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To: maria.fiol@ofheo.gov;
cc: Millman, Phillip; Ryan, Tony; Steel, Robert; Nason, David; roger.cole@frb.gov;
Subject: From DBRS
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Maria,

It was a pleasure speaking with you today.

As I mentioned, I manage the U.S. structured finance group at Dominion Bond Rating Service (DBRS.) At Phillip Millman's invitation, we visited OFHEO in June of 2005, not only providing our model of the U.S. mortgage market, but also providing commentary and a prospective view of the market, including the impending liquidity and credit crises. I believe that OFHEO saw value in our analysis and our prospective opinions, appreciating our directness and our honesty.

Since then, during such turbulent times we have strived to retain our position as the most respected rating agency. In meetings with regulators, including the SEC, Treasury, etc. we have made clear our vision of providing both the most insightful credit assessments and appropriate ratings. With fewer legacy issues, the market has embraced our independent analyses.

We have become increasingly concerned with the level of credit risk at the GSEs. In fact, I quote from my recent e-mail to Under Secretary Steel, Assistant Secretary Ryan and Assistant Secretary Nason:

'We have spent a significant amount of time with market participants discussing the state of affairs. It is clear that the market is looking for a path towards the future. As we discussed previously, we believe that we can assist in providing a path.

Such a path, however, is not just about rating agency transparency. It is about commitment to credibility and leadership.

In that light, we have become increasingly concerned about the "new risks to the already challenged GSEs", as indicated by OFHEO director James Lockhart. With the increase in their loan limits, coupled with existing credit and risk management issues, we agree with Director Lockhart's concerns.

We believe that leadership for the mortgage market includes independent assessment and analysis of the credit and risk profile of the GSEs. We plan to express that opinion to OFHEO as well as directly to the GSEs and the Fed.'

We have begun discussions with the GSEs towards providing independent credit and risk analyses and opinions. When would Director Lockhart be available to speak with us regarding this process?

Thank you for your assistance.

Best wishes,

Michael Nelson

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