REGIONAL BOND DEALERS ASSOCIATION

1940 Duke Street
Second Floor
Alexandria, VA 22314
703-486-5672

Statement of Michael J. Marz
Vice Chairman
First Southwest Company

and

Member, Board of Directors
Regional Bond Dealers Association

Before the Committee on Financial Services
U.S. House of Representatives

Hearing on Municipal Finance
May 21, 2009

Good morning. Thank you Chairman Frank, Ranking Member Bachus and other members of the committee for the opportunity to present the views of the Regional Bond Dealers Association (RBDA)[1] on the municipal finance legislation proposed by the committee last week.

The RBDA supports the four draft bills released by the committee last week. We believe this legislation would offer the municipal market targeted and temporary assistance for those sectors still acutely affected by the credit crisis and would provide federal accountability for all financial professionals by addressing long-standing holes in the regulation of the market. The bills to address the variable rate municipal bond market and to establish a regulatory system for municipal financial advisors are especially important in the current market environment. We commend the work of Chairman Frank and other members of the committee on crafting the draft legislation and we look forward to the quick enactment of all four draft bills.

Regional bond dealers play a vital role in the municipal market of underwriting new bond issues for states and localities and providing secondary market liquidity to investors. This role has expended during the financial crisis with the consolidation, downfall or withdrawal from the market of a number of large municipal bond dealers. During the height of the crisis in the fall and winter of 2008, the only source of liquidity available to many investors was regional dealers. We believe the role of regional firms in the municipal market will continue to expand, and we appreciate the opportunity to present our views.

[1] The Regional Bond Dealers Association is the organization of regional securities firms active in the U.S. bond markets and is the only U.S. organization focused exclusively on issues in the domestic fixed-income markets. More information on the Regional Bond Dealers Association is available at www.regionalbonddealers.com.

Municipal bonds are a essential component of the U.S. capital markets. Under our federal system of government, states and localities bear significant responsibilities for delivering public services, and in order to meet those obligations, state and local government must make substantial investments in infrastructure and other capital assets. Because governments cannot issue stock, the principal means of financing those investments is debt raised by issuing municipal bonds. The municipal bond market has a long and successful history of bringing states and localities together with investors and lenders to provide financing for schools, roads, water and sewer systems, hospitals, airports, parks and a variety of other public facilities. Municipal bonds are also used to provide targeted lending such as student loans and low- and middle-income home mortgages to underserved sectors of borrowers.

Municipal bonds are an extraordinarily safe and stable investment. The default rate on governmental municipal bonds is close to zero, and save for securities guaranteed by the federal government, municipal bonds are the safest investment available. Despite that record of safety, the municipal bond market was effectively frozen last year with the rest of the credit markets in the wake of the global financial crisis. For a number of weeks last fall, most states and localities were essentially unable to borrow in the capital markets at all. The U.S. credit markets, including the municipal bond market, have recovered substantially since then. It is now possible for state and local governments with strong credit ratings to borrow at attractive terms, and indeed in the first four months of 2009, states and localities sold 3,191 bond issues with a par value of nearly $120 billion. While that volume is down by around 12 percent from the same period last year, the market is clearly functioning.

Nevertheless, some targeted sectors of the municipal market are still quite distressed, and friction in these sectors is causing significant fiscal pain for states and localities and investors. In particular, many state and local governments and agencies that have variable rate demand notes (VRDNs) outstanding are paying excessively high interest rates on this borrowing not because of their own fiscal problems, but because of distress at banks that serve as "liquidity providers" for their transactions and the collapse in ratings of many bond insurers. Also, there is still a large volume of auction rate securities (ARS) outstanding where states and localities and other borrowers have been unable to convert or refinance to other forms of borrowing because of constraints among banks. In addition, the loss of bond insurance, once a prevalent source of credit enhancement in the municipal bond market, has caused some state and local borrowers to pay higher borrowing costs than they otherwise would. These remaining problems associated with the financial crisis appear against the backdrop of severe fiscal stress being experienced by a large number of state and local governments around the country as a result of the recession and a weakened real estate market.

In addition, the credit crisis has magnified long-standing gaps in the regulation of the municipal market. Most importantly, unregulated financial advisors, swap advisors, brokers of guaranteed investment contracts and other parties that play the vital role of advising states and localities on bond issuance and other activities currently fall completely outside the jurisdiction of the Securities and Exchange Commission and all other regulatory bodies, and as a result escape accountability for any misdeeds. Moreover, initiatives previously announced by the credit rating agencies to revamp their rating systems for municipal bonds to bring them more into line with other credit products have been suspended as a result of the crisis.

Chairman Frank's draft legislation would help address all these issues. In the case of problems with the VRDN and ARS markets and the dearth of credit enhancement, the draft legislation offers targeted, temporary federal assistance to help states and localities until the credit markets return to normal. In the case of regulatory gaps, the legislation offers reasonable solutions to help assure regulators have the tools they need to hold all financial professionals accountable and keep the market safe.

Variable rate borrowing - background

It is common for state and local governments and others that borrow in the municipal bond market such as non-profit hospitals, colleges and universities to issue bonds where the interest rate varies periodically similarly to variable rate mortgages offered to home buyers. In some cases borrowers pay the variable rate as a way to take advantage of short-term interest rates, which are usually lower than long-term rates. In other cases, those borrowers use interest rate swaps or similar strategies to convert their variable rate borrowing to a net fixed interest rate at a savings relative to issuing fixed rate bonds directly. Over the last two decades two forms of variable rate borrowing have been prevalent, variable rate demand notes (VRDNs) and auction rate securities (ARS). At the height of the market in January 2008 there were approximately $330 billion of ARS outstanding. Now, a significant volume of those securities have been restructured or refunded, but nearly $200 billion remain outstanding, including both municipal and other forms of ARS. There is no reliable source for the volume of VRDNs outstanding; we estimate that approximately $400 billion are currently in the market.

Although both ARS and VRDNs are forms of variable rate financing, they differ in one key area. For ARS, liquidity—the ability for investors to readily sell their securities at par—depends on the success of periodic Dutch auctions. At an auction, which typically occurs weekly or monthly, ARS investors who want to sell their securities provide their orders to their broker-dealer who then submits the offer to an auction dealer, a firm contracted by the issuer to manage the auction process. Potential ARS buyers submit bids to the auction, and—at least by design—sellers are matched with buyers. The auction clearing rate becomes the interest rate paid by the issuer until the next auction. Beginning in February 2008 a large number of auctions began to persistently fail—there were insufficient buyers to cover all the offers from ARS sellers. In those cases, investors are unable to sell their securities, and rates paid by issuers on failed ARS increase to a pre-determined maximum, or "penalty," rate. Today, approximately 80 percent of auctions on ARS that remain outstanding continue to fail on a persistent basis, and many ARS investors are holding securities which offer no liquidity and cannot be sold.

Since last year, some state and local government ARS issuers have been able to refund or restructure their outstanding ARS, curing the problems of high penalty rates for issuers and illiquidity for investors. However, many ARS remain outstanding with no liquidity for investors whatsoever. In particular, many municipal and closed end fund ARS and virtually all student loan-backed ARS remain in the portfolios of investors with little prospect for resolution. Some broker-dealers who sold ARS have reached agreements with federal and state enforcement agencies that require those dealers to buy back ARS from certain investors at par. Those settlement agreements and voluntary offers have resulted in commitments from broker-dealers to buy over $68 billion of ARS from investors.[2] However, this represents only a minority of ARS that remain outstanding. Even for those investors who are covered by settlements, the buybacks simply transfer the illiquidity problems from investors to dealers, many of whom may be facing liquidity or balance sheet issues of their own, thus offering little resolution to the financial stress that currently exists within our financial system.

VRDNs do not use an auction process. Instead, each VRDN issue offers investors the opportunity to sell their securities at par, generally on a weekly or daily basis through a designated "remarketing agent," typically a broker-dealer. When a VRDN investor wants to sell their security, he or she submits an offer through their dealer to the remarketing agent. The remarketing agent surveys the market and determines a rate for the VRDNs that would attract sufficient buyers to cover all the offers. That rate then becomes the rate paid by the issuer until the next reset date. Unlike an ARS, however, if there are insufficient buyers to cover all VRDN offers, investors have the right through the bond trustee to place the securities with a third-party liquidity provider. VRDN liquidity providers, typically banks, have obligations under standby bond purchase agreements (SBPAs), letters of credit (LOCs) or similar contractual arrangements to purchase at par any VRDNs that cannot be resold through the remarketing process. When a VRDN is placed with a liquidity provider, the interest rate paid by the issuer on those bonds increases to a pre-determined maximum. After some defined period, frequently 90 days, VRDNs put to banks require accelerated amortization, forcing issuers to rush to refinance troubled securities at high cost and in difficult market conditions. VRDNs that have been placed with banks under liquidity facilities are known as "bank bonds."

While no data are readily available, an significant number of VRDN remarketings have "failed" in recent months, *i.e.*, there have been insufficient numbers of VRDN buyers to cover all sell orders on reset dates. The larger-than-normal volume of "puts" to liquidity banks in many cases is unrelated to the credit outlook for VRDN issuers. Rather, it reflects the financial distress of many liquidity banks or bond insurers. As bank liquidity providers face financial problems or are "downgraded," investors put bonds back to the banks. In some cases, if banks are downgraded to levels below those specified for registered money market funds, those puts back to banks are mandated by regulation. The collapse in ratings and withdrawal from the market of many of the monoline bond insurers has also been a cause of "failed remarketings" because a large portion of VRDNs carry credit enhancement in the form of bond insurance in conjunction with the SBPA. As a result, much larger than normal volumes of VRDNs have been put to bank liquidity providers, and those VRDN issuers are now paying high maximum rates and face shortened amortization on their financings.

One measure of the performance of the VRDN market is the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, an index of rates on certain tax-exempt municipal VRDNs with weekly rate resets. After spiking to an all-time high of 7.96 percent in September 2008, that index recently fell to an all-time low of 0.44 percent.[3] That index,

[2] SecondMarket, Inc., "Auction-Rate Securities (ARS) Broker-Dealer Settlements/Offers," May 7, 2009.
[3] Securities Industry and Financial Markets Association, "The Securities Industry And Financial Markets Association Municipal Swap Index (2000-2008)," http://archives1.sifma.org/swapdata.html.

however, belies the experience of many VRDN issuers. The SIFMA index includes only the highest rated VRDNs and does not include bank bonds. The index also excludes the rates on all VRDNs that fall outside a specified range from the average. For VRDN issuers whose bonds are yielding near the SIFMA index, the market is performing as intended. However, many other VRDN issuers are facing extraordinarily high rates on their financings.

This condition may be exacerbated for VRDN and ARS issuers who have used swap contracts or other interest rate derivatives to hedge the floating rates on their VRDNs. Many states and localities used this strategy in the last decade to execute “synthetic fixed rate” borrowing. Under a typical swap contract a state or local government pays to a swap dealer a fixed rate of interest based on a “notional” principal amount. The government receives a floating rate of interest from the dealer which is designed to match the rate paid on its floating rate borrowing. Most interest rate swaps used by municipalities are based on the SIFMA index. For many years the rates on most VRDN and ARS tracked the index closely and SIFMA-based swaps were effective hedges. As the ARS and VRDN markets became distressed last year, however, the variable rates on many swaps diverged significantly from the bonds they were intended to hedge. Today, a number of state and local governments and other municipal market borrowers find themselves earning less on their swap contract than what is owed on their variable rate borrowing, causing their net cost of borrowing to rise significantly. Again, in many cases this is a result not of their own credit condition but of the condition of their VRDN liquidity bank, the downgrade of their bond insurer, or as a result of the failure of their ARS. Moreover, in order to unwind the transaction many of these governments and other issuers may have to pay large termination payments to their swap counterparty.

VRDN liquidity facilities have limited terms that are usually shorter than the maturities on the VRDNs they support. This requires issuers to renew SBPAs or LOCs periodically to maintain liquidity for investors. In recent years, some liquidity providers have agreed to terms on liquidity facilities as long as ten years. Recently, however, with banks facing balance sheet constraints and generally retreating from activities that subject them to credit or liquidity risk, the cost of VRDN liquidity facilities has increased significantly and terms offered by banks have shrunk. Some banks previously active in the VRDN market as liquidity providers have exited from this business entirely. Many of the banks that remain do not offer liquidity facilities longer than one year. We are concerned that continued constrained conditions for banks will make it increasingly difficult for issuers to renew expiring liquidity facilities and will increase the risk of future defaults.

Difficulties in the ARS and VRDN markets are occurring despite the fact that the credit quality of most ARS and VRDNs has not deteriorated significantly. Many student loan backed ARS are indirectly guaranteed by the federal government since they are backed by federally guaranteed student loans. Many ARS and VRDNs issued by states and localities have lost the benefit of third party bond insurance that may have originally provided them with “triple-A” credit ratings, but the underlying credit quality of the issuers has not deteriorated significantly in most cases. Problems in the ARS and VRDN markets are principally related to illiquidity, deleveraging and dysfunction in the broader financial markets, not to credit deterioration related to the issuers of these products specifically.

Variable rate borrowing – solution

The committee has drafted the Municipal Market Liquidity Enhancement Act of 2009 (MMLEA) to address issues in the market for variable rate municipal bonds. The bill would authorize the Federal Reserve to initiate a program to purchase VRDNs issued before the date of enactment of the bill, new VRDNs issued to refinance outstanding ARS, and short-term municipal notes. The bill would effectively permit the Fed to serve the role of liquidity bank for certain VRDN transactions.

The MMLEA would address the significant constraints being faced by state and local governments and agencies as a result of a weakened market for bank liquidity facilities. Many states and localities simply do not have the option to refinance out of these transactions because they could face large swap termination payments. Meanwhile, maintaining these transactions in many cases is resulting in excessively high financing costs because the health of the bank liquidity provider has deteriorated and capacity in the bank liquidity market is so constrained. By bringing the Fed into the municipal market as a temporary liquidity provider, states and localities would be freed from their excessive financing costs. Moreover, the provision allowing the Fed to buy short-term municipal securities would be an important help to those states and communities who are having difficulty securing short term, cash flow borrowing. The Fed's comparable program for short term corporate issuers—the Commercial Paper Funding Facility—currently is not available to state and local governments.

The Fed may want to consider expanding the MMLEA to address the non-municipal sectors of the ARS market. For example, many closed end mutual funds have outstanding auction rate preferred stock (ARPS) that was issued to provide leverage to the funds. Some mutual fund companies have been successful in replacing their funds' outstanding ARPS with preferred stock with some of the characteristics of VRDNs, but lack of access to bank liquidity facilities has been a constraining factor for others. Also, some non-municipal issuers of ARS backed by pools of student loans would like to convert their outstanding ARS to VRDNs or similar instruments but are unable to do so because of a similar lack of access to bank liquidity facilities. Expanding the MMLEA to include both ARPS and non-municipal student loan-backed ARS would be consistent with the spirit of the MMLEA, would help investors in those markets, and would help address problems in those sectors that are similar to parallel problems in the municipal market.

The RBDA supports the MMLEA because we believe it would provide a means of addressing the severe problems in the market for variable rate municipal bonds. The Fed could initiate a program that is targeted to those sectors of the market most acutely affected by the credit crisis and could set the program so that it would be self-terminating when banks have recovered and there is greater capacity in the market for bank liquidity facilities.

Unregulated market participants

Under current law municipal securities broker-dealers must register with the SEC and join the Municipal Securities Rulemaking Board (MSRB). They then become accountable to the SEC and subject to a range of regulations that govern virtually all their business activity. The MSRB has a long and successful history of overseeing the activities of municipal securities dealers and has developed and refined a set of dealer regulations that are tailored to the unique characteristics of the municipal bond market. These regulations relate to conflicts of interest, professional qualifications and standards, capital adequacy, fair dealing, books and records and a variety of other areas. In addition, municipal broker-dealers are subject to periodic examinations by the SEC and the Financial Industry Regulatory Authority (FINRA), and violators of regulations can be sanctioned by fines, censure or, ultimately, by a revocation of their registration. In general these rules and mechanisms apply to broker-dealers whether they are acting in the capacity of underwriter or dealer or in the capacity of financial advisor. None of these rules and mechanisms apply to so-called "independent" financial advisors (FAs) who are not also broker-dealers; FAs are effectively unregulated and without accountability at the federal level.

Unregulated municipal financial advisors are in the business of providing advice to state and local governments with respect to issuing bonds, investing bond proceeds, using derivatives and guaranteed investment contracts, selecting underwriters and other functions. They also may help prepare disclosure documents, place private placement securities with investors and carry out other tasks. FAs can serve a vital function in a bond deal, and their actions can have significant implications for issuers and investors. Indeed, there have been numerous examples in recent months of conflicts of interest or poor advice from FAs that have negatively affected state and local bond issuers.[4]

The committee has drafted the Municipal Advisers Regulation Act (MARA) to address this problem. The MARA would require that "municipal financial advisors" register with the SEC in a manner similar to current registration requirements for broker-dealers. The bill would also grant the SEC broad authority to establish rules for registered municipal financial advisors and impose sanctions on rule violators. In addition the bill would specify that municipal financial advisors would bear a fiduciary standard of care with respect to their state and local government clients.

The RBDA supports the MARA because we believe it would effectively address the long-standing regulatory gap regarding FAs who are not broker-dealers. While the majority of FAs are honest and competent, it is inappropriate for any party to a securities transaction whose decisions and advice have such significant implications to fall outside any regulatory jurisdiction. Giving the SEC authority to oversee FAs would be an important step in closing that regulatory gap. The MARA would assure accountability and provide a fair and measured approach to FA regulation that is consistent with the scope and degree of regulation for other market participants.

Credit enhancement

Before 2008 the municipal bond market depended to a heavy degree on bond insurance as a form of credit enhancement. Bond insurance in the municipal market had evolved over 30 years and had come to play an important role in how bonds were priced and traded. Bond insurance is a form of insurance that is provided by monoline insurance companies. Rather than insurance against a physical loss, bond insurance promises to maintain scheduled principal and interest

[4] See, for example, Mary Williams Walsh, "Bond Advice Leaves Pain in Its Wake," *The New York Times*, February 16, 2009.

payments to investors in case a bond issuer defaults. In general, when a bond is insured, it carries a credit rating based on the rating for the claims-paying ability of the bond insurer. Because bonds with a higher credit rating typically yield less than bonds with lower ratings and because bond insurance is priced so that the cost of a policy is less than the present value savings to a bond issuer associated with issuing insured rather than uninsured bonds, using insurance provided a built-in way for municipal bond issuers to save money on their borrowing costs.

When it was prevalent, bond insurance provided more to the market than direct credit enhancement. Bond insurance simplified municipal bond analysis by "homogenizing" diverse credits. There are perhaps 50,000-70,000 issuers of municipal bonds representing a wide range of purposes and structures. The transfer of credit risk to municipal bond insurance companies made it easier for investors to evaluate individual bond investments as credit analysis could be focused on the insurance company rather than on the underlying municipal credit. Consequently, bond insurance made bond analysis more efficient, which supported orderly trading and general municipal bond market liquidity. At its height, bond insurance was attached to more than half of all new municipal bonds sold.

As the members of the committee know, many of the monoline insurance companies were involved in insuring not only relatively safe and stable municipal bonds, but also structured credit products that in some cases were highly leveraged and subject to considerable exposure to subprime lending and real estate values. As the subprime market collapsed, losses associated with structured credit products eroded the capitalization of many of the bond insurers. Today, most are no longer capable of underwriting new business in the municipal market. Of the "legacy" bond insurers that were previously active in the municipal market, only two are still active today, and they are in the process of merging. As a result there is much less capacity for credit enhancement than over the last several decades.

The sector of the market that has been perhaps the most severely affected by the reduction in the capacity of credit enhancers is the market for lower-rated revenue and enterprise issuers such as hospitals. Credit spreads—the difference in borrowing costs for issuers if differing credit quality—have widened considerably in recent months. The remaining bond insurers are not aggressively providing credit enhancement to these issuers, and consequently they are facing significantly higher borrowing costs. While the market is slowly adjusting to a world with much less bond insurance, there are clear signs that both issuers and investors would benefit from more capacity among monoline bond insurers. Several new startup monoline insurers—some new startups and some affiliated with legacy insurers—have announced their intention to become active in the market.

Some of the legacy bond insurers have petitioned the Treasury Department to provide recapitalization funds so they can return to the market and offer credit enhancement. The Treasury Department, however, has reportedly rejected these requests.[5]

The committee has proposed the Municipal Bond Insurance Enhancement Act (MBIEA) of 2009 as a targeted and temporary solution to the reduction in bond insurance capacity in the municipal

---

[5] Andrew Ackerman Jack Herman and Patrick Temple-West, "Treasury Rejects Direct Aid to Insurers," *The Bond Buyer*, February 11, 2009,

market. The bill would direct the Treasury Department to offer $50 billion of reinsurance to monoline insurers who are active in the municipal market. Treasury would charge risk-based premiums for the risk they underwrite. The RBDA supports this proposal because we believe it would help restore credit enhancement capacity to the municipal market. We also believe that Treasury would incur almost no losses on its risk underwriting activities because the default and loss rates on municipal bonds are so low. It is important that the program be structured to help those municipal bond issuers who have been most severely affected by wider credit spreads and the loss of much of the credit enhancement capacity, singe-A and triple-B rated revenue and enterprise issuers. Even with this category of borrowers, Treasuries losses are likely to be minimal. In the end, Treasury would likely generate a profit for taxpayers on this activity while helping to restore confidence and efficiency to the municipal market.

The committee may wish to consider two enhancements to the MBIEA. First, the current draft of the bill specifies that Treasury could provide reinsurance only to those insurance companies "whose corporate or other governing charter prohibits the insurer from providing coverage for risks other than" municipal bonds. This limitation may be overly restrictive and could prevent Treasury from being able to offer reinsurance to any of the companies currently active in the market. The committee may want to consider an amendment that, for example, limits the reinsurance to firms predominantly involved in the municipal market and authorizes Treasury to impose additional restrictions on which insurance companies may be eligible to participate in the program.

Second, the MBIEA specifies that no later than five years after the date of enactment of the bill, Treasury is required to execute a plan "for the privatization of the operation of the program under this subsection through the submission of offers to purchase such operations." The principal value of the reinsurance program proposed in the MBIEA is that the federal government would be standing behind the credits that Treasury reinsures. If Treasury is required to sell off the portfolio after five years, because many municipal bonds often have maturities of 20 years or longer, the market will question who ultimately will be enhancing the credit. Because Treasury would be required to divest the portfolio, the market would discount the value of Treasury credit enhancement. The committee may want to revise the divestment provision of the MBIEA so that Treasury would not be required to transfer the credit portfolio to a private insurer. To the extent that the goal of the divestment provision is to limit the scope of the program, the committee may want to consider other limitations that would not bring into question the ultimate obligor on the reinsurance. For example, Treasury could offer the reinsurance service for a shorter period of time—say, two years—but that reinsurance would remain in force at Treasury for the life of the bonds.

Municipal bond rating standards

Because municipal bonds carry default risk, however small, investors depend on credit ratings as a evaluative opinions of the risk of default and loss on particular bonds. Certain rating agencies have stated that the scale they use to rate municipal bonds is different from that used to rate other credit products.[6] This can result in a circumstance where a municipal bond with a particular default and loss expectation carries a lower rating than a security in another market sector with a similar default and loss expectation. Some have argued that this factor causes states and localities to pay more in their financing costs than they otherwise would.

Last year several rating agencies announced that they would begin migrating their municipal ratings to a scale consistent with other credit products.[7] Later in the year some of those rating agencies stated that the project to move to a consistent rating scale for all credit products would be suspended "indefinitely."[8]

The committee has proposed the Municipal Bond Fairness Act (MBFA) to address the issue of divergent rating scales for municipal bonds and other credit products. The MBFA would mandate that the SEC require rating agencies to apply rating symbols "in a consistent manner for all types of securities and money market instruments." The bill would not dictate rating methodologies or factors associated with ratings, which could continue to differ across sectors of the credit markets. The bill would also require the SEC to establish and apply performance measures to assess the accuracy of rating agencies' credit evaluations.

The RBDA supports the MBFA because as we have stated in the past we believe a single rating scale "is in the long-term best interests of both issuers and investors, that it will lower financing costs for state and local governments, and that it will reduce confusion in the market and better enable investors to compare the credit risk of municipal debt with that of other debt products."[9] While we support the MBFA, we also urge the rating agencies who previously announced projects to move municipal ratings to a scale consistent with other credit products to resume those initiatives apart from a legislative mandate.

Conclusion

We again commend Chairman Frank and other members of the committee for your attention to the municipal market in this hearing and with the four draft bills you released last week. This legislation would provide targeted and temporary assistance to states and localities still experiencing the fallout from the financial crisis. The bills would also address regulatory gaps in the municipal market, provide federal accountability for all financial professionals, and thereby strengthen investor confidence in the municipal market. We support the four draft bills and look forward to working for their quick enactment.

Thank you again for the opportunity to testify. I look forward to your questions.

[6] See, for example, Moody's Investors Service, "Testimony of Laura Levenstein, Senior Managing Director, Moody's Investors Service Before the United States House of Representatives Committee on Financial Services," March 12, 2008.
[7] Michael McDonald, "Moody's Set to Change Municipal Bond Rating Scale," Bloomberg Information Service, June 12, 2008.
[8] Jack Herman, "Fitch, Moody's to Delay Recalibrations," *The Bond Buyer*, October 8, 2008.
[9] Letter from Michael Decker and Mike Nicholas, Co-Chief Executive Officers, Regional Bond Dealers Association, to Lisa Washburn, Managing Director, Public Finance Group, Moody's Investors Service, June 30, 2008.