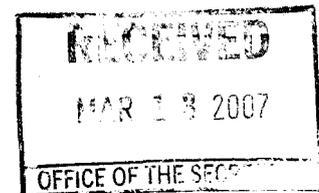# ⬤Luminent

Luminent Mortgage Capital, Inc.

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S. Trezevant Moore, Jr.
President & COO

March 6, 2007

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

Ref: File Number S7-04-07

Dear Ms. Morris:

We are writing to comment on Proposed Rule 17g-6 implementing certain provisions of the Credit Rating Agency Reform Act of 2006. Luminent is a mortgage REIT, which is an active investor in MBS and CDO's.

Luminent applauds the SEC's determination that it is inappropriate for a NRSRO to "tie" in any manner the rating on a CDO or other structured finance security to rating the underlying assets of the security. Providing for increased competition will allow an investor, such as Luminent, to select securities from a broader market, obtain greater diversification of risk, and possibly a higher return for our stockholders.
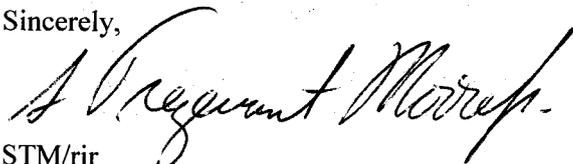
Luminent does, however, urge the SEC to consider removing the exemption for "notching" in Proposed Rule 17g-6(a)(4). Notching should be prohibited or at least reduced from the 85% of market value threshold we understand to be contemplated by 17g-6(a)(4).

Notching ensures that S&P and Moody's will perpetuate their dominance in the structured finance market. The desire of some investors to have S&P and Moody's ratings will drive issuers and underwriters not only to request those NRSRO's to rate structured vehicles, but to rate the securities making up the CDO. Luminent does not understand the analytical justification of an 85% minimum. If a minimum threshold is to be enacted, we suggest a lower standard of 50% to 66%.

Again, Luminent heartily endorses the SEC's efforts to implement the Credit Rating Agency Reform Act of 2006. We respectfully urge the SEC to reduce or eliminate the "notching" exemption in 17g-6(a)(4).

We would be happy to discuss our comments with you in greater detail at your convenience.

Sincerely,

STM/rjr