

make payments to all qualified applicants.

(e) *Insufficient funds.* If funds are not sufficient to make full incentive payments to all qualified applicants, DOE shall—

(1) Calculate potential incentive payments, if necessary on a *pro rata* basis, not to exceed 60% of available funds to owners or operators of qualified renewable energy facilities using solar, wind, ocean, geothermal, and closed-loop biomass technologies based on prior year energy generation;

(2) Calculate potential incentive payments, if necessary on a *pro rata* basis, not to exceed 40% of available funds to owners or operators of all other qualified renewable energy facilities based on prior year energy generation;

(3) If the amounts calculated in paragraphs (e)(1) and (2) of this section result in one owner group with insufficient funds and one with excess funds, allocate excess funds to the owner group with insufficient funds and calculate additional incentive payments, on a *pro rata* basis if necessary, to such owners or operators based on prior year energy generation.

(4) If potential payments calculated in paragraphs (e)(1), (2), and (3) of this section do not exceed available funding, allocate 60% of remaining funds to paragraph (e)(1) recipients and 40% to paragraph (e)(2) recipients and calculate additional incentive payments, if necessary on a *pro rata* basis, to owners or operators based on accrued energy;

(5) If the amounts calculated in paragraph (e)(4) of this section result in one owner group with insufficient funds and one with excess funds, allocate excess funds to the owner group with insufficient funds and calculate additional incentive payments, on a *pro rata* basis if necessary, to such owners or operators based on accrued energy.

(6) Notify Congress if potential payments resulting from paragraphs (e)(3) or (5) of this section will result in alteration of the 60:40 payment ratio;

(7) Make incentive payments based on the sum of the amounts determined in paragraphs (e)(1) through (5) of this section for each applicant;

(8) Treat the number of kilowatt-hours for which an incentive payment is not made as a result of insufficient funds as accrued energy for which future incentive payment may be made; and

(9) Maintain a record of each applicant's accrued energy.

\* \* \* \* \*

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## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### Office of Federal Housing Enterprise Oversight

#### 12 CFR Part 1750

RIN 2550-AA35

### Risk-Based Capital Regulation Amendment

**AGENCY:** Office of Federal Housing Enterprise Oversight, HUD.

**ACTION:** Notice of Proposed Rulemaking.

**SUMMARY:** The Office of Federal Housing Enterprise Oversight (OFHEO) is proposing technical amendments to Appendix A to Subpart B Risk-Based Capital Regulation Methodology and Specifications of 12 CFR part 1750, (Risk-Based Capital Regulation). The proposed amendments are intended to enhance the accuracy and transparency of the calculation of the risk-based capital requirement for the Enterprises and updates the Risk-Based Capital Regulation to incorporate approved new activities treatments.

**DATES:** Comments regarding this Notice of Proposed Rulemaking must be received in writing on or before July 26, 2006. For additional information, see **SUPPLEMENTARY INFORMATION.**

**ADDRESSES:** You may submit your comments on the proposed rulemaking, identified by "RIN 2550-AA35," by any of the following methods:

- U.S. Mail, United Parcel Post, Federal Express, or Other Mail Service: The mailing address for comments is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2550-AA35, Office of Federal Housing Enterprise Oversight, Fourth Floor, 1700 G Street, NW., Washington, DC 20552.

- Hand Delivery/Courier: The hand delivery address is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2550-AA35, Office of Federal Housing Enterprise Oversight, Fourth Floor, 1700 G Street, NW., Washington, DC 20552. The package should be logged at the Guard Desk, First Floor, on business days between 9 a.m. and 5 p.m.

- E-mail: Comments to Alfred M. Pollard, General Counsel, may be sent by e-mail at RegComments@OFHEO.gov. Please include "RIN 2550-AA35" in the subject line of the message.

**FOR FURTHER INFORMATION CONTACT:**

Isabella W. Sammons, Deputy General Counsel, telephone (202) 414-3790 or Jamie Schwing, Associate General Counsel, telephone (202) 414-3787 (not toll free numbers), Office of Federal

Housing Enterprise Oversight, Fourth Floor, 1700 G Street, NW., Washington, DC 20552. The telephone number for the Telecommunications Device for the Deaf is (800) 877-8339.

**SUPPLEMENTARY INFORMATION:**

#### I. Comments

The Office of Federal Housing Enterprise Oversight (OFHEO) invites comments on all aspects of the proposed regulation, and will take all comments into consideration before issuing the final regulation. OFHEO requests that comments submitted in hard copy also be accompanied by the electronic version in Microsoft® Word or in portable document format (PDF) on 3.5" disk or CD-ROM.

Copies of all comments will be posted on the OFHEO Internet web site at <http://www.ofheo.gov>. In addition, copies of all comments received will be available for examination by the public on business days between the hours of 10 a.m. and 3 p.m., at the Office of Federal Housing Enterprise Oversight, Fourth Floor, 1700 G Street, NW., Washington, DC 20552. To make an appointment to inspect comments, please call the Office of General Counsel at (202) 414-3751.

#### II. Background

Title XIII of the Housing and Community Development Act of 1992, Pub. L. 102-550, titled the Federal Housing Enterprise 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 the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises) are adequately capitalized, operate safely and soundly, and comply with applicable laws, rules and regulations.

In furtherance of its regulatory responsibilities, 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>1</sup> The Risk-Based Capital Test has been amended to incorporate corrective and technical amendments that enhance the accuracy and transparency of the calculation of the risk-based capital requirement.<sup>2</sup> Since the last amendment

<sup>1</sup>Risk-Based capital, 66 FR 47730 (September 13, 2001), 12 CFR part 1750.

<sup>2</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), 68 FR 7309 (February 13, 2003).

to the Risk-Based Capital Regulation, additional experience with the regulation has raised further operational and technical issues. OFHEO now proposes technical amendments to address four aspects of the Risk-Based Capital Regulation. The proposed technical amendments would incorporate additional interest rates indices, clarify definitions, incorporate approved new Enterprise activities and update treatment of certain mark-to-market accounting issues. These amendments are capital neutral and largely codify existing practice undertaken pursuant to the current Risk-Based Capital Regulation. In addition to the proposed technical amendments, OFHEO plans additional future rulemakings to address substantial topics such as making adjustments to the loss severity equations used to calculate Enterprise risk-based capital and the appropriateness of incorporating mark-to-market accounting into the Risk-Based Capital Regulation. OFHEO also plans to update the Minimum Capital Regulation to address fair value accounting and other issues.<sup>3</sup>

Although the changes set forth in this amendment are technical and are being proposed to incorporate proxy treatments, new activities, and updates already used to calculate Enterprise capital requirements, OFHEO welcomes comment as to whether these changes are optimal and on any additional issues mentioned herein. The proposed technical amendments are discussed in greater detail below.

#### A. Additional Interest Rate Indices

Due to developments in the mortgage and financial markets since the promulgation of the Risk-Based Capital Regulation and the introduction of a number of approved new activities at each Enterprise, OFHEO is proposing additions to the interest rate indices used to measure Enterprise risk. These new indices would be incorporated into the Risk-Based Capital Regulation through revisions to Table "3-18, Interest Rate and Index Inputs," and Table "3-27, Non-Treasury Interest Rates," of Appendix A to Subpart B. The new interest rate indices are the Constant Maturity Mortgage Index, 12 month Moving Treasury Average, One month Freddie Mac Reference Bill, Certificate of Deposits Index, 2 Year Swap, 3 Year Swap, 5 Year Swap, 10 Year Swap, and 30 Year Swap.

<sup>3</sup>Minimum Capital, 61 FR 35607 (July 8, 1996), 12 CFR 1750, as amended, 67 FR 19321 (April 19, 2002).

#### B. Revised Risk-Based Capital Regulation Definitions

Additional operational experience with the Risk-Based Capital Regulation, as well as financial and mortgage market developments, have led OFHEO to conclude that a number of defined terms in the Risk-Based Capital Regulation lack clarity or were otherwise insufficient. Proposed technical amendments in this area include changes to recognize that single family loans with interest-only periods have become common and that the Enterprises have acquired or guaranteed such loans. Sections 3.1.2.1, 3.6.3.3.1, and 3.6.3.3.2 of Appendix A to Subpart B, currently provide a treatment for loans with interest-only periods. However, the data definitions in sections 3.1.2.1, 3.6.3.3.1, and 3.6.3.3.2 assume only multifamily loans have this feature. OFHEO proposes modifications to the data definitions in those sections of the Risk-Based Capital Regulation to accommodate single family interest-only loans. In addition to the single family interest-only issue, there are more than 30 definitions related to deferred balances throughout the Risk-Based Capital Regulation. These definitions are not clear or consistent throughout the Risk-Based Capital Regulation and across product type. Finally, the Risk-Based Capital Regulation definition of "float days" in sections 3.1.2.1.1 and 3.6.3.7.2 would be revised to indicate more accurately that amounts referred to in that definition are based on weighted averages for a given loan group.

#### C. Incorporation of New Enterprise Activities

Section 3.11 of the Risk-Based Capital Regulation provides a method for recognizing and quantifying the capital impact of the innovations in the financial and mortgage markets that impact the risk profiles of the Enterprises. Section 3.11.3, Treatment of New Activities, sets forth the procedures by which new Enterprise activities are reported to OFHEO, analyzed by OFHEO to determine an appropriately conservative treatment, and incorporated into the risk-based capital calculation. The section also describes how each newly incorporated treatment is made available to the public for comment and possible further revision. Since the promulgation of the Risk-Based Capital Regulation, many new activities treatments have been incorporated into the capital calculation and posted on the OFHEO web site for public comment. Because these new activities appear to be permanent and their treatments have proved effective,

OFHEO is proposing to incorporate them into the text of the Risk-Based Capital Regulation. The proposed technical amendments regarding new activities treatments in section 3.6, whole loan cash flows, include treatments concerning reverse mortgages and split-rate arm loans. New activities treatments in section 3.8, nonmortgage instrument cash flows, relate to futures and options on futures, swaptions, consumer price index coupon linked instruments, and pre-refunded tax-exempt municipal bonds. The proposed amendments would appear at sections 3.6.3.3.1 and 3.8.3.6.2.

#### D. Update of Mark-to-Market Accounting Treatment

During the notice and comment development of the Risk-Based Capital Regulation, commenters raised concerns regarding treatment of the impact of mark-to-market accounting. At that time, Financial Accounting Standard (FAS) 115 and FAS 133 required mark-to-market accounting for certain instruments. In response to the requirements of FAS 115 and FAS 133, and taking into account public comments, OFHEO determined to implement simplified procedures to allow the efficient and practical implementation of the stress test. Generally, the simplified procedures provide for the removal of the effects of mark-to-market accounting from the balance sheet such that the balance sheet is stated on an amortized cost basis.

Since the adoption of the Risk-Based Capital Regulation, a number of new accounting standards have been adopted by the Financial Accounting Standards Board that introduce fair values to the balance sheet and that are similar in complexity to FAS 115 and FAS 133. OFHEO is proposing a technical amendment to Section 3.10.3.6.2 [a] of the Risk-Based Capital Regulation that would extend the current risk-based capital regulatory treatment of FAS 115 and FAS 133 to other accounting standards that require mark-to-market accounting. Under current guidance from OFHEO, the Enterprises back out the impact of the new mark-to-market accounting standards from their respective balance sheets prior to submitting their Risk-Based Capital Reports to OFHEO. The treatment set forth in the proposed amendment would codify this practice.

**Regulatory Impacts***Executive Order 12866, Regulatory Planning and Review*

The proposed technical amendments address provisions of the Risk-Based Capital Regulation. The proposed technical amendments incorporate new activities treatments of the Enterprises adopted in accordance with the Risk-Based Capital Regulation, corrections to certain definitions, updates to interest-rate indices and recognition of accounting rule changes adopted since the Risk-Based Capital Regulation was promulgated. The proposed technical amendments to the Risk-Based Capital Regulation are not classified as an economically significant rule under Executive Order 12866 because they would not result in an annual effect on the economy of \$100 million or more or a major increase in costs or prices for consumers, individual industries, Federal, state or local government agencies, or geographic regions; or have significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in foreign or domestic markets. Accordingly, no regulatory impact assessment is required. Nevertheless, the proposed technical amendments were submitted to the Office of Management and Budget (OMB) for review under the provisions of Executive Order 12866 as a significant regulatory action.

*Executive Order 13132, Federalism*

Executive Order 13132 requires that Executive departments and agencies identify regulatory actions that have significant federalism implications. A regulation has federalism implications if it has substantial direct effects on the states, on the relationship or distribution of power between the Federal Government and the states, or on the distribution of power and responsibilities among various levels of government. The Enterprises are federally chartered entities supervised by OFHEO. The proposed technical amendments to the Risk-Based Capital Regulation address matters which the Enterprises must comply with for Federal regulatory purposes. The proposed technical amendments to the Risk-Based Capital Regulation address matters regarding the risk-based capital

calculation for the Enterprises and therefore do not affect in any manner the powers and authorities of any state with respect to the Enterprises or alter the distribution of power and responsibilities between Federal and state levels of government. Therefore, OFHEO has determined that the proposed amendments to the Capital regulation have no federalism implications that warrant preparation of a Federalism Assessment in accordance with Executive Order 13132.

*Paperwork Reduction Act*

These amendments do not contain any information collection requirements that require the approval of OMB under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*).

*Regulatory Flexibility Act*

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) requires that a regulation that has a significant economic impact on a substantial number of small entities, small businesses, or small organizations must include an initial regulatory flexibility analysis describing the regulation's impact on small entities. Such an analysis need not be undertaken if the agency has certified that the regulation does not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 605(b). OFHEO has considered the impact of the proposed technical amendments to the Risk-Based Capital Regulation under the Regulatory Flexibility Act. The General Counsel of OFHEO certifies that the proposed technical amendments to the Risk-Based Capital Regulation are not likely to have a significant economic impact on a substantial number of small business entities because the regulation is applicable only to the Enterprises, which are not small entities for purposes of the Regulatory Flexibility Act.

**List of Subjects in 12 CFR Part 1750**

Capital classification, Mortgages, Risk-based capital.

Accordingly, for the reasons stated in the preamble, OFHEO amends 12 CFR part 1750 as follows:

**PART 1750—CAPITAL**

1. The authority citation for part 1750 continues to read as follows:

**Authority:** 12 U.S.C. 4513, 4514, 4611, 4612, 4614, 4615, 4618.

2. Amend Appendix A to subpart B of part 1750 as follows:

- a. Revise Table 3–2 in paragraph 3.1.2.1 [c];
- b. Revise Table 3–4 in paragraph 3.1.2.1 [c];
- c. Revise Table 3–5 in paragraph 3.1.2.1.1;
- d. Revise Table 3–8 in paragraph 3.1.2.1.1;
- e. Revise Table 3–9 in paragraph 3.1.2.1.1;
- f. Revise Table 3–12 in paragraph 3.1.2.2 [a];
- g. Revise Table 3–13 in paragraph 3.1.2.2 [b];
- h. Revise Table 3–14 in paragraph 3.1.2.2 [c];
- i. Revise Table 3–15 in paragraph 3.1.2.3;
- j. Revise Table 3–16 in paragraph 3.1.2.4;
- k. Revise Table 3–18 in paragraph 3.1.3.1 [c];
- l. Revise Table 3–27 in paragraph 3.3.3 [a] 3. b.;
- m. Redesignate paragraphs 3.6.3.3.1 [d] and [e] as new paragraphs 3.6.3.3.1 [c] 5. and [c] 6., respectively;
- n. Add new paragraphs 3.6.3.3.1 [c] 7. and [c] 8.;
- o. Revise Table 3–32 in paragraph 3.6.3.3.2;
- p. Revise Table 3–51 in paragraph 3.6.3.7.2;
- q. Revise Table 3–54 in paragraph 3.6.3.8.2;
- r. Revise Table 3–56 in paragraph 3.7.2.1.1;
- s. Revise Table 3–57 in paragraph 3.7.2.1.2 [a];
- t. Revise Table 3–58 in paragraph 3.7.2.1.3 [a];
- u. Revise Table 3–66 in paragraph 3.8.2 [a];
- v. Redesignate paragraph 3.8.3.6.2 [d] as new paragraph 3.8.3.6.2 [h];
- w. Add new paragraphs 3.8.3.6.2 [d] thru [g];
- x. Revise Table 3–70 in paragraph 3.9.2;
- y. Amend paragraphs 3.10.3.6.2 [a] 1. a. and b.

The revisions and additions read as follows:

**Appendix A to Subpart B of Part 1750—  
Risk-Based Capital Test Methodology  
and Specifications**

\* \* \* \* \*  
3.1.2.1 \* \* \*  
[c] \* \* \*

TABLE 3-2—WHOLE LOAN CLASSIFICATION VARIABLES

| Variable                        | Description   | Range  |
|---------------------------------|---|--|
| Reporting Date                  | The last day of the quarter for the loan group activity that is being reported to OFHEO   | YYYY0331<br>YYYY0630<br>YYYY0930<br>YYYY1231   |
| Enterprise                      | Enterprise submitting the loan group data   | Fannie Mae<br>Freddie Mac  |
| Business Type                   | Single family or multifamily  | Single family<br>Multifamily   |
| Portfolio Type                  | Retained portfolio or Sold portfolio  | Retained Portfolio<br>Sold Portfolio   |
| Government Flag                 | Conventional or Government insured loan   | Conventional<br>Government   |
| Original LTV                    | Assigned LTV classes based on the ratio, in percent, between the original loan amount and the lesser of the purchase price or appraised value | LTV<=60<br>60 <LTV<=70<br>70 <LTV<=75<br>75 <LTV<=80<br>80 <LTV<=90<br>90 <LTV<=95<br>95 <LTV<=100<br>100 <LTV   |
| Interest-only Flag              | Indicates if the loan is currently paying interest-only. Loans that started as I/Os and are currently amortizing should be flagged as 'N'     | Yes<br>No  |
| Current Mortgage Interest Rate  | Assigned classes for the current mortgage interest rate   | 0.0<=Rate<4.0<br>4.0<=Rate<5.0<br>5.0<=Rate<6.0<br>6.0<=Rate<7.0<br>7.0<=Rate<8.0<br>8.0<=Rate<9.0<br>9.0<=Rate<10.0<br>10.0<=Rate<11.0<br>11.0<=Rate<12.0<br>12.0<=Rate<13.0<br>13.0<=Rate<14.0<br>14.0<=Rate<15.0<br>15.0<=Rate<16.0<br>Rate=>16.0 |
| Original Mortgage Interest Rate | Assigned classes for the original mortgage interest rate  | 0.0<=Rate<4.0<br>4.0<=Rate<5.0<br>5.0<=Rate<6.0<br>6.0<=Rate<7.0<br>7.0<=Rate<8.0<br>8.0<=Rate<9.0<br>9.0<=Rate<10.0<br>10.0<=Rate<11.0<br>11.0<=Rate<12.0<br>12.0<=Rate<13.0<br>13.0<=Rate<14.0<br>14.0<=Rate<15.0<br>15.0<=Rate<16.0<br>Rate=>16.0 |
| Mortgage Age                    | Assigned classes for the age of the loan  | 0<=Age<=12<br>12<Age<=24<br>24<Age<=36<br>36<Age<=48<br>48<Age<=60<br>60<Age<=72<br>72<Age<=84<br>84<Age<=96<br>96<Age<=108<br>108<Age<=120<br>120<Age<=132<br>132<Age<=144<br>144<Age<=156<br>156<Age<=168<br>168<Age<=180<br>Age>180               |

TABLE 3-2—WHOLE LOAN CLASSIFICATION VARIABLES—Continued

| Variable             | Description   | Range  |
|----------------------|---|--|
| Rate Reset Period    | Assigned classes for the number of months between rate adjustments  | Period=1<br>1<Period<=4<br>4<Period<=9<br>9<Period<=15<br>15<Period<=60<br>60<Period<999<br>Period=999 (not applicable)  |
| Payment Reset Period | Assigned classes for the number of months between payment adjustments after the duration of the teaser rate | Period<=9<br>9<Period<=15<br>15<Period<999<br>Period=999 (not applicable)  |
| ARM Index            | Specifies the type of index used to determine the interest rate at each adjustment                          | FHLB 11th District Cost of Funds.<br>1 Month Federal Agency Cost of Funds.<br>3 Month Federal Agency Cost of Funds.<br>6 Month Federal Agency Cost of Funds.<br>12 Month Federal Agency Cost of Funds.<br>24 Month Federal Agency Cost of Funds.<br>36 Month Federal Agency Cost of Funds.<br>60 Month Federal Agency Cost of Funds.<br>120 Month Federal Agency Cost of Funds.<br>360 Month Federal Agency Cost of Funds.<br>Overnight Federal Funds (Effective).<br>1 Week Federal Funds<br>6 Month Federal Funds<br>1 month LIBOR<br>3 Month LIBOR<br>6 Month LIBOR<br>12 Month LIBOR<br>Conventional Mortgage Rate.<br>15 Year Fixed Mortgage Rate.<br>7 Year Balloon Mortgage Rate.<br>Prime Rate<br>1 Month Treasury Bill<br>3 Month CMT<br>6 Month CMT<br>12 Month CMT<br>24 Month CMT<br>36 Month CMT<br>60 Month CMT<br>120 Month CMT<br>240 Month CMT<br>360 Month CMT |
| Cap Type Flag        | Indicates if a loan group is rate-capped, payment-capped or uncapped  | Payment Capped<br>Rate Capped<br>No periodic rate cap  |
| OFHEO Ledger Code    | OFHEO-specific General Ledger account number used in the Stress Test  | Appropriate OFHEO Ledger Code based on the chart of accounts.  |

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3.1.2.1 \* \* \*

[c] \* \* \*

TABLE 3-4—ADDITIONAL MULTIFAMILY LOAN CLASSIFICATION VARIABLES

| Variable                 | Description  | Range   |
|--------------------------|--|---|
| Multifamily Product Code | Identifies the mortgage product types for multifamily loans  | Fixed Rate Fully Amortizing<br>Adjustable Rate Fully Amortizing<br>5 Year Fixed Rate Balloon<br>7 Year Fixed Rate Balloon<br>10 Year Fixed Rate Balloon<br>15 Year Fixed Rate Balloon<br>Balloon ARM<br>Other |
| New Book Flag            | “New Book” is applied to Fannie Mae loans acquired beginning in 1988 and Freddie Mac loans acquired beginning in 1993, except for loans that were refinanced to avoid a default on a loan originated or acquired earlier | New Book<br>Old Book  |
| Ratio Update Flag        | Indicates if the LTV and DCR were updated at origination or at Enterprise acquisition  | Yes<br>No   |

TABLE 3-4—ADDITIONAL MULTIFAMILY LOAN CLASSIFICATION VARIABLES—Continued

| Variable                | Description   | Range   |
|-------------------------|---|---|
| Current DCR             | Assigned classes for the Debt Service Coverage Ratio based on the most recent annual operating statement      | DCR<1.00<br>1.00<=DCR<1.10<br>1.10<=DCR<1.20<br>1.20<=DCR<1.30<br>1.30<=DCR<1.40<br>1.40<=DCR<1.50<br>1.50<=DCR<1.60<br>1.60<=DCR<1.70<br>1.70<=DCR<1.80<br>1.80<=DCR<1.90<br>1.90<=DCR<2.00<br>2.00<=DCR<2.50<br>2.50<=DCR<4.00<br>DCR>=4.00 |
| Prepayment Penalty Flag | Indicates if prepayment of the loan is subject to active prepayment penalties or yield maintenance provisions | Yes<br>No   |

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3.1.2.1.1\* \* \*

TABLE 3-5—MORTGAGE AMORTIZATION CALCULATION INPUTS

| Variable  | Description   |
|---|---|
|   | Rate Type (Fixed or Adjustable)   |
|   | Product Type (30/20/15-Year FRM, ARM, Balloon, Government, etc.)  |
| UPB <sub>ORIG</sub>   | Unpaid Principal Balance at Origination (aggregate for Loan Group)  |
| UPB <sub>0</sub>  | Unpaid Principal Balance at start of Stress Test (aggregate for Loan Group), adjusted by UPB scale factor   |
| MIR <sub>0</sub>  | Mortgage Interest Rate for the Mortgage Payment prior to the start of the Stress Test, or Initial Mortgage Interest Rate for new loans (weighted average for Loan Group) (expressed as a decimal per annum) |
| PMT <sub>0</sub>  | Amount of the Mortgage Payment (Principal and Interest) prior to the start of the Stress Test, or first Payment for new loans (aggregate for Loan Group), adjusted by UPB scale factor                      |
| AT  | Original loan Amortizing Term in months (weighted average for Loan Group)   |
| RM  | Remaining term to Maturity in months (i.e., number of contractual payments due between the start of the Stress Test and the contractual maturity date of the loan) (weighted average for Loan Group)        |
| A <sub>0</sub>  | Age of the loan at the start of Stress Test, in months (weighted average for Loan Group)  |
| IRP   | Initial Rate Period, in months  |
|   | Interest-only Flag  |
| RIOP  | Remaining Interest-only period, in months (weighted average for loan group)   |
| UPB Scale Factor  | Factor determined by reconciling reported UPB to published financials   |
| Additional Interest Rate Inputs   |   |
| GFR   | Guarantee Fee Rate (weighted average for Loan Group) (decimal per annum)  |
| SFR   | Servicing Fee Rate (weighted average for Loan Group) (decimal per annum)  |
| Additional Inputs for ARMs (weighted averages for Loan Group, except for Index) |   |
| INDEX <sub>m</sub>  | Monthly values of the contractual Interest Rate Index   |
| LB  | Look-Back period, in months   |
| MARGIN  | Loan Margin (over index), decimal per annum   |
| RRP   | Rate Reset Period, in months  |
|   | Rate Reset Limit (up and down), decimal per annum   |
|   | Maximum Rate (life cap), decimal per annum  |
|   | Minimum Rate (life floor), decimal per annum  |
| NAC   | Negative Amortization Cap, decimal fraction of UPB <sub>ORIG</sub>  |

TABLE 3-5—MORTGAGE AMORTIZATION CALCULATION INPUTS—Continued

| Variable | Description   |
|----------|---|
|          | Unlimited Payment Reset Period, in months                 |
| PRP      | Payment Reset Period, in months                           |
|          | Payment Reset Limit, as decimal fraction of prior payment |

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3.1.2.1.1 \* \* \*

TABLE 3-8—MISCELLANEOUS WHOLE LOAN CASH AND ACCOUNTING FLOW INPUTS

| Variable                         | Description  |
|----------------------------------|--|
| GF                               | Guarantee Fee rate (weighted average for Loan Group) (decimal per annum)   |
| FDS                              | Float Days for Scheduled Principal and Interest (weighted average for Loan Group)  |
| FDP                              | Float Days for Prepaid Principal (weighted average for Loan Group)   |
| FREP                             | Fraction Repurchased (weighted average for Loan Group) (decimal)   |
| RM                               | Remaining Term to Maturity in months   |
| UPD <sub>0</sub>                 | Sum of all unamortized discounts, premiums, fees, commissions, etc., for the loan group, such that the unamortized balance equals the book value minus the face value for the loan group at the start of the Stress Test, adjusted by the Unamortized Balance Scale Factor |
| Unamortized Balance Scale Factor | Factor determined by reconciling reported Unamortized Balance to published financials  |

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3.1.2.1.1 \* \* \*

TABLE 3-9—ADDITIONAL INPUTS FOR REPURCHASED MBS

| Variable                                   | Description   |
|--|---|
| Wtd Ave Percent Repurchased                | For sold loan groups, the percent of the loan group UPB that gives the actual dollar amount of loans that collateralize single class MBSs that the Enterprise holds in its own portfolio.   |
| SUPD <sub>0</sub>                          | The aggregate sum of all unamortized discounts, premiums, fees, commissions, etc., associated with the securities modeled using the Wtd Ave Percent Repurchased, such that the unamortized balance equals the book value minus the face value for the relevant securities at the start of the Stress Test, adjusted by the percent repurchased and the Security Unamortized Balance Scale Factor. |
| Security Unamortized Balances Scale Factor | Factor determined by reconciling reported Security Unamortized Balances to published financials   |

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3.1.2.2 \* \* \*

[a] \* \* \*

TABLE 3-12—INPUTS FOR SINGLE CLASS MBS CASH FLOWS

| Variable            | Description   |
|---------------------|---|
| Pool Number         | A unique number identifying each mortgage pool  |
| CUSIP Number        | A unique number assigned to publicly traded securities by the Committee on Uniform Securities Identification Procedures                     |
| Issuer              | Issuer of the mortgage pool   |
| Government Flag     | Indicates Government insured collateral   |
| Original UPB Amount | Original pool balance adjusted by UPB scale factor and multiplied by the Enterprise's percentage ownership                                  |
| Current UPB Amount  | Initial Pool balance (at the start of the StressTest), adjusted by UPB scale factor and multiplied by the Enterprise's percentage ownership |
| Product Code        | Mortgage product type for the pool  |

TABLE 3-12—INPUTS FOR SINGLE CLASS MBS CASH FLOWS—Continued

| Variable                                | Description  |
|---|--|
| Security Rate Index                     | If the rate on the security adjusts over time, the index that the adjustment is based on   |
| Unamortized Balance                     | The sum of all unamortized discounts, premiums, fees, commissions, etc., such that the unamortized balance equals book value minus face value, adjusted by Unamortized Balance Scale Factor                |
| Wt Avg Original Amortization Term       | Original amortization term of the underlying loans, in months (weighted average for underlying loans)  |
| Wt Avg Remaining Term of Maturity       | Remaining maturity of the underlying loans at the start of the Stress Test (weighted average for underlying loans)   |
| Wt Avg Age                              | Age of the underlying loans at the start of the Stress Test (weighted average for underlying loans)  |
| Wt Avg Current Mortgage Interest rate   | Mortgage Interest Rate of the underlying loans at the start of the Stress Test (weighted average for underlying loans)   |
| Wt Avg Pass-Through Rate                | Pass-Through Rate of the underlying loans at the start of the Stress Test (Sold loans only) (weighted average for underlying loans)  |
| Wtg Avg Original Mortgage Interest Rate | The current UPB weighted average mortgage interest rate in effect at origination for the loans in the pool   |
| Security Rating                         | The most current rating issued by any Nationally Recognized Statistical Rating Organization (NRSRO) for this security, as of the reporting date  |
| Wt Avg Gross Margin                     | Gross margin for the underlying loans (ARM MBS only) (weighted average for underlying loans)   |
| Wt Avg Net Margin                       | Net margin (used to determine the security rate for ARM MBS) (weighted average for underlying loans)   |
| Wt Avg Rate Reset Period                | Rate reset period in months (ARM MBS only) (weighted average for underlying loans)   |
| Wt Avg Rate Reset Limit                 | Rate reset limit up/down (ARM MBS only) (weighted average for underlying loans)  |
| Wt Avg Life Interest Rate Ceiling       | Maximum rate (lifetime cap) (ARM MBS only) (weighted average for underlying loans)   |
| Wt Avg Life Interest Rate Floor         | Minimum rate (lifetime floor) (ARM MBS only) (weighted average for underlying loans)   |
| Wt Avg Payment Reset Period             | Payment reset period in months (ARM MBS only) (weighted average for underlying loans)  |
| Wt Avg Payment Reset Limit              | Payment reset limit up/down (ARM MBS only) (weighted average for underlying loans)   |
| Wt Avg Lockback Period                  | The number of months to look back from the interest rate change date to find the index value that will be used to determine the next interest rate. (weighted average for underlying loans)                |
| Wt Avg Negative Amortization Cap        | The maximum amount to which the balance can increase before the payment is recast to a fully amortizing amount. It is expressed as a fraction of the original UPB. (weighted average for underlying loans) |
| Wt Avg Original Mortgage Interest Rate  | The current UPB weighted average original mortgage interest rate for the loans in the pool   |
| Wt Avg Initial Interest Rate Period     | Number of months between the loan origination date and the first rate adjustment date (weighted average for underlying loans)  |
| Wt Avg Unlimited Payment Reset Period   | Number of months between unlimited payment resets, i.e., not limited by payment caps, starting with origination date (weighted average for underlying loans)   |
| Notional Flag                           | Indicates if the amounts reported in Original Security Balance and Current Security Balance are notional   |
| UPB Scale Factor                        | Factor determined by reconciling reported UPB to published financials  |
| Unamortized Balance Scale Factor        | Factor determined by reconciling reported Unamortized Balance to published financials  |
| Whole Loan Modeling Flag                | Indicates that the Current UPB Amount and Unamortized Balance associated with this repurchased MBS are included in the Wtg Avg Percent Repurchased and Security Unamortized Balance fields                 |
| FAS 115 Classification                  | The financial instrument's classification according to FAS 115   |
| HPGR <sub>k</sub>                       | Vector of House Price Growth Rates for quarters q=1...40 of the Stress Period.   |

\* \* \* \* \*

3.1.2.2 \* \* \*

[b] \* \* \*

TABLE 3-13—INFORMATION FOR MULTI-CLASS AND DERIVATIVE MBS CASH FLOWS INPUTS

| Variable                          | Description  |
|-----------------------------------|--|
| CUSIP Number                      | A unique number assigned to publicly traded securities by the Committee on Uniform Securities Identification Procedures  |
| Issuer                            | Issuer of the security: FNMA, FHLMC, GNMA or other   |
| Original Security Balance         | Original principal balance of the security (notional amount for interest-only securities) at the time of issuance, adjusted by UPB scale factor, multiplied by the Enterprise's percentage ownership |
| Current Security Balance          | Initial principal balance, or notional amount, at the start of the Stress Period, adjusted by UPB scale factor, multiplied by the Enterprise's percentage ownership                                  |
| Current Security Percentage Owned | The percentage of a security's total current balance owned by the Enterprise   |
| Notional Flag                     | Indicates if the amounts reported in Original Security Balance and Current Security Balance are notional   |
| Unamortized Balance               | The sum of all unamortized discounts, premiums, fees, commissions, etc., such that the unamortized balance equals book value minus face value, adjusted by the Unamortized Balance Scale Factor      |
| Unamortized Balance Scale Factor  | Factor determined by reconciling reported Unamortized Balance to published financials  |
| UPB Scale Factor                  | Factor determined by reconciling the reported current security balance to published financials   |
| Security Rating                   | The most current rating issued by any Nationally Recognized Statistical Rating Organization (NRSRO) for this security, as of the reporting date  |

\* \* \* \* \*

3.1.2.2 \* \* \*

[c] \* \* \*

TABLE 3-14—INPUTS FOR MRBS AND DERIVATIVE MBS CASH FLOWS INPUTS

| Variable   | Description   |
|--|---|
| CUSIP Number   | A unique number assigned to publicly traded securities by the Committee on Uniform Securities Identification Procedures   |
| Original Security Balance                                  | Original principal balance, adjusted by UPB scale factor and multiplied by the Enterprise's percentage ownership  |
| Current Security Balance                                   | Initial principal balance (at start of Stress Period), adjusted by UPB scale factor and multiplied by the Enterprise's percentage ownership   |
| Unamortized Balance  | The sum of all unamortized discounts, premiums, fees, commissions, etc., such that the unamortized balance equals book value minus face value, adjusted by Unamortized Balance scale factor |
| Unamortized Balance Scale Factor                           | Factor determined by reconciling reported Unamortized Balance to published financials   |
| UPB Scale Factor   | Factor determined by reconciling the reported current security balance to published financials  |
| Floating Rate Flag   | Indicates the instrument pays interest at a floating rate   |
| Issue Date   | The issue date of the security  |
| Maturity Date  | The stated maturity date of the security  |
| Security Interest Rate                                     | The rate at which the security earns interest, as of the reporting date   |
| Principal Payment Window Starting Date, Down-Rate Scenario | The month in the Stress Test that principal payment is expected to start for the security under the statutory "down" interest rate scenario, according to Enterprise projections            |
| Principal Payment Window Ending Date, Down-Rate Scenario   | The month in the Stress Test that principal payment is expected to end for the security under the statutory "down" interest rate scenario, according to Enterprise projections              |
| Principal Payment Window Starting Date, Up-Rate Scenario   | The month in the Stress Test that principal payment is expected to start for the security under the statutory "up" interest rate scenario, according to Enterprise projections              |
| Principal Payment Window Ending Date, Up-Rate Scenario     | The month in the Stress Test that principal payment is expected to end for the security under the statutory "up" interest rate scenario, according to Enterprise projections                |
| Notional Flag  | Indicates if the amounts reported in Original Security Balance and Current Security Balance are notional  |
| Security Rating  | The most current rating issued by any Nationally Recognized Statistical Rating Organization (NRSRO) for this security, as of the reporting date   |
| Security Rate Index  | If the rate on the security adjusts over time, the index on which the adjustment is based   |

TABLE 3-14—INPUTS FOR MRBS AND DERIVATIVE MBS CASH FLOWS INPUTS—Continued

| Variable                           | Description  |
|------------------------------------|--|
| Security Rate Index Coefficient    | If the rate on the security adjusts over time, the coefficient is the number used to multiply by the value of the index                              |
| Security Rate Index Spread         | If the rate on the security adjusts over time, the spread is added to the value of the index multiplied by the coefficient to determine the new rate |
| Security Rate Adjustment Frequency | The number of months between rate adjustments  |
| Security Interest Rate Ceiling     | The maximum rate (lifetime cap) on the security  |
| Security Interest Rate Floor       | The minimum rate (lifetime floor) on the security  |
| Life Ceiling Interest Rate         | The maximum interest rate allowed throughout the life of the security  |
| Life Floor Interest Rate           | The minimum interest rate allowed throughout the life of security  |

\* \* \* \* \*

3.1.2.3 \* \* \*

TABLE 3-15—INPUT VARIABLES FOR NONMORTGAGE INSTRUMENT CASHFLOWS

| Data Elements                   | Description  |
|---------------------------------|--|
| Amortization Methodology Code   | Enterprise method of amortizing deferred balances (e.g., straight line)  |
| Asset ID                        | CUSIP or Reference Pool Number identifying the asset underlying a derivative position  |
| Asset Type Code                 | Code that identifies asset type used in the commercial information service (e.g., ABS, Fannie Mae pool, Freddie Mac pool)  |
| Associated Instrument ID        | Instrument ID of an instrument linked to another instrument  |
| Coefficient                     | Indicates the extent to which the coupon is leveraged or de-leveraged  |
| Compound Indicator              | Indicates if interest is compounded  |
| Compounding Frequency           | Indicates how often interest is compounded   |
| Counterparty Credit Rating      | NRSRO's rating for the counterparty  |
| Counterparty Credit Rating Type | An indicator identifying the counterparty's credit rating as short-term ('S') or long-term ('L')   |
| Counterparty ID                 | Enterprise counterparty tracking ID  |
| Country Code                    | Standard country codes in compliance with Federal Information Processing Standards Publication 10-4  |
| Credit Agency Code              | Identifies NRSRO (e.g., Moody's)   |
| Current Asset Face Amount       | Current face amount of the asset underlying a swap adjusted by UPB scale factor  |
| Current Coupon                  | Current coupon or dividend rate of the instrument  |
| Current Unamortized Discount    | Current unamortized premium or unaccrued discount of the instrument adjusted by Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset were greater than par, the value should be positive. If the proceeds or the amounts paid were less than par, the value should be negative   |
| Current Unamortized Fees        | Current unamortized fees associated with the instrument adjusted by Unamortized Balance Scale Factor. Generally fees associated with the issuance of debt or derivatives should be negative numbers. Fees associated with the purchase of an asset should generally be reported as positive numbers  |
| Current Unamortized Hedge       | Current unamortized hedging gains (positive) or losses (negative) associated with the instrument adjusted by the Unamortized Balance Scale Factor  |
| Current Unamortized Other       | Any other unamortized items originally associated with the instrument adjusted by Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset were greater than par, the value should be positive. If the proceeds or the amounts paid were less than par, the value should be negative |
| CUSIP_ISIN                      | CUSIP or ISIN Number identifying the instrument  |
| Day Count                       | Day count convention (e.g., 30/360)  |
| End Date                        | The last index repricing date  |
| EOP Principal Balance           | End of Period face, principal or notional, amount of the instrument adjusted by UPB scale factor   |
| Exact Representation            | Indicates that an instrument is modeled according to its contractual terms   |
| Exercise Convention             | Indicates option exercise convention (e.g., American Option)   |
| Exercise Price                  | Par=1.0; Options   |

TABLE 3-15—INPUT VARIABLES FOR NONMORTGAGE INSTRUMENT CASHFLOWS—Continued

| Data Elements                 | Description  |
|-------------------------------|--|
| First Coupon Date             | Date first coupon is received or paid  |
| Index Cap                     | Indicates maximum index rate   |
| Index Floor                   | Indicates minimum index rate   |
| Index Reset Frequency         | Indicates how often the interest rate index resets on floating-rate instruments  |
| Index Code                    | Indicates the interest rate index to which floating-rate instruments are tied (e.g., LIBOR)  |
| Index Term                    | Point on yield curve, expressed in months, upon which the index is based   |
| Instrument Credit Rating      | NRSRO credit rating for the instrument   |
| Instrument Credit Rating Type | An indicator identifying the instruments credit rating as short-term ('S') or long-term ('L')  |
| Instrument ID                 | An integer used internally by the Enterprise that uniquely identifies the instrument   |
| Interest Currency Code        | Indicates currency in which interest payments are paid or received   |
| Interest Type Code            | Indicates the method of interest rate payments (e.g., fixed, floating, step, discount)   |
| Issue Date                    | Indicates the date that the instrument was issued  |
| Life Cap Rate                 | The maximum interest rate for the instrument throughout its life   |
| Life Floor Rate               | The minimum interest rate for the instrument throughout its life   |
| Look-Back Period              | Period from the index reset date, expressed in months, that the index value is derived   |
| Maturity Date                 | Date that the instrument contractually matures   |
| Notional Indicator            | Identifies whether the face amount is notional   |
| Instrument Type Code          | Indicates the type of instrument to be modeled (e.g., ABS, Cap, Swap)  |
| Option Indicator              | Indicates if instrument contains an option   |
| Option Type                   | Indicates option type (e.g., Call option)  |
| Original Asset Face Amount    | Original face amount of the asset underlying a swap adjusted by UPB scale factor   |
| Original Discount             | Original premium or discount associated with the purchase or sale of the instrument adjusted by Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset were greater than par, the value should be positive. If the proceeds or the amounts paid were less than par, the value should be negative       |
| Original Face                 | Original face, principal or notional, amount of the instrument adjusted by UPB scale factor  |
| Original Fees                 | Fees or commissions paid at the time of purchase or sale adjusted by the Unamortized Balance Scale Factor. Generally fees associated with the issuance of debt or derivatives should be negative numbers. Fees associated with the purchase of an asset should generally be reported as positive numbers   |
| Original Hedge                | Gains (positive) or losses (negative) from closing out a hedge associated with the instrument at settlement, adjusted by the Unamortized Balance Scale Factor  |
| Original Other                | Any other items originally associated with the instrument to be amortized or accreted adjusted by the Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset were greater than par, the value should be positive. If the proceeds of the amounts paid were less than par, the value should be negative |
| Parent Entity ID              | Enterprise internal tracking ID for parent entity  |
| Payment Amount                | Interest payment amount associated with the instrument (reserved for complex instruments where interest payments are not modeled) adjusted by UPB scale factor   |
| Payment Frequency             | Indicates how often interest payments are made or received   |
| Performance Date              | "As of" date on which the data is submitted  |
| Periodic Adjustment           | The maximum amount that the interest rate for the instrument can change per reset  |
| Position Code                 | Indicates whether the Enterprise pays or receives interest on the instrument   |
| Principal Currency Code       | Indicates currency in which principal payments are paid or received  |
| Principal Factor Amount       | EOP Principal Balance expressed as a percentage of Original Face   |
| Principal Payment Date        | A valid date identifying the date that principal is paid   |
| Settlement Date               | A valid date identifying the date the settlement occurred  |
| Spread                        | An amount added to an index to determine an instrument's interest rate   |

TABLE 3-15—INPUT VARIABLES FOR NONMORTGAGE INSTRUMENT CASHFLOWS—Continued

| Data Elements                     | Description  |
|-----------------------------------|--|
| Start Date                        | The date, spot or forward, when some feature of a financial contract becomes effective (e.g., Call Date), or when interest payments or receipts begin to be calculated |
| Strike Rate                       | The price or rate at which an option begins to have a settlement value at expiration, or, for interest-rate caps and floors, the rate that triggers interest payments  |
| Submitting Entity                 | Indicates which Enterprise is submitting information   |
| Trade ID                          | Unique code identifying the trade of an instrument   |
| Transaction Code                  | Indicates the transaction that an Enterprise is initiating with the instrument (e.g., buy, issue reopen)   |
| Transaction Date                  | A valid date identifying the date the transaction occurred   |
| UPB Scale Factor                  | Factor determined by reconciling reported UPB to published financials  |
| Unamortized Balances Scale Factor | Factor determined by reconciling reported Unamortized Balances to published financials   |

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3.1.2.4 \* \* \*

TABLE 3-16—INPUTS FOR ALTERNATIVE MODELING TREATMENT ITEMS

| Variable | Description   |
|----------|---|
| TYPE     | Type of item (asset, liability or off-balance-sheet item)   |
| BOOK     | Book Value of item (amount outstanding adjusted for deferred items)   |
| FACE     | Face Value or notional balance of item for off-balance sheet items  |
| REMATUR  | Remaining Contractual Maturity of item in whole months. Any fraction of a month equals one whole month        |
| RATE     | Interest Rate   |
| INDEX    | Index used to calculate Interest Rate   |
| FAS 115  | Designation that the item is recorded at fair value, according to FAS 115                                     |
| RATING   | Instrument or counterparty rating   |
| FHA      | In the case of off-balance-sheet guarantees, a designation indicating 100% of collateral is guaranteed by FHA |
| MARGIN   | Margin over an Index  |

\* \* \* \* \*

3.1.3.1 \* \* \*

[c] \* \* \*

TABLE 3-18—INTEREST RATE AND INDEX INPUTS

| Interest rate index | Description   | Source   |
|---------------------|---|--|
| 1 MO Treasury Bill  | One-month Treasury bill yield, monthly simple average of daily rate, quoted as actual/360                           | Bloomberg Generic 1 Month U.S. Treasury bill<br>Ticker: GB1M (index) |
| 3 MO CMT            | Three-month constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield | Federal Reserve H.15 Release   |
| 6 MO CMT            | Six-month constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield   | Federal Reserve H.15 Release   |
| 1 YR CMT            | One-year constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield    | Federal Reserve H.15 Release   |
| 2 YR CMT            | Two-year constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield    | Federal Reserve H.15 Release   |
| 3 YR CMT            | Three-year constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield  | Federal Reserve H.15 Release   |

TABLE 3-18—INTEREST RATE AND INDEX INPUTS—Continued

| Interest rate index                    | Description  | Source   |
|--|--|--|
| 5 YR CMT                               | Five-year constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield  | Federal Reserve H.15 Release   |
| 10 YR CMT                              | Ten-year constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield   | Federal Reserve H.15 Release   |
| 20 YR CMT                              | Twenty-year constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield  | Federal Reserve H.15 Release   |
| 30 YR CMT                              | Thirty-year constant maturity Treasury yield, monthly simple average of daily rate, quoted as bond equivalent yield; after February 15, 2002, estimated according to the Department of the Treasury methodology using long-term average rates and extrapolation factors as referenced in OFHEO guideline 402 | Federal Reserve H.15 Release, Extrapolation Factors used for estimation, U.S. Dept. of the Treasury  |
| 12-mo Moving Treasury Average (MTA)    | 12-month Federal Reserve cumulative average 1 year CMT, monthly simple average of daily rate.  | Bloomberg Ticker: 12MTA (Index)  |
| Overnight Fed Funds (Effective)        | Overnight effective Federal Funds rate, monthly simple average of daily rate   | Federal Reserve H.15 Release   |
| Certificate of Deposits Index (CODI)   | 12-month average of monthly published yields on 3-month certificates of deposit, based on the Federal Reserve Board statistical release, H-15  | Bloomberg Ticker: COF CODI (index)   |
| 1 Week Federal Funds                   | 1 week Federal Funds rate, monthly simple average of daily rates   | Bloomberg Term Fed Funds U.S. Domestic Ticker: GFED01W (index)   |
| 6 Month Fed Funds                      | 6 month Federal Funds rate, monthly simple average of daily rates  | Bloomberg Term Fed Funds U.S. Domestic Ticker: GFED06M (index)   |
| Conventional Mortgage Rate             | FHLMC (Freddie Mac) contract interest rates for 30 YR fixed-rate mortgage commitments, monthly average of weekly rates   | Federal Reserve H.15 Release   |
| Constant Maturity Mortgage (CMM) Index | Bond equivalent yield on TBA mortgage-backed security which prices at the par price  | TradeWeb   |
| 1-mo Freddie Mac Reference Bill        | 1-month Freddie Mac Reference Bill, actual price and yield by auction date   | Freddiemac.com Web site: <a href="http://www.freddiemac.com/debt/data/cgi-bin/refbillaucres.cgi?order=AD">http://www.freddiemac.com/debt/data/cgi-bin/refbillaucres.cgi?order=AD</a> |
| FHLB 11th District COF                 | 11th District (San Francisco) weighted average cost of funds for savings and loans, monthly  | Bloomberg Cost of Funds for the 11th District Ticker: COF11 (index)  |
| 1 MO LIBOR                             | One-month London Interbank Offered Rate, average of bid and asked, monthly simple average of daily rates, quoted as actual/360   | British Bankers Association<br>Bloomberg Ticker: US0001M (index)   |
| 3 MO LIBOR                             | Three-month London Interbank Offered Rate, average of bid and asked, monthly simple average of daily rates, quoted as actual/360   | British Bankers Association<br>Bloomberg Ticker: US0003M (index)   |
| 6 MO LIBOR                             | Six-month London Interbank Offered Rate, average of bid and asked, monthly simple average of daily rates, quoted as actual/360   | British Bankers Association<br>Bloomberg Ticker: US0006M (index)   |
| 12 MO LIBOR                            | One-year London Interbank Offered Rate, average of bid and asked, monthly simple average of daily rates, quoted as actual/360  | British Bankers Association<br>Bloomberg Ticker: US0012M (index)   |
| Prime Rate                             | Prevailing rate as quoted, monthly average of daily rates  | Federal Reserve H.15 Release   |
| 1 MO Federal Agency COF                | One-month Federal Agency Cost of Funds, monthly simple average of daily rates, quoted as actual/360  | Bloomberg Generic 1 Month Agency Discount Note Yield. Ticker: AGDN030Y (index)   |
| 3 MO Federal Agency COF                | Three-month Federal Agency Cost of Funds, monthly simple average of daily rates, quoted as actual/360  | Bloomberg Generic 3 Month Agency Discount Note Yield. Ticker: AGDN090Y (index)   |
| 6 MO Federal Agency COF                | Six-month Federal Agency Cost of Funds, monthly simple average of daily rates, quoted as actual/360  | Bloomberg Generic 6 Month Agency Discount Note Yield. Ticker: AGDN180Y (index)   |
| 1 YR Federal Agency COF                | One-year Federal Agency Cost of Funds, monthly simple average of daily rates, quoted as actual/360   | Bloomberg Generic 12 Month Agency Discount Note Yield. Ticker: AGDN360Y (index)  |
| 2 YR Federal Agency COF                | Two-year Federal Agency Fair Market Yield, monthly simple average of daily rates   | Bloomberg Generic 2 Year Agency Fair Market Yield. Ticker: CO842Y (index)  |
| 3 YR Federal Agency COF                | Three-year Federal Agency Fair Market Yield, monthly simple average of daily rates   | Bloomberg Generic 3 Year Agency Fair Market Yield. Ticker: CO843Y (index)  |
| 5 YR Federal Agency COF                | Five-year Federal Agency Fair Market Yield, monthly simple average of daily rates  | Bloomberg Generic 5 Year Agency Fair Market Yield. Ticker: CO845Y (index)  |

TABLE 3-18—INTEREST RATE AND INDEX INPUTS—Continued

| Interest rate index          | Description   | Source  |
|------------------------------|---|---|
| 10 YR Federal Agency COF     | Ten-year Federal Agency Fair Market Yield, monthly simple average of daily rates  | Bloomberg Generic 10 Year Agency Fair Market Yield. Ticker: CO8410Y (index) |
| 30 YR Federal Agency COF     | Thirty-year Federal Agency Fair Market Yield, monthly simple average of daily rates   | Bloomberg Generic 30 Year Agency Fair Market Yield. Ticker: CO8430Y (index) |
| 15 YR fixed-rate mortgage    | FHLMC (Freddie Mac) contract interest rates for 15 YR fixed-rate mortgage commitments, monthly average of FHLMC (Freddie Mac) contract interest rates for 15 YR | Bloomberg FHLMC 15 YR, 10 day commitment rate. Ticker: FHCR1510 (index)     |
| 7-year balloon mortgage rate | Seven-year balloon mortgage, equal to the Conventional Mortgage Rate less 50 basis points   | Computed  |
| 2-yr Swap                    | 2-yr U.S. Dollar Swap Rate, quoted as semi-annually fixed rate vs. 3-mo U.S. dollar   | Bloomberg Ticker: USSWAP2 (index)   |
| 3-yr Swap                    | 3-yr U.S. Dollar Swap Rate, quoted as semi-annually fixed rate vs. 3-mo U.S. dollar LIBOR   | Bloomberg Ticker: USSWAP3 (Index)   |
| 5-yr Swap                    | 5-yr U.S. Dollar Swap Rate, quoted as semi-annually fixed rate vs. 3-mo U.S. dollar LIBOR   | Bloomberg Ticker: USSWAP5 (Index)   |
| 10-yr Swap                   | 10-yr U.S. Dollar Swap Rate, quoted as semi-annually fixed rate vs. 3-mo U.S. dollar LIBOR  | Bloomberg Ticker: USSWAP10 (Index)  |
| 30-yr Swap                   | 30-yr U.S. Dollar Swap Rate, quoted as semi-annually fixed rate vs. 3-mo U.S. dollar LIBOR  | Bloomberg Ticker: USSWAP30 (Index)  |

3.3.3 \* \* \*  
 [a] \* \* \*  
 3. \* \* \*  
 b. \* \* \*

TABLE 3-27—NON-TREASURY INTEREST RATES

| Mortgage Rates                       | Spread Based on                            |
|--------------------------------------|--|
| 15-year Fixed-rate Mortgage Rate     | 10-year CMT                                |
| 30-year Conventional Mortgage Rate   | 10-year CMT                                |
| 7-year Balloon Mortgage Rate         | (computed from Conventional Mortgage Rate) |
| Constant Maturity Mortgage Index     | 10-year CMT                                |
| Other Non-Treasury Interest Rates    |  |
| Overnight Fed Funds                  | 1-month Treasury Yield                     |
| 7-day Fed Funds                      | 1-month Treasury Yield                     |
| 1-month LIBOR                        | 1-month Treasury Yield                     |
| 1-month Federal Agency Cost of Funds | 1-month Treasury Yield                     |
| 12-mo Moving Treasury Average        | 1-month Treasury Yield                     |
| 3-month LIBOR                        | 3-month CMT                                |
| 3-month Federal Agency Cost of Funds | 3-month CMT                                |
| PRIME                                | 3-month CMT                                |
| 6-month LIBOR                        | 6-month CMT                                |
| 6-month Federal Agency Cost of Funds | 6-month CMT                                |
| 6-month Fed Funds                    | 6-month CMT                                |
| FHLB 11th District Cost of Funds     | 1-year CMT                                 |
| 12-month LIBOR                       | 1-year CMT                                 |
| 1-mo Freddie Mac Reference Bill      | 1-year CMT                                 |
| Certificate of Deposits Index        | 1-year CMT                                 |
| 1-year Federal Agency Cost of Funds  | 1-year CMT                                 |

TABLE 3-27—NON-TREASURY INTEREST RATES—Continued

| Mortgage Rates                       | Spread Based on |
|--------------------------------------|-----------------|
| 2-year Federal Agency Cost of Funds  | 2-year CMT      |
| 3-year Federal Agency Cost of Funds  | 3-year CMT      |
| 5-year Federal Agency Cost of Funds  | 5-year CMT      |
| 10-year Federal Agency Cost of Funds | 10-year CMT     |
| 30-year Federal Agency Cost of Funds | 30-year CMT     |
| 2-yr Swap                            | 2-year CMT      |
| 3-yr Swap                            | 3-year CMT      |
| 5-yr Swap                            | 5-year CMT      |
| 10-yr Swap                           | 10-year CMT     |
| 30-yr Swap                           | 30-year CMT     |

\* \* \* \* \*

3.6.3.3.1 \* \* \*

[c] \* \* \*

7. *Reverse Mortgages.* In a reverse mortgage, a borrower receives one or more payments from the lender and the lender is repaid with a lump sum when the borrower dies, sells the property or moves out of the home permanently. The stress test models reverse mortgages as a ladder of zero-coupon securities:

- a. 11 proxy securities for each reverse mortgage program are created.
- b. A 10% conditional payment rate is used to create the zero-coupon

securities that will mature in every year of the stress test. The zero-coupon securities are a ladder series of floating-rate coupon-bearing accreting bonds with a first payment date at maturity.

- c. The 11th zero-coupon security will mature three months after the stress test to reflect the 35% of UPB not paid down during the stress period.
- d. An OFHEO credit rating equivalent to AAA for the FHA insured programs and AA for other reverse mortgage programs is assigned.

8. *Split-Rate ARM Loans.* In split-rate ARM loans, the principal portion of

the payment is based on a fixed-rate amortization schedule while the interest portion is based on a floating rate index. These multifamily loans are available as fully amortizing product or with a balloon feature. The stress test model does not provide treatment for split-rate ARM loans. Split-rate loans shall be treated as ARMs when they are issued without a balloon payment feature or as Balloon ARMs when the loans contain a balloon payment feature.

3.6.3.3.2 \* \* \*

TABLE 3-32—LOAN GROUP INPUTS FOR MORTGAGE AMORTIZATION CALCULATION

| Variable*                       | Description   | Source     |
|---------------------------------|---|------------|
|                                 | Rate Type (Fixed or Adjustable)   | RBC Report |
|                                 | Product Type (30/20/15-Year FRM, ARM, Balloon, Government, etc.)  | RBC Report |
| UPB <sub>ORIG</sub>             | Unpaid Principal Balance at Origination (aggregate for Loan Group)  | RBC Report |
| UPB <sub>0</sub>                | Unpaid Principal Balance at start of Stress Test (aggregate for Loan Group)   | RBC Report |
| MIR <sub>0</sub>                | Mortgage Interest Rate for the Mortgage Payment prior to the start of the Stress Test, or Initial Mortgage Interest Rate for new loans (weighted average for Loan Group) (expressed as a decimal per annum) | RBC Report |
| PMT <sub>0</sub>                | Amount of the Mortgage Payment (Principal and Interest) prior to the start of the Stress Test, or first payment for new loans (aggregate for Loan Group)  | RBC Report |
| AT                              | Original loan Amortizing Term in months (weighted average for Loan Group)   | RBC Report |
| RM                              | Remaining term to Maturity in months (i.e., number of contractual payments due between the start of the Stress Test and the contractual maturity date of the loan) (weighted average for Loan Group)        | RBC Report |
| A <sub>0</sub>                  | Age immediately prior to the start of the Stress Test, in months (weighted average for Loan Group)  | RBC Report |
|                                 | Interest-only Flag  | RBC Report |
| RIOP                            | Remaining Interest-only period, in months (weighted average for loan group)   | RBC Report |
| Additional Interest Rate Inputs |   |            |
| GFR                             | Guarantee Fee Rate (weighted average for Loan Group) (decimal per annum)  | RBC Report |
| SFR                             | Servicing Fee Rate (weighted average for Loan Group) (decimal per annum)  | RBC Report |

TABLE 3-32—LOAN GROUP INPUTS FOR MORTGAGE AMORTIZATION CALCULATION—Continued

| Variable*   | Description  | Source                      |
|---|--|-----------------------------|
| Additional Inputs for ARMs (weighted averages for Loan Group, except for Index) |  |                             |
| INDEX <sub>m</sub>  | Monthly values of the contractual Interest Rate Index              | section 3.3, Interest Rates |
| LB  | Look-Back period, in months  | RBC Report                  |
| MARGIN  | Loan Margin (over index), decimal per annum                        | RBC Report                  |
| RRP   | Rate Reset Period, in months                                       | RBC Report                  |
|   | Rate Reset Limit (up and down), decimal per annum                  | RBC Report                  |
|   | Maximum Rate (life cap), decimal per annum                         | RBC Report                  |
|   | Minimum Rate (life floor), decimal per annum                       | RBC Report                  |
| NAC   | Negative Amortization Cap, decimal fraction of UPB <sub>ORIG</sub> | RBC Report                  |
|   | Unlimited Payment Reset Period, in months                          | RBC Report                  |
| PRP   | Payment Reset Period, in months                                    | RBC Report                  |
|   | Payment Reset Limit, as decimal fraction of prior payment          | RBC Report                  |
| IRP   | Initial Rate Period, in months                                     | RBC Report                  |

\*Variable name is given when used in an equation

\* \* \* \* \*

3.6.3.7.2 \* \* \*

TABLE 3-51—INPUTS FOR FINAL CALCULATION OF STRESS TEST WHOLE LOAN CASH FLOWS

| Variable   | Description   | Source   |
|--|---|--|
| UPB <sub>m</sub>   | Aggregate Unpaid Principal Balance in month m=0...RM                              | section 3.6.3.3.4, Mortgage Amortization Schedule Outputs  |
| NYR <sub>m</sub>   | Net Yield Rate in month m=1...RM  | section 3.6.3.3.4, Mortgage Amortization Schedule Outputs  |
| GF   | Guarantee Fee rate (weighted average for Loan Group) (decimal per annum)          | RBC Report   |
| PTR <sub>m</sub>   | Pass-Through Rate in month m=1...RM   | section 3.6.3.3.4, Mortgage Amortization Schedule Outputs  |
| SP <sub>m</sub>  | Aggregate Scheduled Principal (Amortization) in month m=1...RM                    | section 3.6.3.3.4, Mortgage Amortization Schedule Outputs  |
| PRE <sub>m</sub> <sup>SF</sup><br>PRE <sub>m</sub> <sup>MF</sup>   | Prepaying Fraction of original Loan Group in month m=1...RM                       | section 3.6.3.4.4, Single Family Default and Prepayment Outputs and, section 3.6.3.5.4, Multifamily Default and Prepayment Outputs |
| DEF <sub>m</sub> <sup>SF</sup><br>DEF <sub>m</sub> <sup>MF</sup>   | Defaulting Fraction of original Loan Group in month m=1...RM                      | section 3.6.3.4.4, Single Family Default and Prepayment Outputs and, section 3.6.3.5.4, Multifamily Default and Prepayment Outputs |
| PERF <sub>m</sub> <sup>SF</sup><br>PERF <sub>m</sub> <sup>MF</sup> | Performing Fraction of original Loan Group in month m=1...RM                      | section 3.6.3.4.4, Single Family Default and Prepayment Outputs and, section 3.6.3.5.4, Multifamily Default and Prepayment Outputs |
| FDS  | Float Days for Scheduled Principal and Interest (weighted average for Loan Group) | RBC Report   |
| FDP  | Float Days for Prepaid Principal (weighted average for Loan Group)                | RBC Report   |
| FER <sub>m</sub>   | Float Earnings Rate in month m=1...RM   | 1 week Fed Funds Rate; section 3.3, Interest Rates   |
| LS <sub>m</sub> <sup>SF</sup>                                      | Loss Severity Rate in month m=1...RM  | section 3.6.3.6.5.2, Single Family and Multifamily Net Loss Severity Outputs   |
| FREP   | Fraction Repurchased (weighted average for Loan Group) (decimal)                  | RBC Report   |

\* \* \* \* \*

3.6.3.8.2 \* \* \*

TABLE 3-54—INPUTS FOR WHOLE LOAN ACCOUNTING FLOWS

| Variable           | Description   | Source  |
|--------------------|---|---|
| RM                 | Remaining Term to Maturity in months  | RBC Report  |
| UPD <sub>0</sub>   | Sum of all unamortized discounts, premiums, fees, commissions, etc., for the loan group, such that the unamortized balance equals the book value minus the face value for the loan group at the start of the Stress Test, adjusted by the Unamortized Balance Scale Factor  | RBC Report  |
| NYR <sub>0</sub>   | Net Yield Rate at time zero   | section 3.6.3.3.4, Mortgage Amortization Schedule Outputs   |
| PUPB <sub>m</sub>  | Performing Loan Group UPB in months m=0...RM  | section 3.6.3.7.4, Stress Test Whole Loan Cash Flow Outputs |
| PTR <sub>0</sub>   | Pass-Through Rate at time zero  | section 3.6.3.3.4, Mortgage Amortization Schedule Outputs   |
| SPUPB <sub>m</sub> | Security Performing UPB in months m=0...RM  | section 3.6.3.7.4, Stress Test Whole Loan Cash Flow Outputs |
| SUPD <sub>0</sub>  | The sum of all unamortized discounts, premiums, fees, commissions, etc. associated with the securities modeled using the Wtd Ave Percent Repurchased, such that the unamortized balance equals the book value minus the face value for the relevant securities at the start of the Stress Test, adjusted by the percent repurchased and the Security Unamortized Balance Scale Factor | RBC Report  |

\* \* \* \* \*

3.7.2.1.1 \* \* \*

TABLE 3-56—RBC REPORT INPUTS FOR SINGLE CLASS MBS CASH FLOWS

| Variable                                | Description   |
|---|---|
| Pool Number                             | A unique number identifying each mortgage pool  |
| CUSIP Number                            | A unique number assigned to publicly traded securities by the Committee on Uniform Securities Identification Procedures   |
| Issuer                                  | Issuer of the mortgage pool   |
| Original UPB Amount                     | Original pool balance multiplied by the Enterprise's percentage ownership   |
| Current UPB Amount                      | Initial Pool balance (at the start of the Stress Test), multiplied by the Enterprise's percentage ownership   |
| Product Code                            | Mortgage product type for the pool  |
| Security Rate Index                     | If the rate on the security adjusts over time, the index that the adjustment is based on  |
| Unamortized Balance                     | The sum of all unamortized discounts, premiums, fees, commissions, etc., such that the unamortized balance equals book value minus face value, adjusted by the Unamortized Balance Scale Factor                     |
| Wt Avg Original Amortization Term       | Original amortization term of the underlying loans, in months (weighted average for underlying loans)   |
| Wt Avg Remaining Term of Maturity       | Remaining Maturity of the underlying loans at the start of the Stress Test (weighted average for underlying loans)  |
| Wt Avg Age                              | Age of the underlying loans at the start of the Stress Test (weighted average for underlying loans)   |
| Wt Avg Current Mortgage Interest rate   | Mortgage Interest Rate of the underlying loans at the start of the Stress Test (weighted average for underlying loans)  |
| Wt Avg Pass-Through Rate                | Pass-Through Rate of the underlying loans at the start of the Stress Test (weighted average for underlying loans)   |
| Wtg Avg Original Mortgage Interest Rate | The current UPB weighted average Mortgage Interest Rate in effect at Origination for the loans in the pool  |
| Security Rating                         | The most current rating issued by any Nationally Recognized Statistical Rating Organization (NRSRO) for this security, as of the reporting date. In the case of a "split" rating, the lowest rating should be given |
| Wt Avg Gross Margin                     | Gross margin for the underlying loans (ARM MBS only) (weighted average for underlying loans)  |
| Wt Avg Net Margin                       | Net margin (used to determine the security rate for ARM MBS) (weighted average for underlying loans)  |
| Wt Avg Rate Reset Period                | Rate reset period in months (ARM MBS only) (weighted average for underlying loans)  |

TABLE 3-56—RBC REPORT INPUTS FOR SINGLE CLASS MBS CASH FLOWS—Continued

| Variable                              | Description   |
|---------------------------------------|---|
| Wt Avg Rate Reset Limit               | Rate reset limit up/down (ARM MBS only) (weighted average for underlying loans)   |
| Wt Avg Life Interest Rate Ceiling     | Maximum rate (lifetime cap) (ARM MBS only) (weighted average for underlying loans)  |
| Wt Avg Life Interest Rate Floor       | Minimum rate (lifetime floor) (ARM MBS only) (weighted average for underlying loans)  |
| Wt Avg Payment Reset Period           | Payment reset period in months (ARM MBS only) (weighted average for underlying loans)   |
| Wt Avg Payment Reset Limit            | Payment reset limit up/down (ARM MBS only) (weighted average for underlying loans)  |
| Wt Avg Lookback Period                | The number of months to look back from the interest rate change date to find the index value that will be used to determine the next interest rate (ARM MBS only) (weighted average for underlying loans)                 |
| Wt Avg Negative Amortization Cap      | The maximum amount to which the balance can increase before the payment is recast to a fully amortizing amount. It is expressed as a fraction of the original UPB. (ARM MBS only) (weighted average for underlying loans) |
| Wt Avg Initial Interest Rate Period   | Number of months between the loan origination date and the first rate adjustment date (ARM MBS only) (weighted average for underlying loans)  |
| Wt Avg Unlimited Payment Reset Period | Number of months between unlimited payment resets i.e., not limited by payment caps, starting with Origination date (ARM MBS only) (weighted average for underlying loans)  |
| Notional Flag                         | Indicates that amounts reported in Original UPB Amount and Current UPB Amount are notional  |
| UPB Scale Factor                      | Factor applied to the current UPB that offsets any timing adjustments between the security level data and the Enterprise's published financials   |
| Whole Loan Modeling Flag              | Indicates that the Current UPB Amount and Unamortized Balance associated with this Repurchased MBS are included in the Wtg Avg Percent Repurchased and Security Unamortized Balance fields                                |
| FAS 115 Classification                | The financial instrument's classification according to FAS 115  |
| HPGR <sub>k</sub>                     | Vector of House Price Growth Rates for quarters q=1...40 of the Stress Period   |

\* \* \* \* \*

3.7.2.1.2 \* \* \*

[a] \* \* \*

TABLE 3-57—RBC REPORT INPUTS FOR MULTI-CLASS AND DERIVATIVE MBS CASH FLOWS

| Variable                          | Description   |
|-----------------------------------|---|
| CUSIP Number                      | A unique number assigned to publicly traded securities by the Committee on Uniform Securities Identification Procedures   |
| Issuer                            | Issuer of the security: FNMA, FHLMC, GNMA or other  |
| Original Security Balance         | Original principal balance of the security (notional amount for Interest-Only securities) at the time of issuance, multiplied by the Enterprise's percentage ownership                          |
| Current Security Balance          | Initial principal balance, or notional amount, at the start of the Stress Period multiplied by the Enterprise's percentage ownership  |
| Current Security Percentage Owned | The percentage of a security's total current balance owned by the Enterprise  |
| Unamortized Balance               | The sum of all unamortized discounts, premiums, fees, commissions, etc., such that the unamortized balance equals book value minus face value, adjusted by the Unamortized Balance Scale Factor |

\* \* \* \* \*

3.7.2.1.3 \* \* \*

[a] \* \* \*

TABLE 3-58—RBC REPORT INPUTS FOR MRBS AND DERIVATIVE MBS CASH FLOWS

| Variable                  | Description   |
|---------------------------|---|
| CUSIP Number              | A unique number assigned to publicly traded securities by the Committee on Uniform Securities Identification Procedures |
| Original Security Balance | Original principal balance, multiplied by the Enterprise's percentage ownership   |
| Current Security Balance  | Initial principal balance (at start of Stress Period), multiplied by the Enterprise's percentage ownership              |

TABLE 3-58—RBC REPORT INPUTS FOR MRBS AND DERIVATIVE MBS CASH FLOWS—Continued

| Variable   | Description   |
|--|---|
| Unamortized Balance  | The sum of all unamortized discounts, premiums, fees, commissions, etc., such that the unamortized balance equals book value minus face value, adjusted by the Unamortized Balance Scale Factor                     |
| Issue Date   | The Issue Date of the security  |
| Maturity Date  | The stated Maturity Date of the security  |
| Security Interest Rate                                     | The rate at which the security earns interest, as of the reporting date   |
| Principal Payment Window Starting Date, Down-Rate Scenario | The month in the Stress Test that principal payment is expected to start for the security under the statutory "down" interest rate scenario, according to Enterprise projections                                    |
| Principal Payment Window Ending Date, Down-Rate Scenario   | The month in the Stress Test that principal payment is expected to end for the security under the statutory "down" interest rate scenario, according to Enterprise projections                                      |
| Principal Payment Window Starting Date, Up-Rate Scenario   | The month in the Stress Test that principal payment is expected to start for the security under the statutory "up" interest rate scenario, according to Enterprise projections                                      |
| Principal Payment Window Ending Date, Up-Rate Scenario     | The month in the Stress Test that principal payment is expected to end for the security under the statutory "up" interest rate scenario, according to Enterprise projections  |
| Security Rating  | The most current rating issued by any Nationally Recognized Statistical Rating Organization (NRSRO) for this security, as of the reporting date. In the case of a "split" rating, the lowest rating should be given |
| Security Rate Index  | If the rate on the security adjusts over time, the index on which the adjustment is based   |
| Security Rate Index Coefficient                            | If the rate on the security adjusts over time, the coefficient is the number used to multiply by the value of the index   |
| Security Rate Index Spread                                 | If the rate on the security adjusts over time, the spread is added to the value of the index multiplied by the coefficient to determine the new rate  |
| Security Rate Adjustment Frequency                         | The number of months between rate adjustments   |
| Security Interest Rate Ceiling                             | The maximum rate (lifetime cap) on the security   |
| Security Interest Rate Floor                               | The minimum rate (lifetime floor) on the security   |

\* \* \* \* \*

3.8.2 \* \* \*

[a] \* \* \*

TABLE 3-66—INPUT VARIABLES FOR NONMORTGAGE INSTRUMENT CASH FLOWS

| Data Elements                   | Description  |
|---------------------------------|--|
| Amortization Methodology Code   | Enterprise method of amortizing deferred balances (e.g., straight line)  |
| Asset ID                        | CUSIP or Reference Pool Number identifying the asset underlying a derivative position                                    |
| Asset Type Code                 | Code that identifies asset type used in the commercial information service (e.g. ABS, Fannie Mae pool, Freddie Mac pool) |
| Associated Instrument ID        | Instrument ID of an instrument linked to another instrument  |
| Coefficient                     | Indicates the extent to which the coupon is leveraged or de-leveraged  |
| Compound Indicator              | Indicates if interest is compounded  |
| Compounding Frequency           | Indicates how often interest is compounded   |
| Counterparty Credit Rating      | NRSRO's rating for the counterparty  |
| Counterparty Credit Rating Type | An indicator identifying the counterparty's credit rating as short-term (S) or long-term (L)                             |
| Counterparty ID                 | Enterprise counterparty tracking ID  |
| Country Code                    | Standard country codes in compliance with Federal Information Processing Standards Publication 10-4                      |
| Credit Agency Code              | Identifies NRSRO (e.g., Moody's)   |
| Current Asset Face Amount       | Current face amount of the asset underlying a swap   |
| Current Coupon                  | Current coupon or dividend rate of the instrument  |

TABLE 3-66—INPUT VARIABLES FOR NONMORTGAGE INSTRUMENT CASH FLOWS—Continued

| Data Elements                 | Description  |
|-------------------------------|--|
| Current Unamortized Discount  | Current unamortized premium or unaccreted discount of the instrument adjusted by the Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset were greater than par, the value should be positive. If the proceeds or the amounts paid were less than par, the value should be negative                |
| Current Unamortized Fees      | Current unamortized fees associated with the instrument adjusted by the Unamortized Balance Scale Factor. Generally fees associated with the issuance of debt or derivatives should be negative numbers. Fees associated with the purchase of an asset should generally be reported as positive numbers  |
| Current Unamortized Hedge     | Current unamortized hedging gains (positive) or losses (negative) associated with the instrument adjusted by the Unamortized Balance Scale Factor  |
| Current Unamortized Other     | Any other unamortized items originally associated with the instrument adjusted by the Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset was greater than par, the value should be positive. If the proceeds or the amounts paid were less than par, the value should be negative.               |
| CUSIP_ISIN                    | CUSIP or ISIN Number identifying the instrument  |
| Day Count                     | Day count convention (e.g. 30/360)   |
| End Date                      | The last index repricing date  |
| EOP Principal Balance         | End of Period face, principal or notional, amount of the instrument  |
| Exact Representation          | Indicates that an instrument is modeled according to its contractual terms   |
| Exercise Convention           | Indicates option exercise convention (e.g., American Option)   |
| Exercise Price                | Par=1.0; Options   |
| First Coupon Date             | Date first coupon is received or paid  |
| Index Cap                     | Indicates maximum index rate   |
| Index Floor                   | Indicates minimum index rate   |
| Index Reset Frequency         | Indicates how often the interest rate index resets on floating-rate instruments  |
| Index Code                    | Indicates the interest rate index to which floating-rate instruments are tied (e.g., LIBOR)  |
| Index Term                    | Point on yield curve, expressed in months, upon which the index is based   |
| Instrument Credit Rating      | NRSRO credit rating for the instrument   |
| Instrument Credit Rating Type | An indicator identifying the instruments credit rating as short-term (S) or long-term (L)  |
| Instrument ID                 | An integer used internally by the Enterprise that uniquely identifies the instrument   |
| Interest Currency Code        | Indicates currency in which interest payments are paid or received   |
| Interest Type Code            | Indicates the method of interest rate payments (e.g., fixed, floating, step, discount)   |
| Issue Date                    | Indicates the date that the instrument was issued  |
| Life Cap Rate                 | The maximum interest rate for the instrument throughout its life   |
| Life Floor Rate               | The minimum interest rate for the instrument throughout its life   |
| Look-Back Period              | Period from the index reset date, expressed in months, that the index value is derived   |
| Maturity Date                 | Date that the instrument contractually matures   |
| Notional Indicator            | Identifies whether the face amount is notional   |
| Instrument Type Code          | Indicates the type of instrument to be modeled (e.g., ABS, Cap, Swap)  |
| Option Indicator              | Indicates if instrument contains an option   |
| Option Type                   | Indicates option type (e.g., Call option)  |
| Original Asset Face Amount    | Original face amount of the asset underlying a swap  |
| Original Discount             | Original premium or discount associated with the purchase or sale of the instrument adjusted by the Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset were greater than par, the value should be positive. If the proceeds or the amounts paid were less than par, the value should be negative |
| Original Face                 | Original face, principal or notional, amount of the instrument   |

TABLE 3-66—INPUT VARIABLES FOR NONMORTGAGE INSTRUMENT CASH FLOWS—Continued

| Data Elements                     | Description  |
|-----------------------------------|--|
| Original Fees                     | Fees or commissions paid at the time of purchase or sale adjusted by the Unamortized Balance Scale Factor. Generally fees associated with the issuance of debt or derivatives should be negative numbers. Fees associated with the purchase of an asset should generally be reported as positive numbers   |
| Original Hedge                    | Gains (positive) or losses (negative) from closing out a hedge associated with the instrument at settlement, adjusted by the Unamortized Balance Scale Factor  |
| Original Other                    | Any other amounts originally associated with the instrument to be amortized or accreted adjusted by the Unamortized Balance Scale Factor. If the proceeds from the issuance of debt or derivatives or the amount paid for an asset were greater than par, the value should be positive. If the proceeds or the amounts paid were less than par, the value should be negative |
| Parent Entity ID                  | Enterprise internal tracking ID for parent entity  |
| Payment Amount                    | Interest payment amount associated with the instrument (reserved for complex instruments where interest payments are not modeled)  |
| Payment Frequency                 | Indicates how often interest payments are made or received   |
| Performance Date                  | “As of” date on which the data is submitted  |
| Periodic Adjustment               | The maximum amount that the interest rate for the instrument can change per reset  |
| Position Code                     | Indicates whether the Enterprise pays or receives interest on the instrument   |
| Principal Currency Code           | Indicates currency in which principal payments are paid or received  |
| Principal Factor Amount           | EOP Principal Balance expressed as a percentage of Original Face   |
| Principal Payment Date            | A valid date identifying the date that principal is paid   |
| Settlement Date                   | A valid date identifying the date the settlement occurred  |
| Spread                            | An amount added to an index to determine an instrument’s interest rate   |
| Start Date                        | The date, spot or forward, when some feature of a financial contract becomes effective (e.g., Call Date), or when interest payments or receipts begin to be calculated   |
| Strike Rate                       | The price or rate at which an option begins to have a settlement value at expiration, or, for interest-rate caps and floors, the rate that triggers interest payments  |
| Submitting Entity                 | Indicates which Enterprise is submitting information   |
| Trade ID                          | Unique code identifying the trade of an instrument   |
| Transaction Code                  | Indicates the transaction that an Enterprise is initiating with the instrument (e.g. buy, issue reopen)  |
| Transaction Date                  | A valid date identifying the date the transaction occurred   |
| UPB Scale Factor                  | Factor applied to UPB to adjust for timing differences   |
| Unamortized Balances Scale Factor | Factor applied to Unamortized Balances to adjust for timing differences  |

\* \* \* \* \*

3.8.3.6.2 \* \* \*

[a] \* \* \*

[b] \* \* \*

[c] \* \* \*

[d] Futures and Options on Futures also require special treatment:

1. Settle positions on their expiration dates. Exercise only in-the-money options (settlement value greater than zero).
2. Settle all contracts for cash.
3. Calculate the cash settlement amount—the change in price of a contract from the contract trade date to its expiration date. Calculate the price on the expiration date based on stress test interest rates (or, as necessary, forward rates extrapolated from these rates).

4. Amortize amounts received or paid at the expiration date into income or expense on a straight-line basis over the life of the underlying instrument (in the case of an option on a futures contract, the life of the instrument underlying the futures contract).

5. Amortize an option premium on a straight-line basis over the life of the option. (Amortize any remaining balances upon option exercise.)

[e] Swaptions also require special treatment:

1. Assume swap settlement (*i.e.*, initiation of the underlying swap) when a swap option is exercised.
2. Calculate a “normalized” fixed-pay coupon by subtracting the spread over the index, if any, from the coupon on the fixed-rate swap leg.

3. For all exercise types (American, Bermudan, and European), consistent with RBC Rule section 3.8.3.7, assume exercise by the party holding the swap option if the equivalent maturity Enterprise Cost of Funds is more than
    - a. 50 basis points above the normalized fixed-pay coupon, for a pay-fixed swaption (a call or ‘payor’ swaption), or
    - b. 50 basis points below the normalized fixed pay coupon for a receive-fixed swaption (a put or ‘receiver’ swaption).
  4. Amortize option premiums on a straight-line basis over the option term. (Amortize any remaining balances upon option exercise).
- [f] CPI-Linked Instruments also require special treatment. The stress test lacks the ability to accommodate

floating-rate instruments that reset in response to changes in the consumer price index (CPI) as published by the Bureau of Labor Statistics. Enterprise issuance of CPI-linked instruments is tied to swap market transactions intended to create desired synthetic debt structure and terms. In such cases, the true economic position nets to the payment terms of the related derivative contract. Accordingly, in order to accommodate and address the existence

of CPI-linked instruments in the Enterprises' portfolios, the net synthetic position shall be evaluated in the stress test. That is, for CPI-linked instruments tied to swap transactions that are formally linked in a hedge accounting relationship, the Enterprise should substitute the CPI-linked instrument's coupon payment terms with those of the related swap contract.

[g] Pre-refunded municipal bonds also require special treatments. Pre-refunded municipal bonds are collateralized by

securities that are structured to fund all the cash flows of the refunded municipal bonds until the bonds are callable. Since the call date for the bonds, also referred to as the pre-refunded date, is a more accurate representation of the payoff date than the contractual maturity date of the bonds, the stress test models the bonds to mature on the call date.

\* \* \* \* \*

3.9.2 \* \* \*

TABLE 3-70—ALTERNATIVE MODELING TREATMENT INPUTS

| Variable | Description   |
|----------|---|
| TYPE     | Type of item (asset, liability or off-balance sheet item)   |
| BOOK     | Book Value of item (amount outstanding adjusted for deferred items)   |
| FACE     | Face Value or notional balance of item for off-balance sheet items  |
| REMATUR  | Remaining Contractual Maturity of item in whole months. Any fraction of a month equals one whole month.       |
| RATE     | Interest Rate   |
| INDEX    | Index used to calculate Interest Rate   |
| FAS115   | Designation that the item is recorded at fair value, according to FAS 115                                     |
| RATING   | Instrument or counterparty rating   |
| FHA      | In the case of off-balance sheet guarantees, a designation indicating 100% of collateral is guaranteed by FHA |
| MARGIN   | Margin over an Index  |

\* \* \* \* \*

3.10.3.6.2 \* \* \*

[a] \* \* \*

1. Fair Values

a. The valuation impact of any Applicable Fair Value Standards (AFVS), cumulative from their time of implementation, will be reversed out of the starting position data, by debiting any accumulated credits, and crediting any accumulated debits.

(1) AFVS are defined as GAAP pronouncements that require recognition of periodic changes in fair value, e.g., EITF 99-20, FAS 65, FAS 87, FAS 115, FAS 133, FAS 140, FAS 149 and FIN 45.

(2) The GAAP pronouncements covered by this treatment are subject to OPHEO review. The Enterprises will submit a list of standards and pronouncements which are being reversed in the RBC Reports.

b. After reversing the valuation impact of AFVS, any affected activities are rebooked as follows:

(1) If absent the adoption of the AFVS, the affected transactions would have been accounted for on an historical cost basis, they are rebooked and presented as if they had always been accounted for on

an historical cost basis. (The historical cost basis may include amortization from the time of the activity to the beginning of the stress test.)

(2) To the extent that transactions would not have been accounted for on an historical cost basis, they are accounted for as if they were income and expense activities.

\* \* \* \* \*

Dated: June 6, 2006.

**James B. Lockhart III**,  
Acting Director, Office of Federal Housing  
Enterprise Oversight.

[FR Doc. 06-5330 Filed 6-23-06; 8:45 am]

BILLING CODE 4220-01-P

**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**14 CFR Part 39**

[Docket No. 2003-NM-114-AD]

RIN 2120-AA64

**Airworthiness Directives; Saab Model SAAB-Fairchild SF340A (SAAB/SF340A) and SAAB 340B Airplanes**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Supplemental notice of proposed rulemaking; reopening of comment period.

**SUMMARY:** This document revises an earlier proposed airworthiness directive (AD), applicable to certain Saab Model SAAB-Fairchild SF340A (SAAB/SF340A) and SAAB 340B airplanes, that would have required modification of the hot detection system of the tail pipe harness of the engine nacelles. This new action revises the original NPRM by reducing the compliance time for the modification and adding repetitive inspections. The actions specified by this new proposed AD are intended to prevent false warning indications to the flightcrew from the hot detection system due to discrepancies of the harness, which could result in unnecessary aborted takeoffs on the ground or an in-flight engine shutdown. This action is intended to address the identified unsafe condition.

**DATES:** Comments must be received by July 21, 2006.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-114, Attention: Rules Docket No. 2003-NM-114-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056.