



**Government Finance Officers Association**  
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April 15, 2008

Moody's Investor Service  
250 Greenwich Street  
New York, NY 10007  
cpc@moodys.com

Dear Sir or Madam:

Thank you for the opportunity to respond to Moody's Request for Comments on the Assignment of Global Ratings to Tax-Exempt Municipal Obligations. On behalf of the Government Finance Officers Association's 17,500 members, I would like to applaud Moody's for their leadership on this issue.

The current municipal market dialogue about the differences between municipal bond ratings and corporate bond ratings has led to misunderstandings about these measures of credit, and concern that inequities occur as a result of the differences between these two measures. Therefore, we support Moody's development of the Global Scale Rating (GSR) and urge you to expand the applicability of the GSR to further enhance transparency and comparability between the two scales.

While Moody's has historically limited the use of the GSR to taxable bonds, we believe there are additional areas where use of the GSR can provide valuable guidance, including: assisting in the classification of certain A-rated municipal bonds as being eligible credits for SEC Rule 2a7 purposes, enhancing the understanding of the relationship between underlying municipal bond ratings and insured bond ratings, assisting retail investors' understanding of the relationship between municipal and corporate securities, and assisting in establishing appropriate counterparty collateral levels for swap agreements, investment agreements and like purposes.

As Moody's research has found, the default rate on all municipal securities is substantially lower than corporate securities. Additionally, unlike corporations, governments do not go out of business and have the sovereign authority to impose taxes. We firmly believe that these characteristics of municipal bond credits must be recognized in comparison with corporate bond ratings.

GFOA will be urging all three rating agencies to develop a product similar to Moody's Global Scale Rating for the purposes we have spelled out above. Because the Global Scale Rating methodology is a direct by-product of the Moody's Municipal Scale, we do not believe issuer or investor users should pay for an additional credit analysis. We believe that rating fees should be structured to account for the basic credit analysis and that the subsequent use of the Global Scale Rating should be available to issuers and investors alike at no additional charge.

Thank you again for the opportunity to comment on this important matter.

Sincerely,

Charles Cox  
President