabilities or other financial obligations pose risks to other financial market participants. Default by a large financial firm affects their counterparties directly (by imposing losses on them) and may affect other financial firms indirectly (by leading markets to increase their financing costs, reduce their access to credit, or lower the market values of their assets). With respect to direct costs, firms with sufficiently large credit exposures to a large firm that fails may be rendered insolvent by that failure if their losses are sufficiently high. With respect to indirect costs, the default of a large financial firm may lead to temporary distortions in financial markets that may cause other firms to experience liquidity and even solvency problems. Such problems may also be caused by a loss of investor confidence, should investors believe that such firms have risk exposures similar to those that caused the large firm to default. Solvency and liquidity problems induced by the default of a large financial firm may also adversely affect the functioning of national or international systems for clearing and settling financial transactions, further distorting financial markets.

Fannie Mae and Freddie Mac have financed over forty percent of conventional single-family mortgages outstanding in the U.S. and are among the largest financial firms in the nation. To date, OFHEO has consistently

classified the Enterprises as adequately capitalized pursuant to applicable minimum capital requirements, and OFHEO's examinations have found the Enterprises to be financially sound and well managed. However, despite the current financial health of Fannie Mae and Freddie Mac, unexpected economic shocks, failures of Enterprise management or operations, or other factors could at some point cause either Enterprise to fail to meet OFHEO's safety and soundness standards. The pace at which the Enterprises are growing and their increasingly central role in mortgage and financial markets raise the issue of whether, if either Enterprise experienced severe financial distress or failed, the functioning of the financial system in general, or of U.S. housing finance markets in particular, could be disrupted to such an extent that the U.S. or international economies would be adversely affected. Financial difficulties at Fannie Mae or Freddie Mac could be caused by disruptions at other financial firms.

To fulfill its supervisory responsibilities, OFHEO has initiated a comprehensive study of the risks Fannie Mae and Freddie Mac may pose to the financial system in general and to U.S. housing finance markets in particular. The study will examine the nature and magnitude of any risks posed by the Enterprises, whether and to what extent Fannie Mae and Freddie Mac contribute to or mitigate systemic risk, and actions that OFHEO and others could take to limit any systemic risk the Enterprises may pose. The study will help OFHEO enhance its oversight of Fannie Mae and Freddie Mac and improve OFHEO's ability to contribute to Federal regulation of financial institutions and markets more generally.

By systemic risk, OFHEO means the possibility that the direct or indirect effects of the failure of a large financial firm would cause distortions or disruptions in the financial system significant enough to have a substantial effect on real output and employment. An event that caused changes in asset values—even substantial losses in values—would not rise to a systemic threat if it was not expected to induce a loss in employment or economic output.

#### Questions on Which OFHEO Seeks Public Comment

OFHEO has identified a number of specific research questions that its study may address. The purpose of this notice is to solicit public comment on those questions, as well as any other topics that respondents believe OFHEO should examine in analyzing the risks posed by

Fannie Mae and Freddie Mac and actions that could reduce those risks. The questions fall into three broad areas: Whether and to what extent Fannie Mae and Freddie Mac pose risks to the financial system and U.S. housing finance markets, including systemic risk; how Federal sponsorship and regulation of the Enterprises affects any risks they pose; and the costs and benefits of possible actions to reduce those risks and, especially, any systemic risk Fannie Mae and Freddie Mac may pose. OFHEO encourages potential respondents to this notice to present their views, provide analysis, or suggest research methodology for some or all of the questions.

*Whether and to What Extent Fannie Mae and Freddie Mac Pose Risks to the Financial System and U.S. Housing Finance Markets*

1. Do Fannie Mae and Freddie Mac pose systemic risk, as defined above, to the U.S. and international financial systems? If so, how? How does any systemic risk posed by the Enterprises compare, in magnitude and character, to that posed by other large financial firms such as large, complex banking organizations (LCBOs)?

2. Do the activities of Fannie Mae and Freddie Mac reduce the systemic risk of the U.S. and international financial systems? If so, how?

3. Can the risks the Enterprises pose to the financial system in general and U.S. housing finance markets in particular, and any systemic risk they may pose, be quantified meaningfully? If so, how?

4. If Fannie Mae or Freddie Mac defaulted, how severe would losses on that Enterprise's obligations have to be to render other financial firms undercapitalized or insolvent? How many firms could experience such solvency problems? How does the risk of solvency problems vary for different types of firms, e.g., federally insured depository institutions, securities firms, major derivatives dealers, other Government-sponsored enterprises (GSEs), and pension and retirement funds? How does that risk vary for firms of different size? How severe might such solvency problems be? How might such problems affect the functioning of the financial system?

5. If Fannie Mae or Freddie Mac experienced severe financial distress or failed, how many other financial firms could experience liquidity problems? How would such liquidity problems differ for different types of firms, e.g., federally insured depository institutions, securities firms, major derivatives dealers, other GSEs, and

pension and retirement funds? How does that risk vary for firms of different size? How severe might such liquidity problems be? How might such problems affect the functioning of the financial system?

6. If Fannie Mae or Freddie Mac failed or significantly curtailed its activities, how would liquidity in U.S. mortgage markets be affected? Would the other Enterprise or the rest of the industry be able to effectively fill the void? What would be the likely effects on the supply and price of mortgage credit? What would be the likely effects on economic activity in the housing sector? How might prospective homebuyers be affected?

7. What is the risk that solvency or liquidity problems at financial firms caused by severe financial distress at or default by either Enterprise could be serious enough to reduce employment or economic output or hamper the achievement of the goals of federal housing policy?

8. Fannie Mae and Freddie Mac are major participants in national and international systems for clearing and settling financial transactions. What risks do the Enterprises pose to such systems?

9. The outstanding debt of Fannie Mae and Freddie Mac has grown at an annual average rate of nearly 24 percent since year-end 1992. If debt issued by the Enterprises continued to grow substantially faster than most other types of credit market instruments, how would any risks Fannie Mae and Freddie Mac pose to the financial system as a whole, and U.S. housing finance markets in particular, be affected? How would those risks be affected if debt issued by the Enterprises and other GSEs replaced Treasury securities as a benchmark in financial markets?

10. How independent are the risks posed by Fannie Mae and Freddie Mac?

*The Effect of Federal Sponsorship and Regulation on the Risks Posed by the Enterprises*

11. What are the implications for the risks Fannie Mae and Freddie Mac pose to the financial system in general and U.S. housing finance markets in particular of the fact that investors in the Enterprises' obligations believe the federal government would act to protect them in the event either Enterprise failed?

12. Is there uncertainty about the actions the federal government would take in the event either Enterprise experienced severe financial distress? Does any such uncertainty affect the

risks posed by Fannie Mae or Freddie Mac?

13. How does current federal regulation of Fannie Mae and Freddie Mac affect any systemic risk posed by the Enterprises?

*Actions to Reduce Risks Posed by Fannie Mae and Freddie Mac*

14. What steps could be taken to reduce the risk that a default by Fannie Mae or Freddie Mac would cause other financial firms to experience solvency or liquidity problems? What are the potential costs and benefits of those options?

15. What steps could be taken to reduce the risk of the Enterprises developing liquidity problems if either of them experienced severe financial distress? What are the potential costs and benefits of those options?

16. In addition to OFHEO's capital regulation and examinations of Fannie Mae and Freddie Mac, what steps can OFHEO or other appropriate entities take to reduce any risks the Enterprises may pose to clearing and settlement systems? What are the potential costs and benefits of those options?

17. In what areas could increased transparency and public disclosure by Fannie Mae and Freddie Mac reduce the risks they pose to the financial system in general and U.S. housing finance markets in particular? What specific information would be most valuable to market participants?

18. Could increased market discipline of Fannie Mae and Freddie Mac reduce the risks they pose to the financial system in general and U.S. housing finance markets in particular? If so, how? What specific actions could be taken to increase market discipline of the Enterprises? Could increased market discipline increase the risks Fannie Mae and Freddie Mac pose?

19. Should OFHEO's approach to regulating the Enterprises be adapted to reflect the risks Fannie Mae and Freddie Mac pose to the financial system in general and U.S. housing finance markets in particular? If so, how?

20. Should OFHEO's statutory authority be adapted to reflect the risk Fannie Mae and Freddie Mac pose to the financial system in general and U.S. housing finance markets in particular? If so, how?

OFHEO invites respondents to provide their analyses and views of any other issues related to the risks posed by Fannie Mae and Freddie Mac that they believe OFHEO should consider.

Dated: October 25, 2000.

**Armando Falcon, Jr.,**

*Director, Office of Federal Housing Enterprise Oversight.*

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## DEPARTMENT OF THE INTERIOR

### Bureau of Land Management; Alaska

[AK-962-1410-HY-P, F-14909-A, F-14909-A2, F-19148-38]

#### Alaska Native Claims Selection; Notice for Publication

In accordance with Departmental regulation 43 CFR 2650.7(d), notice is hereby given that a decision to issue conveyance under the provisions of Sec. 14(a) of the Alaska Native Claims Settlement Act of December 18, 1971, 43 U.S.C. 1613(a), will be issued to Kuukpik, Corporation for approximately 15,987 acres. The corresponding subsurface estate will be conveyed to Arctic Slope Regional Corporation pursuant to Sec. 1431(o) of the Alaska National Interest Lands Conservation Act of December 2, 1980, Pub. L. 96-487, 94 Stat. 2533. The lands involved are in the vicinity of Nuiqsut, Alaska, within the following townships:

#### Umiat Meridian, Alaska

T. 11 N., R. 3 E.

T. 10 N., R. 4 E.

T. 11 N., R. 4 E.

A notice of this decision will be published once a week, for four (4) consecutive weeks, in the *Arctic Sounder*. Copies of the decision may be obtained by contacting the Alaska State Office of the Bureau of Land Management, 222 West Seventh Avenue, #13, Anchorage, Alaska 99513-7599 ((907) 271-5960).

Any party claiming a property interest which is adversely affected by the decision, an agency of the Federal government, or regional corporation, shall have until November 29, 2000 to file an appeal. However, parties receiving service by certified mail shall have 30 days from the date of receipt to file an appeal. Appeals must be filed in the Bureau of Land Management at the address identified above, where the requirements for filing an appeal may be obtained. Parties who do not file an appeal in accordance with the requirements of 43 CFR part 4, Subpart

E, shall be deemed to have waived their rights.

**Nancy Larsen,**

*Land Law Examiner, Branch of ANCSA Adjudication.*

[FR Doc. 00-27730 Filed 10-27-00; 8:45 am]

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## DEPARTMENT OF THE INTERIOR

### Bureau of Land Management

[CO-01-600-1310-241A]

#### Northwest Colorado Resource Advisory Council Meeting

**AGENCY:** Bureau of Land Management, Interior.

**ACTION:** Notice of Meeting.

**SUMMARY:** The next meeting of the Northwest Colorado Resource Advisory Council will be held on Thursday, November 16, 2000, at the Holiday Inn, Moffat Room in Craig, Colorado.

**DATES:** Thursday, November 16, 2000.

**ADDRESSES:** For further information, contact Lynn Barclay, Bureau of Land Management (BLM), 455 Emerson Street, Craig, Colorado 81625; Telephone (970) 826-5096.

**SUPPLEMENTARY INFORMATION:** The Northwest Resource Advisory Council (RAC) will meet on Thursday, November 16, 2000, at the Holiday Inn in the Moffat Room, Highway 13, Craig, Colorado. The meeting will start at 9 a.m. and includes discussion of reports from the Weed, Wildlife, Fire, and United States Forest Service Advisory committees. Information will be presented concerning joint training for the Colorado RAC's and the Communication Policy committee will present their proposal.

The meeting is open to the public. Interested persons may make oral statements at the meetings or submit written statements at the meeting. Per-person time limits for oral statements may be set to allow all interested persons an opportunity to speak.

Summary minutes of council meetings are maintained at the Bureau of Land Management Offices in Craig and Grand Junction, Colorado. They are available for public inspection and reproduction during regular business hours within thirty (30) days following the meeting.

Dated: October 24, 2000.

**Richard Arcand,**

*Acting Center Manager, Northwest Center.*

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## DEPARTMENT OF THE INTERIOR

### Bureau of Land Management

[NM-070-01-1430-EU; NMNM102991, NMNM102992]

#### A Plan Amendment/Environmental Assessment To Resolve Two Occupancy Trespasses in San Juan County, NM

**AGENCY:** Bureau of Land Management, Interior.

**ACTION:** Notice of Intent to Prepare a Proposed Resource Plan Amendment.

**SUMMARY:** Notice is hereby given that the Bureau of Land Management (BLM), Farmington Field Office (FFO) is proposing an amendment to the Farmington Resource Management Plan (RMP) (July 1988). The amendment would amend the plan to allow disposal of public land in FFO's retention zone. This would then make public land available to resolve two occupancy trespasses by direct sale of the tracts of public land to the unauthorized users pursuant to Section 203 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1713), as amended. The trespasses are located on the following public lands:

#### New Mexico Principal Meridian

T. 29 N., R. 11 W.

Sec. 3, lot 6 (portion of N<sup>1</sup>/<sub>2</sub>NW<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub>SW<sup>1</sup>/<sub>4</sub>NE<sup>1</sup>/<sub>4</sub>)

Containing 0.59 acres, more or less.

T. 31 N., R. 11 W.

Sec. 34, SE<sup>1</sup>/<sub>4</sub> SE<sup>1</sup>/<sub>4</sub> SE<sup>1</sup>/<sub>4</sub> SW<sup>1</sup>/<sub>4</sub> NW<sup>1</sup>/<sub>4</sub>

Containing 0.625 acres, more or less.

**DATES:** Written scoping comments must be submitted on or before November 30, 2000.

**ADDRESSES:** Comments should be addressed to the Field Manager, Bureau of Land Management, Farmington Field Office, 1235 La Plata Highway, Suite A, Farmington, NM 87401.

**FOR FURTHER INFORMATION CONTACT:** Jerrold E. Crockford at the address above or at (505) 599-6333.

#### SUPPLEMENTARY INFORMATION:

Description of Proposed Planning Action: The RMP provides for three land ownership adjustment zones—acquisition, retention, and exchange. Of these three zones, sale of public land is not authorized within the acquisition zone. Sales are limited to specifically identified parcels (July 1988) within the retention zone, and authorized in the exchange zone. The proposed amendment would make two public lands listed above available to sell by direct sale to resolve two cases of occupancy trespass in BLM FFO's retention zone.