MOODY'S
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By Electronic Submission: www.fhfa.gov

Federal Housing Finance Agency
Division of Housing Mission and Goals
400 7th Street, SW
Ninth Floor
Washington, DC 20024
Attn: Mortgage Insurance Eligibility Project

Re: Draft Private Mortgage Insurer Eligibility Requirements for Fannie Mae and Freddie Mac Counterparties (No. 2014-N-9)

Moody's Investors Service ("Moody's") appreciates the opportunity to provide comments to the Federal Housing Finance Agency ("FHFA") regarding on the Draft Private Mortgage Insurer Eligibility Requirements for Fannie Mae and Freddie Mac Counterparties ("Draft PMIERs").

Moody's comments are limited to an apparent typographical error in Section 704 ("Available and Minimum Required Assets") of the Draft PMIERs. In part, Section 704 provides:

Available assets for an approved insurer are calculated as the sum of its:

- Dividends of subsidiaries (with the GSE's prior written approval) to be paid to the approved insurer over a time period that is no greater than:
  - Two years, if unconditionally guaranteed by a strongly capitalized company, as determined by the GSE, with at least an A- rating from either S&P or Fitch, or A2 from Moody's; or
  - One year, if unconditionally guaranteed by a strongly capitalized company, as determined by the GSE, with at least an BBB- rating from either S&P or Fitch, or Baa2 from Moody's; or
  - Another period as approved by the GSE.

We believe the intended Moody's rating levels for Section 704 are A3 and Baa3, respectively. As currently drafted, Section 704 of the Draft PMIERs would require credit rating levels assigned by Moody's that are one notch higher than the credit rating levels assigned by S&P and Fitch. We believe the differential is unintended and inconsistent with the approach taken in subsequent sections of the Draft PMIERs (e.g. Section 708 ("Reinsurance and Risk Taking Transactions")). We therefore suggest that Section 704 of the Draft PMIERs be revised as follows to reflect the intended credit rating levels:

Available assets for an approved insurer are calculated as the sum of its:

- Dividends of subsidiaries (with the GSE's prior written approval) to be paid to the approved insurer over a time period that is no greater than:
  - Two years, if unconditionally guaranteed by a strongly capitalized company, as determined by the GSE, with at least an A- rating from either S&P or Fitch, or ~~A2~~ A3 from Moody's; or
  - One year, if unconditionally guaranteed by a strongly capitalized company, as determined by the GSE, with at least an BBB- rating from either S&P or Fitch, or ~~Baa2~~ Baa3 from Moody's; or
  - Another period as approved by the GSE.

We would be pleased to discuss our comments further with the FHFA or its staff.

Sincerely,

Michael B. Kanef

Michael Kanef
Chief Regulatory and Compliance Officer