

United States Senate

WASHINGTON, DC 20510

June 14, 2010

The Honorable Christopher J. Dodd
Chairman
Senate Committee on
Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard C. Shelby
Ranking Member
Senate Committee on
Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Barney Frank
Chairman
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Spencer Bachus
Ranking Member
House Financial Services Committee
B371A Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairmen and Ranking Members,

We write today to urge the members of the Restoring American Financial Stability Act conference committee to retain the provisions in S.A. 3991, an amendment that will reform the credit rating industry.

As the Permanent Subcommittee on Investigations clearly revealed in its April 23, 2010, hearing, the credit rating industry is plagued by conflicts of interest, in which the issuing banks pay credit rating agencies to rate their financial products. In order to retain clients, credit rating agencies have an incentive to provide inflated ratings to even the riskiest products. If the ratings they provide are low, the issuers will simply go to a different rating agency in search of a higher rating. The market incentivizes *high* ratings and not *accurate* ones.

S.A. 3991 will eliminate the conflicts of interest in the credit rating system. S.A. 3991 will create an independent board, driven by investors, to select a qualified group of credit rating agencies. Any issuer wishing to sell a financial product must request its first rating through the independent board, which will assign a qualified credit rating agency to provide the rating. The board itself will not issue any ratings—it will simply assign an agency to an issuer so that the issuer cannot shop around for the highest rating.

S.A. 3991 was co-sponsored by a bipartisan group of 21 Senators, including Senator Grassley, Ranking Member of the Finance Committee and several other members of the Senate Banking Committee. When the Senate voted on this amendment, it passed with wide bipartisan support including 52 Democrats, 11 Republicans, and one independent. The amendment's broad support reflects that this approach is not a partisan one—it's simply a common sense solution. The conflicts of interest in the credit rating industry not only wreaked havoc on Wall Street but

United States Senate

WASHINGTON, DC 20510

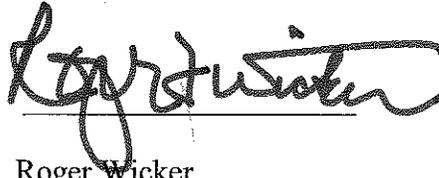
also permeated our entire economy, including the large losses in millions of hard working Americans' retirement accounts.

We urge you to include this provision in the conference report of the Restoring American Financial Stability Act. Please let us know if there is any additional information that we can provide as you begin to work on this issue.

Sincerely,



Al Franken
United States Senator



Roger Wicker
United States Senator



Carl Levin
United States Senator