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Raymond J. Reisert, Jr.
Chairman and CEO



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

Via E-Mail: ReqComments@ofheo.gov

Dear Sir:

I would like to comment on the Risk Based Capital Proposed Rule on which you have solicited public comment. My comments are based on my experience as CEO of a Firm that is an active FHA, Fannie Mae DUS and Freddie Mac Program Plus Lender. Our Firm originated approximately \$775 million in Agency Loans in 2001 and we service a portfolio of approximately \$3.0 billion of multifamily loans.

I would like to thank OFHEO for the corrections that have been made to the original rule which have brought about a closer relationship of capital to the risk levels in our business. However, I would like to point out some additional changes that I believe would make the relationship of risk based capital to the underlying risk factors more appropriate.

First, I would urge OFHEO to go further in its assessment of risk by modifying the loss assumptions that are used in the model. The existing loss assumptions appear to be based on the experience during the Depression of the 1930's. I believe that OFHEO should be using the loss rates based on the stress period OFHEO has used for other provisions of the Proposed Rule. It would appear that the language in the Statute would support this position.

Second, I would urge OFHEO to reconsider the counterparty risk provisions that are imposed on DUS Lenders. While we are required to maintain a cash reserve, which you have recognized, you have not taken into account the value of the servicing that is inherent in our portfolio. Our DUS Servicing Spread has a built in premium that is

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available to Fannie Mae, under the terms of our DUS Contract, in the event of financial distress. Moreover, there have been a number of company sales that have clearly established a market value for the DUS and Freddie Mac and FHA servicing of Multifamily Lenders. I believe that the capital position of a DUS Lender should include this servicing value as one of the other factors that the Director can consider to improve the assumed rating for an unrated DUS Lender and thus more accurately reflect our capital position.

Finally, I would urge OFHEO to more accurately reflect the risk inherent in Tax Credit properties that are restricted to persons earning either 50% or 60% of Area Median Income. Likewise, properties that accept Section Eight vouchers are serving a desired public policy objective and should not be dis-advantaged by the Proposed Rule. By their nature, such properties are run in such a fashion as to keep rents within the proscribed AMI limits rather than to maximize the Debt Service Coverage to the owner. We have a substantial number of such properties in our portfolio and they are serving the public policy purpose of providing safe and affordable housing, albeit with lower Debt Service Coverage than those properties that are targeted to an upper income population. I believe that the public policy purpose is paramount and the Proposed Rule should not, in any way, discourage the GSE's from participating in such Programs.

Thank you for giving me the opportunity to express my views.

Very truly yours,

Raymond J. Reisert, Jr.