

From: nlong@tradestreetadvisors.com
Sent: Monday, April 26, 2010 10:50 AM
To: !FHFA REG-COMMENTS
Subject: Federal Housing Finance Agency-Proposed Rule: RIN 2590-AA28

Dear Mr. Pollard,

Thank you for this opportunity to provide comments on the implementation of Section 1116 of the Housing and Economic Recovery Act of 2008. We believe that the proposed regulations represent an important step toward capitalizing on the rich diversity within our nation in achieving the missions of the regulated entities.

As a third-party certified minority business enterprise and an approved vendor of Freddie Mac and Fannie Mae, our comments are centered on the inclusion of Minority and Women Owned Businesses (MWOBs) in the contracting processes of the regulated entities. We respectfully propose the following contracting practices for your consideration:

a.. Encourage each regulated entity to establish internally-derived performance metrics/targets related to increasing spend with MWOBs (e.g. - % or minimum dollar spend targets). Unlike "quotas", these performance metrics would not be mandatory but would be used strictly to facilitate planning and benchmarking. Deviations from such targets should be accompanied by reasoned explanations along with anticipated corrective actions;

a.. In order to increase the number of contracting opportunities while managing vendor risk, consider including "Tier II" subcontracting language in all prime contracts and include Tier II spend with MWOBs in determining whether the entity has met its internal spending targets. This may require both a shift in the GSEs' attitudes toward the use of subcontractors as well as the adaptation of policies and procedures (e.g. - risk assessment) that facilitate the use of subcontractors;

a.. Place emphasis on the use of actual MWOBs (preferably third-party certified) versus other less effective measures such as contracting with large majority-owned firms possessing a diverse workforce as a substitute course of action. While it is laudable for the regulated entities to seek out majority-owned vendor partners who value diversity, such an approach is not a substitute for actual diversity and inclusion within the vendor base. MWOBs play a uniquely beneficial role in supporting diverse communities and in creating employment for people of color and women that can't be replicated by a large majority-owned company irrespective of how well that firm has implemented diversity within its workforce;

a.. Review policies, procedures and contractor requirements to determine the impact on smaller vendors. For instance, due to the significant cost of compliance, a "one size fits all" approach to vendor data security standards

would have a chilling effect on the application of this law as it relates to virtually all small and medium-sized vendors. Such practices might be modified when feasible and when appropriate based upon the actual requirements of the task for which the vendor might be engaged. For instance, key personal information such as social security numbers might be removed from data tapes prior to providing such information to a vendor performing a residential mortgage valuation assignment;

a.. Opportunities made available to MWOBs should not be relegated to "traditional" areas but should include core practices and functions including those related to the structuring, valuation, sourcing, management, monitoring and distribution of highly complex financial assets (e.g. - derivatives, MBS bonds, reverse mortgages, guaranty book, etc.);

a.. Encourage "supplier development" through strategic alliances with peers and mentor-protégé relationships with larger prime contractors. The regulated entities, because of their sheer size and scope, can foster the continued growth of a whole new generation of financial services MWOBs, which would benefit the nation's overall economy by supporting the growth of this important employment sector;

a.. Membership of diversity contracting professionals in organizations such as the National Minority Supplier Development Council's Financial Services Roundtable (comprised of Chief Procurement Officers and Diversity Officers from virtually all of the major private sector financial institutions) would facilitate the sharing of best practices both among the regulated entities and the private sector; and

a.. Most importantly, senior leadership within the regulated entities must communicate a clear, unambiguous commitment to diversity and inclusion supported by measurable results.

Thank you in advance for your consideration.

Sincerely,

Nigel Long

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