

January 16, 2002

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

Re: GE Request for Model Access/Source Code Assistance

Dear Mr. Pollard

In my letter of December 20, 2001 and in related conversations with you and Mr. Schwing of OFHEO, we requested that OFHEO either: (1) provide us access and assistance in initially running its functioning model, (2) agree to run intermediate and final analysis on a proprietary basis for us, or (3) extend the comment period deadline until at least March 30th. Both you and Mr. Schwing have since confirmed that OFHEO is unwilling to provide the type of assistance we've requested. This is despite explicit comments by OFHEO staff indicating that precisely that type of assistance is being provided to both GSEs. As a result, I am writing to reiterate our request that OFHEO extend the comment period for its recently revised Risk-Based Capital rule, as published on December 17, 2001.

Despite a statutory mandate to complete its rulemaking for the GSEs within 18 months, OFHEO allowed itself some 4 years to issue proposed elements of a rule (NPR1) on June 1996. Recognizing the complexity of the issues and the effort needed to assimilate various new comments and data, OFHEO allowed itself several years to assimilate and evaluate these comments and data before issuing its proposed final rule (NPR2) in March 1999. Subsequently, OFHEO allowed itself over two years from that date, until September 2001 to publish the "Final" rule which Congress provided (pursuant to 12 U.S.C. , 4611(a)(i)) "shall take effect upon issuance." Having issued its "Final" rule only 3 short months ago, reflecting almost 10 years of data gathering, study and comments, OFHEO has suddenly decided to propose material changes on December 11, 2001 and allow only the minimal 30-day period for comment. Not only did holidays and adverse weather intervene, but OFHEO seems to have pre-determined that the latest round of changes—all of which water down the GSE's capital requirements from what OFHEO had only three months before thought appropriate – "were not economically significant." OFHEO has repeatedly accommodated its own need for adequate time to address the complex issues involved, as well as the GSE's requests for extensions on the RBC as well as the corporate governance rules. We think that under these circumstances OFHEO is obliged to exercise its discretion to afford a similarly reasonable time for persons to effectively comment on the December 17<sup>th</sup> proposed revisions to the RBC rule. Those revisions are far more than technical or conforming changes and significantly alter the capital required under the rule. Inasmuch as OFHEO has not released a workable, transparent model to enable other interested parties to make a determination of

Mr. Alfred Pollard  
January 16, 2002  
Page 2

the quantitative impact on the GSEs of the latest changes, OFHEO's conclusion that the changes "are not economically significant" seems arbitrary and somewhat presumptuous. In fact, in public statements, the GSEs appear to have indicated these changes might reduce GSE capital by more than \$2 billion.

Therefore, we again request that OFHEO extend the comment period until OFHEO releases a workable model that can be used by the public or until February 1, 2002 at the earliest.

Sincerely,

Gerhard A. Miller  
Senior Vice President  
General Counsel

cc: Jim Zollo