

DOUGLAS L. PAUL
Vice Chairman
Fixed Income

January 17, 2002

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

Dear Mr. Pollard:

Credit Suisse First Boston (CSFB)¹ appreciates the opportunity to comment on OFHEO's proposed improvements to its risk based capital rule.

We would initially like to commend OFHEO on the positive modifications the agency has made related to capital haircuts for derivative products in the new proposal. As previously suggested by industry groups, the new OFHEO release affirmatively recognizes netting and collateral in a manner that moves the proposal much closer to traditional industry standards. CSFB joined the International Swap Dealers Association (ISDA) in filing earlier comments as well as providing technical assistance related to the initial proposal on derivatives and we are pleased at OFHEO's movement in modifying the haircuts to reflect our concerns.

Apart from urging OFHEO to preserve these modifications in its final risk based capital rule, we would like to respectfully point out one additional concern we hope OFHEO could address as it completes its review of the rule. We would note that it appears that the proposed rule, in assessing a severity rate for derivatives, implicitly assumes a 0% recovery rate in the event of a default after exhaustion of collateral, while it assumes a 30% recovery rate for non-derivative products. We believe that the severity rate calculation outlined in the modifications is conservative but based on sound techniques, but it is clear from reviewing the calculation that the severity of 10% represents an estimate not of ultimate loss, but of worst case unsecured exposure to a derivative

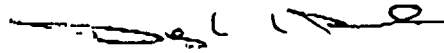
¹ Credit Suisse First Boston is a leading global investment bank serving institutional, corporate, government and individual clients. Its businesses include securities underwriting, sales and trading, investment banking, private equity, financial advisory services, investment research, venture capital and correspondent brokerage services. Credit Suisse First Boston operates in over 89 locations across more than 37 countries on 6 continents.

transaction at default. The calculation neglects the recovery of part of this exposure which one would expect in practice, while this recovery fraction is estimated at 30% for non-derivatives. Assuming a consistent recovery rate for derivative products at 30% would appropriately further reduce the severity rate, and should therefore reduce the applicable haircut on derivative products. We are unclear of the rationale for this differential and we would suggest that, absent a compelling circumstance, parity between the non-derivative and derivative recovery rates would appear equitable. We would suggest that OFHEO address this point directly in its final publication and apply it accordingly to the agency's haircut calculations.

In addition, CSFB has reviewed industry comments on the OFHEO improvements filed today by ISDA. We are a member of group and we would like to formally and favorably associate ourselves with the ISDA filed comments.

Thank you again for the opportunity to comment on OFHEO's improvements to the risk based capital rule and the movement the agency has made related to derivative haircuts. If you have any questions or CSFB can be of further assistance, please do not hesitate to be in touch with me or Joe Seidel in our Washington office at (202) 354-2802.

Sincerely,

A handwritten signature in black ink, appearing to read 'Douglas L. Paul', with a stylized flourish at the end.

Douglas L. Paul