

**Enterprise Capital Requirements Rulemaking
Proposed Rule (83 FR 33312 (July 17, 2018))**

**Meeting of the Federal Housing Finance Agency (FHFA) and Andrew Davidson & Co., Inc.
on the Enterprise Capital Requirements Proposed Rule
June 21, 2018**

Attendees (in-person):

FHFA: Bob Ryan, Naa Awaa Tagoe, Andrew Varrieur, Sam Valverde, Carrie Johnson, Christopher Curtis

Andrew Davidson & Co: Andrew Davidson

Summary: Mr. Davidson conveyed some observations on the proposed rule:

- The leverage ratio the bifurcated approach is to be preferred because it is more risk-sensitive.
- The need for a supervisory framework post-conservatorship.
- Concern about how capital relief is assessed for credit risk transfer transactions.
- Regarding calculating risk-based capital requirements, expected future income should be available to offset projected stress losses.
- That FHFA should disclose the total amount of capital relief attributable to mortgage insurance.
- Regarding pro-cyclicality, a comment about how buffers could operate in this environment.
- How the regulatory approach FHFA has proposed deals with deferred tax assets (DTAs).
- The relative value of using proposed rule's approach of using look-up tables, as proposed in the rule, versus models.
- The 2007-08 financial crisis does not adequately represent the worst stress that the Enterprises should hold capital against. For example the Great Depression was probably represented a worse stress event.

Mr. Davidson will submit a public comment letter expanding on his observations.