

# LEHMAN BROTHERS

March 10, 2000

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

Re. Proposed Risk-Based Capital Standards

Dear Mr. Pollard:

Lehman Brothers is submitting these comments in response to the Office of Federal Housing Enterprise Oversight's ("OFHEO") proposed risk based capital standards and their potential impact on the multi-trillion dollar conforming and non-conforming secondary mortgage markets. We support the OFHEO's objective of promoting a vibrant and liquid secondary mortgage market characterized by creativity, innovation and prudent risk management that engenders low cost and affordable mortgages for homeowners.

Lehman Brothers believes that, to be effective, risk-based capital regulation should be capable of being easily implemented by the housing enterprises. Such regulation should provide clear risk management guidelines that can be followed at an appropriate level within the housing enterprise organization.

Lehman Brothers also believes that there should be a clear rationale behind the proposed risk-based capital requirements, resulting from the regulation methodology. Clarity would enable executives of the housing enterprises to evaluate the risk implications of their decisions to commit capital on a continuous basis. In addition, from a practical standpoint, the standards should be set in a manner that avoids significant swings in capital requirements from small changes in the underlying variables.

Finally, Lehman Brothers recognizes the critical role Freddie Mac and Fannie Mae play in providing affordable housing in the United States. Accordingly, the risk-based capital requirements must be strictly related to actual risk levels and not unnecessarily high in order to ensure that these housing agencies can continue to discharge their mission.

We appreciate the opportunity to provide our view on this important issue and would be pleased to provide any assistance you may require as you continue in this endeavor.

Very truly yours,

[signed: Woody Jay]

Woody Jay  
Managing Director