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Raymond J. Reisert, Jr.
Chief Executive Officer

March 10, 2000

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

Re: Risk-Based Capital, proposed rule, RIN 2550-AA02

Dear Mr. Pollard:

I wish to comment on the above referenced proposed rule which will, unless modified, have an unfavorable impact on our industry's ability to continue financing affordable multifamily housing. My comments are both as a CEO of a Multifamily Lender and a member of the Commercial Board of Governors of the MBA.

My Firm has been an active participant in Multifamily loan production for over 20 years and an active DUS Lender since inception of that program in 1988. With a current multifamily loan portfolio of approximately $1.7 billion, we rank 44th among Commercial / Multifamily Servicers, and have originated some $2.3 billion of DUS mortgages over the past 12 years. Over 95% of our loan originations have financed housing that is affordable by families earning less than area median incomes. More recently, we have financed over $120 million of multifamily properties that are affordable to families earning less than 60%, and in many cases, 50% of area median incomes.

My concerns with the proposed rule are with the complexity of the model; data distortions resulting from the benchmarking period; and, excessively severe treatment of counterparty risk for FannieMae's exposure with its DUS Lenders:

- Complexity-the model is overly complex in the number of variables used to model the risks of multifamily loans and in the treatment of those variables. In particular, I am concerned that the prepayment assumptions for loans in yield maintenance do not accurately reflect either the industry's or our Firm's experience nor do they result in defaults.

- Benchmarking Assumptions-the benchmarking assumptions includes the early 1980's when the multifamily industry was dramatically different than it is today. There was a fundamental change in the economics of multifamily construction with the Tax Act of 1986 which had the effect of substantially reducing the over-building that had characterized the early part of that decade. In virtually every market in which we are active today, we see no signs of a repeat of that pattern. Rather, supply is limited, occupancy is over 90% and rents are increasing. If anything, the concern today is producing rental stock that is affordable by families earning area median income or less. There is ample statistical evidence within the portfolios of the Agencies and other published sources to substantiate the use of more recent data for benchmarking.

- Counterparty risk-the use of a BBB standard for unrated companies can result in a substantial overcapitalization for credit risk in comparison to financial market standards. This overcapitalization can create financial disincentives and could lead unrated companies to increase the cost of producing affordable multifamily housing in efforts to increase their capital base.

- FannieMae's counterparty exposure to its DUS Lenders-the generic assignment of counterparty risk in the model does not take into account the standards and safeguards that have been built into this program. As a DUS Lender, we are required by FannieMae to maintain:

    - Liquid Loan Loss Reserves, based on the size, debt cover and loan to value ratios of our portfolio, held by a Trustee Bank for the benefit of FannieMae
    - Net Worth Standards based on the size of our portfolio
    - Liquidity Standards based on the size of our portfolio
    - Underwriting and Servicing Standards
    - Working Capital sufficient to meet our loss sharing obligations.

    In addition, we are subject to frequent and rigorous monitering by FannieMae on a loan by loan basis. Additionally, we are subject to periodic Lender Assessments wherein a team of FannieMae professionals audit every aspect of our operations from asset management to accounting to underwriting to corporate governance. We are not undersupervised. As a consequence of FannieMae's Requirements, DUS Lenders are well capitalized, closely monitered, and maintain liquid assets sufficient to meet their loss sharing obligations.

    If anything, it is my view that the DUS Program requires excess capital to be locked in the business which negatively impacts shareholder returns and limits our ability to raise capital in the public markets.

    I recommend that DUS counterparty risk should be considered separately from other forms of counterparty risk and specifically take into account the standards and controls that FannieMae has instituted in this program.

Thank you for giving consideration to my comments.

[signed: Raymond J. Reisert, Jr.]