

March 9, 2000

Anne E. Dewey  
General Counsel  
Office of General Counsel  
Office of Federal Housing Enterprise Oversight  
1700 G Street, N.W., Fourth Floor  
Washington, D.C. 20552

Re: Risk-Based Capital NPR2

Dear Ms. Dewey:

I am writing on behalf of Fitch IBCA, Inc. (“Fitch IBCA”) in response to the Notice of Proposed Rulemaking (the “Proposed Rule”) that was issued by the Office of Federal Housing Enterprise Oversight (“OFHEO”) relating to risk-based capital regulation for Freddie Mac and Fannie Mae, 64 Fed. Reg. 18,084 (1999) (to be codified at 12 C.F.R. pt. 1750) (proposed April 13, 1999). Fitch IBCA is an international rating agency recognized by the United States Securities and Exchange Commission (“SEC”) as a nationally recognized statistical rating organization (“NRSRO”) as that term is used in Rule 15c3-1 under the Securities Exchange Act of 1934. . See 17 C.F.R. § 240.15c3-1 (1999).

My comments on the Proposed Rule are summarized as follows. To the extent OFHEO intends to use public rating information as a measure of credit worthiness of mortgage insurers, pool insurers, seller/servicers, or for any other purpose, OFHEO should accept the rating of any NRSRO for such purpose and use recognition as a nationally recognized statistical rating organization as that term is used in Rule 15c3-1 in its rules.

The Proposed Rule would revise Section 3.7.2.2 of the Appendix to Subpart B of Part 1750 of Title 12 of the *Code of Federal Regulations* to provide that:

“Rating information from four public rating agencies—Standard & Poor’s, Moody’s, Duff & Phelps and Fitch—is used for mortgage insurers and pool insurers, and Standard & Poor’s and Moody’s rating information is used for

seller/servicers.” 64 Fed. Reg. 18,281 (1999) (to be codified at 12 C.F.R. pt. 1750) (proposed April 13, 1999).

Fitch IBCA believes that the Proposed Rule draws an inappropriate distinction between the various organizations that are recognized as NRSROs by singling out certain ratings organizations as an acceptable source for certain rating information to the exclusion of the other recognized NRSROs. The SEC made no such distinction in its recognition of Fitch IBCA as an NRSRO.

Fitch IBCA’s predecessor organization was one of the three organizations initially recognized by the SEC in 1975 (together with Moody’s and Standard and Poor’s). Fitch IBCA is a full-service international rating organization with over 600 analysts and staff in 21 offices worldwide. Fitch IBCA’s credit ratings apply to a wide variety of entities and issues, including sovereigns, governments, banks, other financial institutions, corporations and financial counterparties, as well as the claims-paying ability of insurance companies and financial guarantors.

Indeed, the specific naming of individual rating agencies, as opposed to reliance on the designation NRSRO, is contrary to the practice of other government agencies. Other government agencies have adopted the NRSRO designation created by the SEC in a wide variety of contexts. For example, the Comptroller of the Currency uses the NRSRO designation in its rules relating to the securities dealings of national banks. See 12 C.F.R. § 1.3. The National Credit Union Administration uses the NRSRO designation in its rules relating to permissible investments for a federal credit union. See 12 C.F.R. §§ 703.100, 704.6.

In light of the widespread acceptance of the NRSRO recognition, Fitch IBCA believes that the Proposed Rule should accept rating information provided by any NRSRO no matter the context in which the rating information is to be used. Therefore, Fitch IBCA respectfully requests that OFHEO omit from its final rules any reference to a specific rating agency and adopt in its place the NRSRO designation used by other government agencies.

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If you would like to discuss this matter further, please do not hesitate to call me at 212-908-0626. Thank you very much for your time and consideration.

Respectfully submitted,

/s/ Charles D. Brown

Charles D. Brown  
Managing Director and General Counsel