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Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street SW., 8th FL
Washington, DC 20219

Dear Alfred,

On behalf of Loop Capital, we appreciate the opportunity to provide our comments on the proposed amendments to your regulations on minority and women inclusion. Currently, we have successful partnerships with the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks and the Bank's System's Office of Finance (collectively, the regulated entities) across a variety of capital market transactions. The Federal Housing Finance Agency (FHFA) has given firms like Loop Capital a vehicle to improve overall business across the many platforms of the regulated entities.

Attached is a list of our comments on the proposed amendments to FHFA's regulations on minority and women inclusion located in 12 CFR part 1207 (Rule). It is our hope that we can work together to enhance and strengthen our partnerships with many of the proposed amendments across capital market transactions and products within each of the regulated entities platforms. We look forward to continuing to work with you and the FHFA to promote diversity and ensure inclusion and utilization of minorities, women and individuals with disabilities in all capital market activities.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Emmitt Horne'.

Emmitt Horne
Senior Vice President
Head of GSE Banking and Relationship Manager
Loop Capital Markets

Loop Capital Comments on FHFA Proposed Amendments- 2016

Section 1207.21(b)93) section 1116 (b): “Promoting diversity and ensuring inclusion in all business and activities”

- We are in agreement of the new paragraph but would like to have clarity addressing the statutory requirement of HERA that the regulated entities establish processes that give consideration to the diversity of an applicant when reviewing and evaluating contract proposals and hiring service providers. The proposed rule would require them to develop procedures it would implement for giving consideration to diversity when reviewing and considering contract proposals and hiring service providers. We would like to have a clearer explanation on how minority owned firms will be “given consideration” in contract proposals when competing versus non-diverse firms. How or on what basis will the regulated entity select the minority owned business as the service provider instead of the non diverse-owned business? (i.e. If Loop Capital is tied on price with JPMorgan on a capital markets transaction or service contract, how is Loop Capital “given consideration” on being the vendor selected to win the contract?)

Section 1207.1: “Diversity spend with non-diverse owned businesses”

- We are not in agreement with the type of arrangement that can occur when an organization bases its decision to engage a majority-owned law practice or consulting firm based upon its interactions with a specific partner(s) or non-controlling owner(s) who is also a minority, woman, or individual with a disability. This arrangement does not benefit the specific partner(s) or non-controlling owner (s) who are minority, women or individual with a disability. The “majority-owned law practice or consulting firm” receives all of the benefit or credit. This proposed amendment should not be included.

Section 1207.3(b): “Limitations”

- We would like to address some of the specific thresholds, exceptions and limitations listed by the regulated entities in certain capital market transactions underwritten by broker dealers. In some instances, a minority-owned business has a threshold or limitation on the amount of dollars they can earn as a Selling Group Member or Co-Manager. If a minority-owned business has a successful historical track record in performing on these capital market transactions, there needs to be a policy in place that would eliminate any negative or adverse effects, thresholds or limitations. Therefore, affording the minority owned business the same level of participation as the non-diverse –owned businesses in all capital market transactions across the various business lines. A Minority Owned Business regulated to “Selling Group Member “status on many capital market deals are limited on the amount of gross fees shared among the “Lead Manager” and “Co-Manager” underwriters. We want minority-owned businesses to receive the same economic benefits as the Co-Manager underwriters, thus being paid the same fees

as every other “non-diverse-owned business”. For example, in credit risk transfer transactions (CRT), minority owned businesses would receive the 3%-10% fixed economics that is paid to other “non-diverse-owned businesses. Currently, minority owned firms are paid 1% fixed economics which is not equal to the non-diverse owned businesses. In addition, there is also a threshold and limitation placed upon minority firms to access and bring in new investor orders on the credit risk transfer capital market transactions. A minority owned firm can perform and meet the new investor order criteria, but after a certain amount of CRT deals have been underwritten by that minority firm it becomes increasingly difficult to always bring in a new investor to each CRT transaction. As the minority owned firms become consistent repeat underwriters in the CRT capital market transactions, they should be paid and given the same underwriting status as the other non-diverse owned businesses. The non-diverse businesses are not required to bring in new investors to every CRT transaction they serve in as a Co-Manager or Lead Manager underwriter.

Section 1207.23: “Annual reports – format and content”

- (12) (ii) (A)- Under this proposed amendment, we agree with the statement but would like to add specific language requiring the regulated entities to list total dollars spent in their annual report: “Assessing challenges and impediments minority-, women-, and disable-owned businesses face providing capital market or financial transaction services” but would add that the “dollars spent” by each regulated entity be included and analyzed in their respective annual report. The utilization rate and “dollar spend” of non-diverse owned businesses in capital market transactions when compared with the utilization rate of minority-owned businesses in capital market transactions will clearly illustrate (to the regulated entities board of directors) the areas of improvement.
- State specific data on all capital markets transactions across the regulated entities to ensure inclusion and utilization of minorities, women and individuals with disabilities. The specific data format and content that should be listed in the regulated entities annual report :
 - Dollars spent with non-diverse-owned businesses across all capital market transactions that are underwritten by the broker dealer community. (i.e. the dollar amount paid for capital market transactions underwritten by the non-diverse – owned businesses: “Lead Managers and Co-Managers” in the respective transactions). Each regulated entity should list each business line (capital market transaction by product group) in the data that is provided and listed in the annual report. (i.e. Multifamily Business line: list Non-diverse businesses fees paid to them, total number of capital market deals they have participated in and their utilization rate).
 - Diversity spend with minority-owned businesses across all capital market transactions that are underwritten by the broker dealer community. (i.e. the dollar

amount paid for capital market transactions underwritten by the minority owned businesses: “Lead Managers and Co-Managers” in the respective transaction). Each regulated entity should list each business line (capital market transaction by product group) in the data that is provided and listed in the annual report. (i.e. Multifamily, Single list Minority Owned businesses fees paid to them, total number of capital market deals they have participated in and their utilization rate).

- By listing this data, this information will allow the regulated entities to illustrate all of the total dollars spent in their capital market transactions and how they are allocated across non diverse –owned and minority owned businesses.

Section 1207.21c (2)(iii) “Promoting diversity and ensuring inclusion in all business and activities”

- We agree and want to outline specific instances (during capital market transactions) that some of the policies and procedures can present a negative or adverse impact on the implementation of the thresholds, exceptions, or limitations. The example listed below creates an adverse impact on the capital market opportunities for minorities, women, and individuals with disabilities and disabled-owned businesses:
- In Credit Risk Transfer transactions the minority owned businesses are paid a fixed economic fee of 1%, compared with a 3-10% fixed economic fee pay-out to the other non-diverse –owned businesses participating in these transactions. This has an adverse impact and limits the minority owned business from investing additional capital to grow their business and platform in the Credit Risk Transfer sector.