

**Enterprise Regulatory Capital Framework  
Proposed Rule (85 FR 39274 (June 30, 2020))**

**Meeting of the Federal Housing Finance Agency (FHFA) and Milliman  
on the Enterprise Capital Requirements Proposed Rule  
July 10, 2020**

Milliman attendees:

Jonathan Glowacki, Principal  
Andrew Netter Senior Financial Consultant  
Ken Bjurstrom, Principal

FHFA Attendees:

Naa Awaa Tagoe, Principal Associate Director  
Andrew Varrieur, Associate Director  
Chris Vincent, Senior Financial Analyst  
Bryan Goudie, Principal Financial Analyst  
Miriam Smolen, Associate General Counsel

**Summary:** The subject of the presentation was FHFA's technical approach for provisions of the proposed rule. Milliman presented observations on the following topics:

- Use of MTMLTV vs OLTV.
  - o On the use of MTMLTV, Milliman observed that in their analysis, there are performance differences between loans with the same MTMLTV depending on whether the loans started out at a higher or lower OLTV than the current MTMLTV.
- Use of original vs updated FICO, and data accessibility issues surrounding the use of updated FICO.
  - o There are diminishing returns to using updated FICO, as regulatory capital should aim for broad buckets and updated FICO may not materially move the needle.
  - o Practitioners don't have data for updated FICO, especially as the formulation has changed over the years. It makes it difficult for market participants to recalculate the requirements in the rule.
- Consider that there are discrete factors in assigning risk weights that lead to jumps, which may be undesirable.
- Difficulty of calculating burnout with a flat file without a history. Also, in a rising-rate environment there is a persistency in burnout where all loans have a multiplier of 1.0, which may not match the goals of the proposed rule. .
- Countercyclical adjustment and how using state-level versus national impacts the adjustment.