MORTGAGE BANKERS ASSOCIATION
Investing in communities

July 18, 2006

Mr. Alfred M. Pollard
General Counsel
Office of Federal Housing Enterprise Oversight
Fourth Floor
1700 G Street, N.W.
Washington, D.C. 20052

Re: RIN 2550-AA35
Risk-Based Capital Regulation Amendment

Dear Mr. Pollard:

The Mortgage Bankers Association (MBA)[1] appreciates this opportunity to comment on the proposed amendments to the risk-based capital (RBC) regulation.

In this rulemaking, the Office of Federal Housing Enterprise Oversight (OFHEO) proposes to formally incorporate into the existing RBC regulation a number of proxy treatments, new activities, and updates that OFHEO, Fannie Mae, and Freddie Mac already use. Because the RBC regulation changes only occasionally while the mortgage markets change constantly, the RBC regulation contains some flexibility for OFHEO to address new matters that arise. For example, in instances where the regulation does not specify computational procedures for the RBC treatment of a particular on- or off-balance sheet item, the regulation provides OFHEO with flexibility to approve proxy treatments that provide for reasonable computation of the treatment of that on- or off-balance sheet item.[2] The regulation also states that "OFHEO will monitor the Enterprises' activities and, when appropriate, propose amendments to this regulation addressing the treatment of new instruments, activities, or accounting

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 500,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 3,000 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

[2] 12 C.F.R. Part 1750, Appendix A § 3.9.1[b]4.

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treatments."[3] OFHEO now proposes to incorporate into its regulation some proxy treatments and new activities. Further, OFHEO proposes to update the regulation in some areas, such as, for example, by adding certain swap rates to the interest rate and index inputs the regulation uses.

Overall, the proposed changes appear to be minor and technical, and would have minimal effect on capital requirements. Nevertheless, MBA very strongly supports OFHEO's approach of providing notice of, and soliciting public comment on, these changes. Even minor, technical, and capital-neutral changes to the RBC regulation can have significant impacts on the mortgage industry. Notice and public comment are important in enabling OFHEO to be informed of all ramifications of its regulation, and in maintaining transparency in OFHEO's regulatory process.

Having reviewed the proposal, MBA believes all the proposed changes are reasonable and we support them.

OFHEO mentions in its proposal that it plans additional rulemakings to address more substantial topics than the current proposal covers. OFHEO mentions adjustments to the loss severity equations that the RBC regulation uses. MBA supports using equations in the RBC regulation that accurately reflect risk. We look forward to reviewing what OFHEO proposes.

OFHEO also mentions that it plans to address the appropriateness of incorporating mark-to-market accounting into the RBC regulation, and plans to address fair value accounting and other issues in the minimum capital regulation. Accounting treatments do change, and they certainly impact large financial institutions. Periodic review of accounting treatments within both the risk-based and minimum capital regulations is in the best interests of a safe and sound finance system.

Thank you for considering MBA's comments.

Sincerely,

John M. Robbins, CMB
Chairman-Elect
Mortgage Bankers Association

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[3] 12 C.F.R. Part 1750, Appendix A § 3.11.1[a].