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March 12, 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: <u>File Number S7-04-07</u>
<u>Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations</u>

Dear Ms. Morris:

The Commercial Mortgage Securities Association (CMSA) submits this letter in response to the Securities and Exchange Commission's request for comment on proposed rules implementing provisions of the Credit Rating Agency Reform Act of 2006. Because of the complexity of the issues addressed in the proposed rule, we are continuing to study the potential implications of its implementation. To that end, we anticipate filing a supplemental comment letter as soon as our analysis is complete.

CMSA is the international trade association for the $770 billion commercial mortgage-backed securities (CMBS) industry and the collective voice of the lenders, issuers, investors, loan servicers, rating agencies, trustees and other service providers that comprise the industry's membership.

CMBS are investment vehicles that pool commercial mortgages and issue bonds backed by the individual loans. These vehicles increase the amount of capital available for commercial real estate finance and development, and increase the liquidity of commercial mortgages. CMBS market participants have worked to foster remarkable growth in the CMBS industry. In 1990, less than $5 billion in CMBS were issued. Of the $302.4 billion of new CMBS issued in 2006, $207.3 billion were issued in the U.S. As of March 2, $34.9 billion in new CMBS have been issued so far this year globally. Loans that are pooled for CMBS now represent about 40% of the total commercial real estate financed each year.

CMSA is particularly interested in proposed rule 17g-6. We want to make clear that we fully support the Commission's preliminary determination that it is unfair, coercive, or abusive for a NRSRO to threaten or take a negative action with respect to a structured finance product unless a portion of the assets underlying the structured product are also rated by the NRSRO. Under the proposed rule, a negative action could include issuing or threatening to issue a lower credit rating; lowering or threatening to lower an existing credit rating, refusing to issue a credit rating, or withdrawing a credit rating with respect to a structured finance product. We believe that prohibiting such practices will increase competition within the credit ratings market, thus benefiting investors in structured finance products.

Although we generally support the proposed prohibition, we are very concerned about subparagraph 17g-6(a)(4), which provides that an NRSRO may refuse to initiate a rating or withdraw an existing rating if the NRSRO has rated less than 85% of the market value of the assets underlying the structured product.

Based on our initial assessment, the 85% threshold appears to be too high and we are concerned that such a threshold would create an uncompetitive marketplace and a barrier to entry inconsistent with the Act. CMSA continues to study the potential implication of imposing such a threshold and will be commenting in more detail in our supplemental comment letter.

In addition, we are concerned about the potential for differing interpretations of the proposed rule among participants in the marketplace. The proposed rule is not clear on the role of a credit rating agency in analyzing an asset-backed security where the credit rating agency rated less than 85% of the underlying assets. We recommend that the Commission clarify this language in the final rule.

Finally, the proposed rule refers to the "market" value of assets. "Market" value in the context of bonds is the current quoted price at a given time. We believe the more appropriate term is "par" value since the "par" value is the initial value when the security is issued and rated.

Thank you for your consideration of the views of CMSA. As mentioned above, we will submit supplemental comments as soon as our analysis is complete.

Sincerely,

Dottie Cunningham
Chief Executive Officer