

**The Real Estate Roundtable  
Mortgage Bankers Association  
Commercial Mortgage Securities Association  
NATIONAL ASSOCIATION OF REALTORS®**

**April 21, 2008**

Dear Chairman Dodd and Ranking Member Shelby:

The above signed associations are writing to express our concern with and opposition to proposals to differentiate between credit ratings for structured finance products and other asset classes, such as corporate and municipal bonds. Collectively, these associations represent a broad spectrum of commercial and multifamily real estate borrowers, investors and professionals active in both the primary and secondary real estate and non-real estate asset-backed finance markets that employ more than one million professionals and serve millions of Americans. We urge caution to ensure that any change to the ratings' composition for structured securities does not negatively impact borrowers, investors and the \$25 trillion, non-Treasury, debt capital market.

Specifically, this letter is in response to the *Policy Statement on Financial Market Developments* issued in March 2008 by the President's Working Group of Financial Markets that calls for "...changes to the credit rating process that would clearly differentiate ratings for structured products from ratings for corporate and municipal securities."

We are concerned that differentiating structured asset-backed bonds from corporate and municipal bonds will serve to further undermine, rather than restore, liquidity that is a key factor in a borrower's access to credit – from cars and student loans, to homes and commercial real estate, and beyond. As Moody's recently noted in a request for comment related to this issue, "... credit ratings are forward-looking opinions that address just one characteristic of fixed income obligations – an assessment of the likelihood such obligations will be repaid in accordance with their terms." We agree with this evaluation of the definitional scope of a rating and would discourage any departure from this concept.

We believe educating investors about the inherent risk factors associated with all categories of securities (both structured and non-structured) would garner greater long-term liquidity than isolating structured securities for a separate rating scale in such a broad and simplistic manner. This approach would address, in a much more appropriate and comprehensive manner, the risk factors associated with each category of securities. Accordingly, we strongly believe replacing or modifying the existing ratings scale would contribute to greater market volatility and investor confusion, which must be considered and avoided. Moreover, such a change would require investors to revise their investment policies to incorporate any new rating structures and develop new analytical and monitoring infrastructure to interpret the new ratings. Additionally, regulatory capital requirements of Basel II are based upon the current rating methodology - so any rating changes would require a change to Basel II for bank investors. Unfortunately, these unintended consequences would increase costs for investors and further erode liquidity that is critical to the extension of credit for borrowers.

For these reasons, we consider the proposal to differentiate ratings to be counter-productive and urge careful deliberation given the fragile state of our markets and the feedback from thousands of investors, borrowers and other market participants we collectively represent. We believe the ultimate result would be to further erode investor confidence and further weaken our economy's stability. We welcome the opportunity to discuss these issues further and look forward to working with you on these important issues.

Sincerely,

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