

April 14, 2000

Mr. Alfred Pollard  
General Counsel  
Office of the General Counsel  
Office of Federal Housing Enterprise Oversight  
1700 G Street, NW, Fourth Floor  
Washington, DC 20552

Re: Solicitation of Reply Comments  
On Notice of Proposed Rule-  
making: Risk-Based Capital (RIN  
2550-AA02)

Dear Mr. Pollard:

On behalf of the 200,000 members of the National Association of Home Builders (NAHB), I would like to submit some additional thoughts on the Office of Federal Housing Enterprise Oversight's (OFHEO) notice of proposed rulemaking pertaining to the development of risk-based capital regulations for Fannie Mae and Freddie Mac. NAHB submitted comments previously in a letter dated March 8, 2000, and these subsequent comments are in response to some of the other letters submitted during the initial comment period.

We have noted that a number of the comment letters emphasized the importance of appropriately calibrating capital requirements to risk, which also was a theme of our initial letter. Many of those commenting also joined NAHB in urging OFHEO to publish capital regulations that preserve the ability of Fannie Mae and Freddie Mac to continue to develop innovative mortgage products and programs. Another major theme in the comment letters stresses the importance of having a workable process that allows OFHEO, and Fannie Mae and Freddie Mac, to determine capital requirements in a timely manner.

In our previous letter, we recognized assurances from OFHEO officials that Fannie Mae and Freddie Mac will have the ability to replicate all components of OFHEO's model and, therefore, will be able to estimate their required capital levels before the regulation becomes final. Some of the comment letters expressed concern that replication of the "infrastructure" components of the model, which convert Fannie Mae's and Freddie Mac's raw operational and accounting data to apply the model's "behavioral" stress

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test components, would take considerable additional time and might still produce results with significant errors. If it appears that this may be the case, NAHB recommends that OFHEO allow Fannie Mae and Freddie Mac to utilize their own data, cash flow and accounting systems to apply the stress tests, subject to OFHEO oversight. This approach, which is spelled out in considerable detail in the comment letters of both Fannie Mae and Freddie Mac, would allow OFHEO to proceed with timely implementation of the capital regulation while continuing to work to establish a uniform infrastructure component for Fannie Mae and Freddie Mac.

We continue to support a well-designed and balanced capital rule and believe it must be workable in order to be effective. Such a rule will allow OFHEO to ensure the safety and soundness of Fannie Mae and Freddie Mac while the companies continue to effectively carry out their vital roles in supporting the housing finance system.

Very truly yours,

[Signed: Thomas M. Downs]

Thomas M. Downs  
Executive Vice President and  
Chief Executive Officer

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