
CONSUMER MORTGAGE COALITION

July 20, 2006

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

RE: Comments/RIN 2550-AA35

Dear Mr. Pollard:

The Consumer Mortgage Coalition is pleased to respond to OFHEO's Notice of Proposed Rulemaking – Risk-Based Capital Amendment, published in the *Federal Register*, vol. 71, no. 122, pp. 36231-36252, on June 26, 2006.

As the notice states (p. 36232), "These amendments are capital neutral and largely codify existing practice undertaken pursuant to the current Risk-Based Capital Regulation." The CMC appreciates that OFHEO is willing to solicit comments even on such technical amendments, to help assure that they do not create inadvertent complexities in the mortgage market. We find the proposed changes to be helpful, and support them.

In addition, the CMC appreciates the statement in the notice that,

"OFHEO plans additional future rulemakings to address substantial topics such as making adjustments to the loss severity equations used to calculate Enterprise risk-based capital and the appropriateness of incorporating mark-to-market accounting into the Risk-Based Capital Regulation. OFHEO also plans to update the Minimum Capital Regulation to address fair value accounting and other issues." (Ibid, footnote omitted).

We look forward to commenting on those substantive matters in some detail. In addition to the issues that OFHEO suggests it will address, we would urge that OFHEO also propose and then implement a regulation stating that:

1. OFHEO shall perform scenario analyses on a regular basis that supplement the scenario analysis that is required under the risk-based capital provisions of the 1992 Act. These scenarios will relate to the amount of capital that an Enterprise must maintain to meet the circumstances that would be most likely


to deplete an Enterprise's capital, considering changes in significant variables such as (a) the shape of the yield curve, (b) basis risk and the relationship of federal agency debt to Treasuries, (c) a range of prepayment speeds, and (d) the home price inflation rate.

2. OFHEO shall replicate its openness in the present technical rulemaking and shall conduct public hearings from time to time to obtain public comment on the scenarios that OFHEO proposes to prescribe. Input from the knowledgeable public can help to assure that OFHEO is prescribing the most appropriate scenarios.
3. OFHEO shall require each Enterprise to provide prompt notice of any material development that would cause the corporation's core capital or total capital to fall below the point needed to meet any of the prescribed scenarios, and shall require each GSE to make public reports to investors concerning their ability to withstand the scenarios that OFHEO prescribes.

OFHEO has determined that both Enterprises now must maintain additional capital, beyond the levels set by the Risk-Based Capital Rule, to deal with long-standing unreported internal control failures. Similarly, the type of scenario analysis we recommend, and publication of that analysis to enhance feedback from the investing public and policymakers, is long overdue as a needed layer of protection of Enterprise safety and soundness.

We thank you for your solicitation of comments on the technical amendments to the Risk-Based Capital Rule and for your willingness to solicit and consider public comment on more substantial issues such as those that we have raised in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Anne C. Canfield", enclosed within a thin black rectangular border.

Anne C. Canfield
Executive Director