

# Corrections

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This section of the FEDERAL REGISTER contains editorial corrections of previously published Presidential, Rule, Proposed Rule, and Notice documents. These corrections are prepared by the Office of the Federal Register. Agency prepared corrections are issued as signed documents and appear in the appropriate document categories elsewhere in the issue.

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### Office of Federal Housing Enterprise Oversight

#### 12 CFR Part 1750

RIN 2550-AA38

#### Risk-Based Capital Regulation—Loss Severity Amendments

##### Correction

In rule document E8-13378 beginning on page 35893 in the issue of Wednesday, June 25, 2008 make the following corrections:

1. On page 35893, in the third column, the last paragraph and its accompanying footnotes should read as follows:

Title XIII of the Housing and Community Development Act of 1992, Public Law 102-550, titled the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Act) (12 U.S.C. 4501 *et seq.*), established OFHEO as an independent office within the Department of Housing and Urban Development to ensure that Fannie Mae and Freddie Mac (collectively the Enterprises) are adequately capitalized, operate safely and soundly, and comply with applicable laws, rules and

regulations. The Act provides that the Director of OFHEO (Director) is authorized to make such determinations and take such actions as the Director determines necessary with respect to the issuance of regulations regarding, among other things, the required capital levels for the Enterprises.<sup>1</sup> The Act further provides that the Director shall issue regulations establishing the risk-based capital test (Risk-Based Capital Regulation) and that the Risk-Based Capital Regulation, subject to certain confidentiality provisions, shall be sufficiently specific to permit an individual other than the Director to apply the risk-based capital test in the same manner as the Director.<sup>2</sup>

<sup>1</sup> 12 U.S.C. 4513(a), (b)(1), (b)(3).

<sup>2</sup> 12 U.S.C. 1361(e)(1), (e)(3).

2. On page 35894, in the first column, the first full paragraph and its accompanying footnotes should read as follows:

Pursuant to the Act, OFHEO published a final regulation setting forth a risk-based capital test which forms the basis for determining the risk-based capital requirement for each Enterprise.<sup>3</sup> The Risk-Based Capital Regulation has been amended to incorporate corrective and technical amendments that enhance the transparency sensitivity to risk and accuracy of the calculation of the risk-based capital requirement.<sup>4</sup>

<sup>3</sup> Risk-Based Capital, 66 FR 47730 (September 13, 2001), 12 CFR part 1750.

<sup>4</sup> Risk-Based Capital, 66 FR 47730 (September 13, 2001), 12 CFR part 1750, as amended, 67 FR 11850 (March 15, 2002), 67 FR 19321 (April 19, 2002), 67 FR 66533 (November 1, 2002), 68 FR 7309 (February 13, 2003), 71 FR 75085 (December 14, 2006).

3. On the same page, in the second column, the first full paragraph and its

accompanying footnote should read as follows:

Consistent with the Act and OFHEO's commitment to review, update and enhance the Risk-Based Capital Regulation in order to ensure an accurate risk sensitive and transparent calculation of the risk-based capital requirement, OFHEO published a notice of proposed rulemaking (NPRM) to incorporate amendments to the Risk-Based Capital Regulation.<sup>5</sup> Specifically, OFHEO proposed two changes to the Risk-Based Capital Regulation. The first change was proposed because certain loss severity equations resulted in the Enterprises recording profits instead of losses on foreclosed mortgages during the calculation of the risk-based capital requirement. The current loss severity equations overestimate Enterprise recoveries for defaulted government guaranteed and low loan-to-value loans. The results generated by the current loss severity equations are not consistent with the Risk-Based Capital Regulation and result in significant reductions in the risk-based capital requirements for the Enterprises. The second change relates to the treatment of Federal Housing Administration insurance associated with single-family loans with a loan-to-value ratio below 78%. OFHEO proposed changes related to these loans that would make the Risk-Based Capital Regulation consistent with current law.

<sup>5</sup> Risk-Based Capital-Loss Severity Amendments, 72 FR 68656 (December 5, 2007).

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