Title: Risk Based Capital
Process for Capturing and Utilizing Aggregate Enterprise Amortized Original
LTV Distribution Files

Revision Approved By: _____   Date: _____

I.   **PURPOSE:**
The purpose of this guideline is to set forth the process for capturing and
utilizing Aggregate Enterprise Amortized Original LTV Distribution Files. The
aggregate Enterprise Amortized Original LTV (AOLTV) distribution is used to
update the loan-to-value (LTV) ratio for loans underlying single and multi-class
mortgage-backed securities (MBS) as detailed in section 3.7.2.3 of the Risk-
Based Capital (RBC) regulation. This process includes updating Table-3-59 -
Aggregate Enterprise Amortized Original LTV (AOLTV) Distribution on an annual
basis.

II.   **Scope:**
This guideline applies to OFHEO employees. The information generated by the
process set forth in this guideline is used by OFHEO, the Enterprises and the
public in the production of RBC stress test simulations. OFHEO uses these
simulations to determine quarterly Risk-Based Capital classifications.

The OFHEO Director may amend this guideline at his or her discretion.

III. **Authority And References:**
12 USC 4611
12 CFR Part 1750
Appendix A, section 3.7.2.3 and accompanying Table-3-59—Aggregate Enterprise
Amortized Original LTV (AOLTV) Distribution

IV.   **Effective Date:**
This guideline is effective immediately upon approval by the Director of OFHEO.

V.   **Policy:**
It shall be the policy of OFHEO to determine the RBC requirement for each
Enterprise at least quarterly.

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VI   Process:
   The aggregate Enterprise Amortized Original LTV (AOLTV) distribution is used in the RBC stress test to update the LTV for loans underlying single and multi-class MBS for which loan-level data are unavailable.

   OFHEO initially made a correction to the AOLTV table using data from the fourth quarter, 2001, which was applied beginning with the fourth quarter 2002.

   OFHEO will update the AOLTV table annually, using data from the RBC Report submissions for both Enterprises as of December 31st. The revised table is published on the OFHEO web site by March 15th each year and is used in the RBC calculation for the next quarter.

   After each revision the new distribution is used in the stress test calculation for the following four quarters or until the next update. There is a one-quarter lag between the updating of Table 3-59 and its use in the RBC stress test. For example, the AOLTV distribution created using fourth quarter 2002 data was made available approximately March 15, 2003. That table was used for RBC capital calculations for four quarters starting with the second quarter 2003 through the first quarter 2004. In the event of a delay to the production of the updated AOLTV table, the OFHEO Director may make a determination to use different data (other than fourth quarter) or publish the revised table at a later time.

   The Enterprises and the public may download the AOLTV distribution by the following steps listed below:

   - http://www.ofheo.gov
   - Click on Capital Requirements
   - Click on "Amortized Original LTV Distribution Files"
   - Under the heading Aggregate Enterprise Amortized Original LTV Files, click the link for the appropriate year
   - Save

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VII. Definitions:

The aggregate Enterprises Amortized Original LTV (AOLTV) distribution is used to update the loan-to-value (LTV) ratio for loans underlying single and multi-class backed securities for which loan-level data are unavailable.

V.III Responsibilities:

Office of Capital Supervision (OCS) – defines parameters of the AOLTV table; supervises the creation of the AOLTV table and reviews the file containing the table for anomalies before the file is published and sends the file to OER at least one business day before the table must be published.

Office of Technology and Information Management (OTIM) – uses RBC Report data from both Enterprises for the fourth quarter to create the AOLTV table within 30 days after receiving the RBC Report data; and sends it to OCS for review.

Office of External Relations (OER) – publishes the revised AOLTV file each year on the OFHEO web site by March 15th.

IX. Types of Records Created:

AOLTV table.

This Guideline was last updated on: 10/27/02