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June 30, 2008

Moody's Investors Service
7 World Trade Center
New York, NY 10007
cpc@moodys.com

Re: Request for Comment: Assignment of Global Ratings to Tax-Exempt Municipal Obligations

Ladies and Gentlemen:

On behalf of the Affordable Housing Tax Credit Coalition (the "Coalition"), a group of developers, syndicators, lenders, nonprofit groups, public agencies, and others concerned with the development and financing of affordable housing through the use of the low-income housing tax credit (the "Housing Tax Credit"), we are submitting our response to Moody's published intent to commence mapping from the municipal rating scale to its global scale ratings ("GSR") by using the expected loss value of the municipal rating to map to its equivalent rating on the global scale.

Summary

The Housing Tax Credit is the primary governmental stimulant for the development and preservation of affordable housing in the United States. The Housing Tax Credit is the principal tool used to implement the stated policy of providing decent housing to all, through the use of economic incentives to the private sector. Approximately 20% to 25% of the 100,000 housing units created or preserved each year through the use of the Housing Tax Credit are also financed with the proceeds of tax-exempt bonds ("Affordable Housing Bonds"). By combining the benefit of the reduced interest expense on the Affordable Housing Bonds and the substitution of debt with Housing Tax Credit equity, the ability to produce affordable housing is greatly enhanced. Both equity investments in the Housing Tax Credit and in Affordable Housing Bonds have proven to be relatively safe investments compared to other real estate investments and in particular to corporate debt. The Coalition therefore strongly supports the efforts by Moody's to commence using the GSR for municipal issuances. We believe that such efforts will result in the ability to more efficiently produce and maintain affordable housing by allowing interest expense on Affordable Housing Bonds to more correctly reflect the relative safety of such investments.

While the Coalition supports the use of the GSR, the Coalition would not support Moody's changing its published assumptions underlying its approach for rating Affordable Housing Bonds[1] absent any meaningful new data or information on performance in this sector. If Moody's should change its assumptions without such data and consequently increase the default probability or recovery assumptions associated with Affordable Housing Bonds

[1] Moody's Rating Methodology, Affordable Multifamily Housing, March 2007 ("Moody's Affordable Housing Methodology").

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generally, then such change would eliminate all or substantially all of the benefit of its new rating policy would have on the development of affordable housing.

Background

The Congress included the Housing Tax Credit in the Tax Reform Act of 1986 "to provide market incentives to acquire and develop or rehabilitate affordable rental housing."[2] Since its enactment over two million housing units for lower income households have been created or preserved. The program is a federal program that is administered by the states to provide for investments in housing that is developed by the private sector. The equity investment that is supported by the benefit of Housing Tax Credits replaces interest bearing debt financing, making it possible to offer lower, more affordable rents. The ability to use tax-exempt bond financing with the Housing Tax Credit provides for lower interest expense on these projects, further enhancing the ability to reduce rents. Improvements to the Housing Tax Credit Program, including improvements in coordinating the use of Affordable Housing Bonds with Housing Tax Credits, are included in the American Housing and Economic Recovery Act of 2008. As of the time of this letter, this act has been overwhelmingly passed by the House of Representative and has received support of 80% of the Senate. We believe this bill will become law over the next few weeks.

While Moody's has generally viewed the credit risk of Affordable Housing Bonds to be below investment grade,[3] market participants and the most comprehensive survey of the sector available have shown historical experience to be better than that of non-investment grade bonds.[4] The Office of Comptroller of the Currency has also compiled and reprinted data showing that Housing Tax Credit properties have the lowest average annual foreclosure rate when compared with other real estate assets such as apartments, industrial, retail, mixed use, and hotel/motel.[5]

Moody's is undertaking its review at a time when the provision of efficient means of financing affordable housing is most needed. Due to several market factors the pricing of Housing Tax Credits has resulted in less equity being provided to affordable housing than has been available over the past few years. Adopting the GSR will enable either interest expense on unenhanced Affordable Housing Bonds to reflect more correctly the actual comparative risk of these investments or enable credit enhancers to measure more accurately the required reserves. In either of these cases, there will be a more efficient means to produce affordable housing, resulting in proceeds being available to offset the reduction in equity available to finance affordable housing. This will certainly enhance the Congressional goal of producing affordable housing. However, if the assignment of GSRs of Housing Tax Credit Bonds occurs with changes to the underlying rating assumptions or methodologies, that do not appropriately reflect the risks of these transactions, such benefit will be essentially eliminated.

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[2] Comptroller of the Currency, Community Development Insights: Low-Income Housing Tax Credits: Affordable Housing Investment Opportunities for Banks, February 2008 ("OCC Report").

[3] See generally, Moody's Affordable Housing Methodology.

[4] See Understanding the Dynamics IV: Housing Tax Credit Investment Performance, Ernst & Young Tax Credit Investment Advisory Services, June 2007.

[5] See OCC Report, page 18 figure 11.

Conclusion

Affordable Housing Bonds and Housing Tax Credit properties are viewed by many market participants and by certain federal agencies as a relatively safe asset class. By enacting the Housing Tax Credit program, the federal government has lowered the cost of constructing and maintaining affordable housing for millions of American families.

The Coalition urges Moody's to:

(i) commence mapping from the municipal rating scale to GSR by using the expected loss value of the municipal rating to map to its equivalent rating on the global scale; and

(ii) not to change its published criteria or assumptions underlying its methodology for rating Affordable Housing Bonds in the process of assigning GSRs absent any meaningful new data or information on performance in this sector.

We welcome an opportunity for dialogue or further conversation on this topic with Moody's.

Very truly yours,

Ronne Thielen

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President

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