

**From:** Dave Roberts [DROBERTS@collateral.com]  
**Sent:** Monday, January 14, 2002 1:55 PM  
**To:** RegComments@ofheo.gov  
**Cc:** ehurley@lendleaserei.com  
**Subject:** Proposed Risk Based Capital Rule from OFHEO  
Mr. Alfred Pollard  
General Counsel  
Office of Federal Housing Enterprise Oversight  
Fourth Floor, 1700 G Street NW  
Washington, DC 20552

Dear Mr. Pollard:

Collateral Mortgage Capital, LLC is a privately owned commercial mortgage banking firm based in Birmingham, Alabama. Our company is very actively involved in the origination of multifamily loans on a national basis. A substantial percentage of our multifamily business is transacted under our status of an approved DUS lender with Fannie Mae and an approved Program Plus lender with Freddie Mac. As you can imagine, we have been following OFHEO's proposed rule on risk based capital very closely.

I want to thank OFHEO for taking prompt action to correct problems with the original rule and for addressing many of the concerns raised by MBA and from other multifamily industry leaders. The corrections go a long way toward making required capital levels consistent with the risk, while not creating competitive disadvantage or dislocation.

I would like OFHEO to consider improving the rule further in a few specific areas. The first area is counterparty risk. While recent changes are a move in the right direction, I urge OFHEO to go further. The haircut levels remain high relative to risk and the differences between levels remain too large. One way to correct this may be to modify the loss assumptions. I recommend that OFHEO use loss rates based on the stress period used for other provisions in the rule rather than assumptions based on Great Depression experience. The language in the statute appears to support this.

I strongly support another improvement in the counterparty risk provisions that relates directly to Fannie Mae DUS lenders such as Collateral Mortgage Capital. Under the proposed rule, the OFHEO Director has discretion to consider other factors and improve the rating. The language indicates that an improvement in rating requires a cash reserve account held as collateral of at least 1% of the at-risk portfolio balance. I urge OFHEO to include capital and the value of servicing as support for an approved rating. Not giving credit to the servicing would ignore a critical source of support for the risk. Private companies, such as Collateral Mortgage Capital, are obviously concerned that this might give Fannie Mae a basis to increase the capital requirements for DUS lenders which would directly disadvantage us.

I also strongly support the proposed changes to the ARM flag and the "underwater DSCR" flag. These changes mitigate the punitive levels of capital assigned to ARM loans under the original rule, and reduce the volatility of required capital. I urge OFHEO to continue to examine the capital requirements for ARM loans.

Finally, I support OFHEO's efforts to accurately model the risks in low income housing loans, including loans to projects accepting Section 8 vouchers. This housing serves a critical need, and it is extremely important to carefully balance the risks and not create disincentives for the GSEs to be market leaders in affordable housing finance.

Thank you for your consideration.

David A. Roberts  
President and Chief Executive Officer  
Collateral Mortgage Capital, LLC  
524 Lorna Square  
Birmingham, AL 35216  
Direct: 205/978-1841

Fax: 205/978-1852