



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3800

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MEMORANDUM TO: File

FROM: Carlos Santiago, Consultant

SUBJECT: Conference Call with Fitch IBCA

On October 20, 1999, I spoke by phone with the following personnel from Fitch IBCA:

Charles (Charlie) Brown, General Counsel
Charlton (Chuck) Wilder, Director, Financial Institutions

Charlie started the call by indicating that he had two agenda items that he wanted to discuss:

1. OFHEO's rationale for specifying in NPR2 that only S&P and Moody's ratings would be used for seller/servicer haircuts.
2. Clarification on what the seller/servicer rating is supposed to address.

I responded to the first agenda item by stating that OFHEO submitted a request for seller/servicer ratings data to both Enterprises that was not specific with regard to which rating agencies should be included. S&P and Moody's were the only ratings data provided by both Enterprises. Charlie and Chuck expressed concern that our requirement for some rating agencies' data and not others' could create a bias in the marketplace. I encouraged Charlie and Chuck to submit written comments in response to NPR2 that express those concerns.

The conversation then turned to the second agenda item. I stated that the rating was supposed to address the general ability of the seller/servicers to meet their recourse obligations. Charlie then pointed out several potential complicating factors that OFHEO should consider. For example, many seller/servicers are actually subsidiaries of holding companies. Many of the subsidiaries do not have their own stand-alone ratings. Further, it would only be correct to look to the rating of the parent if it had provided some kind of a "wrap" (i.e., guarantee) on the recourse obligation. I responded that OFHEO would probably find those kinds of statements helpful, and encouraged Fitch to submit those comments to OFHEO in response to NPR2 as well.