



July 30, 2008

**Via Electronic Mail**

Hon. Barney Frank  
Chairman  
Financial Services Committee  
U.S. House of Representatives  
2252 Rayburn House Office Building  
Washington, D.C.

Hon. Spencer Bachus  
Ranking Member  
Financial Services Committee  
U.S. House of Representatives  
2246 Rayburn House Office Building  
Washington, D.C.

**Re: CMSA Support for Manager's Amendment to H.R. 6308**

Dear Chairman Frank and Ranking Member Bachus:

On behalf of the Commercial Mortgage Securities Association (CMSA)<sup>1</sup> and our more than 400 member companies in the commercial real estate capital market finance industry, we wish to thank you and express our strong support for the Manager's Amendment to H.R. 6308, the "Municipal Bond Fairness Act." If adopted, CMSA would support the underlying legislation given that the proposed changes offer important revisions that will better serve investors seeking confidence and certainty in ratings.

CMSA applauds the proposed changes to Title I of the bill that would require consistency in the symbols rating agencies use to depict their ratings, an issue of tremendous interest to market participants, particularly investors concerned about the confusion, uncertainty and implementation issues a new system would create during this challenging time. This provision reflects the longstanding understanding that "credit ratings are forward-looking opinions that address just one characteristic of fixed income obligations – an assessment of the likelihood that such obligations will be repaid in accordance with their terms."<sup>2</sup> CMSA agrees with this evaluation of the definitional scope of a rating and supports revisions to H.R. 6308 that will assist an investor's ability to compare a multitude of investment options because, at bottom, the underlying assessments should be the same regardless of asset class – the probability that obligations will be repaid in accordance with their terms.

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<sup>1</sup> CMSA is dedicated to promoting the ongoing strength, liquidity and viability of commercial real estate capital market finance worldwide. With commercial mortgage backed-securities (CMBS) in the U.S. currently valued at almost \$1 trillion, CMSA acts as a voice of the marketplace encouraging the development of consensus positions among its diverse membership which encompasses the full range of market participants, including investment banks and commercial banks, rating agencies, insurance companies, service providers and investors at all levels of risk.

<sup>2</sup> Moody's Request for Comment: "Should Moody's Consider Differentiating Structured Finance and Corporate Ratings?" (February 2008).

The proposed Manager’s Amendment would reinforce this premise and support investors by requiring credit rating agencies “to define clearly any rating symbol” and “to apply such rating symbol in a consistent manner for all types of securities and money market instruments.” These changes reflect the overwhelming consensus of investors who strongly believe replacing or modifying the existing ratings scale would contribute to greater market volatility and investor confusion, which must be considered and avoided.<sup>3</sup>


Ultimately, investors expect and demand a common rating structure to provide a meaningful foundation of our markets and ratings system.<sup>4</sup> The proposed Manager’s Amendment is responsive to investor needs by ensuring that ratings symbols are clearly defined and applied in a consistent manner that will contribute to greater confidence and certainty in our financial markets.

Accordingly, CMSA strongly supports this amendment – and the underlying bill if it is adopted – because the application of clear and consistent ratings is exactly what investors covet. We therefore urge you and the Members of your Committee to support this amendment.

Sincerely,



Dottie Cunningham  
Chief Executive Officer



Brendan Reilly  
Senior Vice President,  
Government Relations

Cc: Subcommittee Chairman Paul E. Kanjorski  
Subcommittee Ranking Member Deborah Pryce

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<sup>3</sup> In a June 9, 2008 letter to the House Financial Services Committee, the Commercial Mortgage Securities Association, American Securitization Forum, Mortgage Bankers Association, NATIONAL ASSOCIATION OF REALTORS®, and The Real Estate Roundtable outline the impact of using separate ratings symbols. Among the concerns, investors would be forced to revise their investment policies to incorporate the new ratings structure; develop new analytical and monitoring infrastructure to interpret the new ratings; and determine whether they need to have a specific investment allocation for each asset class. 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. These unintended consequences would increase costs for investors and further erode liquidity that is critical to the extension of credit for borrowers.

<sup>4</sup> Results of Moody’s Request for Comment: “Should Moody’s Consider Differentiating Structured Finance and Corporate Ratings?” (May 2008). Moody's received over 200 responses, including investors that together held in excess of U.S. \$9 trillion in fixed income securities. In their responses, market participants overwhelmingly rejected the idea of a separate ratings scale for structured finance securities.