

March 8, 2000

VIA OVERNIGHT MAIL

Mr. Alfred M. Pollard
General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, N.W., 4th Floor
Washington, D.C. 20552

RE: Risk-Based Capital, Proposed Rule, RIN 2550-AA02

Dear Mr. Pollard:

As President of Newport Mortgage Company, L.P. ("NMCLP"), I am forwarding this letter to your attention in order to comment on the above-referenced Risk-Based Capital proposed rule. NMCLP is a national mortgage banking firm that specializes in the origination, underwriting, and servicing of multifamily mortgage loans on a nationwide basis. Our primary sources of capital in the secondary market are FHA, Freddie Mac, and Fannie Mae (under its DUS program).

In assessing the level of risk associated with the capitalization of Freddie Mac and Fannie Mae, we think it is important to take into account the various significant changes in the real estate markets and capital markets in the 1990's versus the 1980's. Empirical evidence has certainly indicated that all lending sources have learned significantly from the defaults experienced during the 1980's. Underwriting standards subsequent to the Tax Act change of 1986 became and remain much more conservative than those that were utilized during the 1980's. Accordingly, we would expect to see a very significant decrease in the overall default rate on multifamily loans and, in fact, a very significant decrease has been experienced.

I am sure you have access to the very low multifamily loan delinquency figures from Fannie Mae and Freddie Mac during the past several years. You should also be aware that DUS lenders like NMCLP have also been experiencing a very low delinquency and default rate. In fact, since 1993 when our company first became licensed under the DUS program, our firm has had no delinquencies and

no defaults on its multifamily lending program. This is particularly important in light of the fact that we are required by Fannie Mae to post millions of dollars in reserves in the form of cash, provide a minimum liquidity and net worth level, and to take GAAP book reserves as required by our accountants. As you are aware, each DUS lender shares a piece of the risk with Fannie Mae on the DUS loans. Since each DUS firm is heavily capitalized in similar fashion to NMCLP, I would expect this additional re-insurance to be viewed as very valuable by the Office of Federal Housing Enterprise Oversight ("OFHEO").

At NMCLP, we believe our multifamily lending programs are critically important to the effort to provide affordable housing to lower and middle income Americans. Fannie Mae and Freddie Mac have provided the majority of the financing for multifamily affordable housing for the past several years. If OFHEO were to materially alter the capital requirements of Freddie Mac or Fannie Mae, this could result in programmatic changes that would materially decrease the availability of capital for multifamily housing.

Based upon the foregoing, i.e. the very low default and delinquency rate experienced during the 1990's, the more cautious underwriting approach utilized during the 1990's, the significant capital reserves held by the various multifamily lenders under the DUS program, and the excellent track record of the GSE's providing affordable housing to the Americans that most need it, we would request that OFHEO create as little modification as possible to the current very positive multifamily environment. Thank you very much for your consideration.

Respectfully,

[signed: Jeffrey S. Juster]

Jeffrey S. Juster
President

JSJ/kj