

**Government Finance Officers Association
National Association of Counties
National League of Cities
Council of Infrastructure Financing Authorities
Education Finance Council
National Association of Health and Educational Facilities Finance Authorities
National Association of Local Housing Finance Agencies**

June 24, 2008

The Honorable Barney Frank
Chairman, Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank:

The organizations listed above are writing in support of H.R. 6308, *The Municipal Bond Fairness Act*. We applaud your continued support for the state and local government community and your ongoing focus on the problems our members are currently facing in the tax-exempt bond market.

It is important to state and local governments and the municipal bond market to address problems associated with different credit rating scales for different securities and the issues raised relating to bond insurance industry practices. The legislation introduced last week will significantly assist state and local governments and authorities in many ways. As you have noted, the default rate on municipal securities is a fraction of that for corporate securities while at the same time the recovery rate is higher. Yet, many government securities are rated lower than their corporate counterparts. We expect that ensuring that the rating agencies use “uniform and accurate credit rating(s)” for all securities will lower borrowing costs and make it easier for new investors to participate in the municipal securities market. We also applaud the legislation’s call for the Secretary of the Treasury to investigate, review and make recommendations on the state of the municipal bond insurance industry. Recent downgrades of the major insurers have caused considerable – and costly – problems for many governments.

State and local governments and authorities face many challenges in the changing municipal securities market. The importance of the market cannot be overemphasized as tax-exempt bond proceeds are used to build and provide infrastructure for citizens in the form of roads, schools, public buildings, parks, hospitals, affordable housing and higher education facilities – just to name a few. Your efforts to review the fundamentals of the market, and create improvements and safeguards in the credit rating and bond insurance industries are valuable to many state and local governments. Furthermore, these efforts will likely lead to lower borrowing costs for communities across the nation, and provide benefits to their citizens in a more cost efficient manner.

Sincerely,

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National Association of Counties, Ed Rosado or Steve Traylor, 202-393-6226
National League of Cities, Carolyn Coleman or Mike Wallace, 202-626-3000
Council of Infrastructure Financing Authorities, Rick Farrell, 202-547-1866
Education Finance Council, Peter Warren, 202-955-5510
National Association of Health and Educational Facilities Finance Authorities, Chuck Samuels, 202-434-7311
National Association of Local Housing Finance Agencies, John Murphy, 202-367-1197