

National Association of Securities Professionals (NASP)

727 NW 15th Street, Suite 750, Washington, DC 20005

Tel 202-371-5535 Fax 202-371-5536

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VIA ELECTRONIC FILING

Alfred M. Pollard, Esq., General Counsel, Attn. Public Comments/RIN 2590-AA28 Federal Housing Finance Agency, Fourth Floor 1700 G Street, N.W. Washington, D.C. 20552

Re: RIN 2590-AA28 Minority and Women Inclusion

Dear Mr. Pollard:

The following comments are submitted on behalf of the National Association of Securities Professionals (NASP). NASP is a non-profit association whose membership consists of securities industry professionals operating worldwide. NASP, founded in 1986 is the largest organization of its kind representing the views and interests of minorities and women who have achieved recognition in the industry as brokers, asset managers, public finance consultants, investment bankers, bond counsel, commercial bank underwriters, investors, plan sponsors and other finance professionals.

I. INTRODUCTION

On January 11, 2010, the Federal Housing Finance Agency (FHFA) published a proposed rule to establish regulations on minority and women inclusion to be adhered to by the FHFA and the following agencies that are subject to FHFA oversight: the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Home Loan Banks and the Federal Home Loan Bank System's Office of Finance (each, a "Regulated Entity")

The proposed rule would implement the requirements of 12 U.S.C. 1833e, 4520, and Executive Order 11478 in a single regulation. Such requirements provide that FHFA shall engage in certain activities to

promote a diverse workforce; the establishment of an Office of Minority and Women Inclusion by each Regulated Entity; the promotion of diversity in all activities and at every level of the organization, including management, employment and contracting. Furthermore FHFA shall prescribe regulations establishing a minority outreach program to promote diversity in FHFA contracting.

II. COMMENTS

Congress has encouraged the financial-services industry to recruit more executives of color and women through the implementation of key legislation which includes an amendment to HR 1427 – the Federal Housing Finance Reform Act of 2007 – that called for more diversity at mortgage buyers Fannie Mae and Freddie Mac and the House Concurrent Resolution 140, an initiative designed to increase the diversity of the financial-service industry’s workforce by motivating employers and educational institutions to help take affirmative steps towards diversifying their employee and student pools. Following these two legislative efforts, on July 30, 2008, HERA Section 1116 became law governing the GSEs (government sponsored enterprises) to implement the current FHFA policy proposal. Despite these varied legislative efforts and opportunities for voluntary efforts, there has been limited improvement in and realization of minority and women in contracting and management opportunities with the Regulated Entities. Firmer targets, goals and efforts are now clearly required and our comments below provide suggestions that aim to lead to measurable results and an effective implementation of the proposed regulation:

Equal Opportunity and Outreach in FHFA Contracting

1. Outreach should include experienced recruiting through communication with networks and associations such as the National Association of Securities Professionals and the National Bankers Association. Our membership includes minority-owned and women-owned businesses (MWOBs), and includes financial institutions, mortgage banking firms, investment banking firms, investment consultants or advisors, financial services entities, asset management entities, underwriters, accountants, brokers,

broker-dealers and providers of legal services;

2. 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.);
3. Encourage "supplier development" through strategic alliances with peers and mentor-protégé relationships with larger prime contractors. The GSEs, 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; and
4. 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 GSEs and the private sector.

Equal Opportunity in Employment and Contracting

1. Establish performance metrics/targets related to increasing spending with MWOBs (e.g. - % or minimum dollars spent targets, % of minority managers, % of total minority staff, % of minority participation on transactions). Unlike "quotas", these performance metrics would not be mandatory but would be used to facilitate planning and benchmarking. Deviations from such targets should be accompanied by reasoned explanations along with anticipated corrective actions. The targets shall be increased over a several year period;
2. In order to increase the number of contracting opportunities while managing vendor risk, include "Tier II" subcontracting

language in all prime contracts and include Tier II spending with MWOBs in determining whether the entity has met its spending goals. 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;

3. 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 GSEs 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; and
4. 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.

Office of Minority Inclusion and Reporting

1. Conduct an annual diversity study that includes representation of women and minorities in employment and contracting by the FHFA. The study should also include the percentage of

minorities and women that participate in the hiring process for employment metrics and participate in the RFP process for contracting metrics;

2. College Recruiting should include the recruitment of minorities and women from Historically Black Colleges and Universities as well as minority student organizations at colleges and universities;
3. Encourage GSE sharing of Best Practices, especially between the 12 Federal Home Loan Banks; and
4. Board members shall have an unambiguous commitment to diversity and inclusion supported by measurable results. Diversity training shall be implemented as appropriate.
5. Board members and/or CEO of each Regulated Entity should periodically certify to the Entity's compliance with Section 1116 to ensure that said efforts will get the required attention, and that the Director will get the organization-wide assistance needed for proper implementation of the law.

We hope that these comments are helpful for purposes of the present docket and will help lead to the proper and expeditious implementation of the minority and women inclusion regulations.

Sincerely,

Orim Graves
Executive Director
National Association of Securities Professionals
727 NW 15th Street, Suite 750, Washington, DC 20005□
Tel 202-371-5535□Fax 202-371-5536
Email ogrades@nasphq.org