MORTGAGE BANKERS ASSOCIATION®
Investing in communities

January 29, 2010

Elizabeth M. Murphy
Secretary
U.S. Securities & Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Proposed Rules for Nationally Recognized Statistical Rating Organizations Release No. 34-61051; File No. S7-28-09

The Mortgage Bankers Association (MBA)[1] appreciates the opportunity to comment on the above referenced rule amendments and new rules (Proposal) issued for comment by the U.S. Securities and Exchange Commission (SEC). The Proposal would impose additional requirements on nationally recognized statistical rating organizations (NRSROs). MBA's comments will focus on the portion of the Proposal that addresses enhanced reporting requirements for structured securities.

Background

As detailed in the July 25, 2008, MBA letter, we strongly believe the unique identifier for structured securities would serve as a disincentive to purchase all categories of structured securities. The unique identifier for structured securities is intended by the SEC to help ensure that investors fully appreciate the different risk characteristics of structured products, particularly under stress conditions. The SEC also expects a unique identifier to alert investors that structured product ratings rely on qualitatively different kinds of information and ratings methodologies than do ratings for bonds.

MBA disagrees that a different rating symbol is the appropriate method to convey information of this scope and depth. Moreover, it is likely that the unique identifier could reinforce the very behavior it seeks to extinguish. For example, the sudden appearance of a new rating symbol might prompt investors to shy away from structured finance products simply because of their rating, thereby preempting the more detailed analysis advocated by the SEC.

MBA also requests that the SEC consider whether the unique identifier for structured securities will perpetuate the current liquidity shortages in the housing and commercial real estate finance markets. If enacted, a unique identifier may force institutional investors to exclude securities from their lists of permissible investments, simply because an identifier was added. It would also necessitate amendments to federal and state laws, regulations and supervisory guidance in order for them to comport with the new ratings framework. The unique identifier is also likely to

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies, including all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

instigate unnecessary short-term disruptions as institutional investors determine what their obligations are relative to the structured finance products they currently hold. This, in turn, could further depress liquidity in the market for structured products.

Ratings Transparency
MBA understands that ratings methodologies and criteria must differ by product categories, and that a "one-size-fits all" approach to ratings methodologies is not appropriate. MBA supports robust transparency standards that are consistent across product categories that are rated by NRSROs and opposes regulations that would require enhanced disclosure requirements for only structured securities. Such additional information disclosure for structured securities could lead to informational asymmetries between structured and non-structured securities that could foster market distortions. We support the following transparency measures:

- **Methodology Disclosure** - MBA supports the disclosure of rating methodologies of all rated product categories for all NRSROs. The methodology disclosures should allow market participants to understand how all of the model inputs are processed by the ratings model. MBA supports the publication of this rating methodology on a designated national site as well as on each NRSRO's internet site. Model limitations should also be disclosed.

- **Rating Data** - MBA has strongly supported the SEC's efforts to increase the transparency of the ratings data among NRSROs. The emergence of rating agencies that specialize in unsolicited ratings serves as a new and important safeguard.

- **Independent Due Diligence** - The performance of a security is primarily attributable to the performance of its underlying assets, not its structure. Consequently, MBA encourages bond holders and potential bond purchasers to perform independent due diligence that assesses the current and projected market conditions for the asset category that the securitization comprises. Ratings should not be used as a substitute for bond purchaser due diligence.

- **NRSRO Rating Performance** - MBA supports the public disclosure of rating performance for all rated product categories for all NRSROs. Because of variances in ratings definitions, each NSRSO should be able to report the performance of its ratings in a format that is appropriate for its rating categories.

We appreciate your consideration and stand ready to work with you on this issue.
If you have any questions regarding MBA's comments, please contact George Green, Associate Vice President, at (202) 557-2840 or ggreen@mortgagebankers.org.

Sincerely,

John A. Courson

John A. Courson
President and Chief Executive Officer