



Phil Angelides
Chairman

Hon. Bill Thomas
Vice Chairman

Brooksley Born
Commissioner

Byron S. Georgiou
Commissioner

Senator Bob Graham
Commissioner

Keith Hennessey
Commissioner

Douglas Holtz-Eakin
Commissioner

Heather H. Murren, CFA
Commissioner

John W. Thompson
Commissioner

Peter J. Wallison
Commissioner

Thomas Greene
Executive Director

July 16, 2010

Via Email & Mail

Professor Gary Witt
1815 JFK Blvd.
Apt 2914
Philadelphia, PA 19103
Email: gary.witt@temple.edu

Re: Financial Crisis Inquiry Commission Hearing on June 2, 2010

Dear Professor Witt:

Thank you for testifying at our June 2, 2010 hearing. At the hearing, you were informed that the staff of the FCIC would be contacting you to follow up on certain areas of your testimony and to submit written questions and requests for information related to your testimony.

When answering all questions, the relevant time period is January 1, 2000 to the present, unless otherwise indicated. Please provide your answers and any additional information by July 30, 2010.¹

In its SEC registration form, (Form NRSRO), submitted to the SEC on June 26, 2007, Moody's wrote:

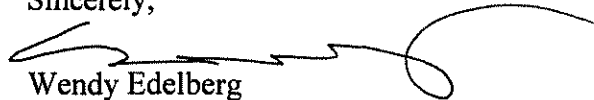
¹ The answers you provide to the questions in this letter are a continuation of your testimony and under the same oath you took before testifying on June 2, 2010. Further, please be advised that according to section 1001 of Title 18 of the United States Code, "Whoever, in any matter within the jurisdiction of any department or agency often United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Most Issuers operate in good faith and provide reliable information to the securities markets and to MIS, and we rely on Issuers and their agents to do so. We do not possess either the comprehensive or independent first-hand knowledge to verify or test the accuracy of information that Issuers make available to the public or directly to MIS. Nevertheless, our analysts seek to exercise skepticism with respect to an issuer's claims. If we believe we have inadequate information to provide an informed credit rating to the market, we will exercise our editorial discretion and will either refrain from publishing the opinion or withdraw an outstanding credit rating (see below for a discussion of our rating withdrawal policy).

Can you give examples of instances in which you expressed skepticism and consequently Moody's decided not to rate an RMBS or CDO?

The FCIC appreciates your cooperation in providing the information requested. Please do not hesitate to contact Bruce McWilliams at (202) 292-1399 if you have any questions or concerns.

Sincerely,



Wendy Edelberg

Executive Director, Financial Crisis Inquiry Commission

cc: Phil Angelides, Chairman, Financial Crisis Inquiry Commission
Bill Thomas, Chairman, Financial Crisis Inquiry Commission

Response to FCIC question

from Bruce McWilliams to Gary Witt per email of July 16, 2010

My best interpretation of the question that was posed (based on the question and its context) is as follows.

Can you give instances in which you expressed skepticism [with respect to an issuer's claim] and consequently Moody's decided not to rate a CDO [that was subsequently issued]?

To that question my answer is no; however, it has been five years since I worked in the CDO group at Moody's. The failure to remember an incident with such specific characteristics should not be construed as a definitive statement that it did not occur.

If the question had been broad, as follows, then I can think of at least two examples. Both would be from the period 2003-2005.

Can you give instances in which you expressed skepticism [with respect to any characteristic of the CDO] and consequently Moody's decided not to rate the CDO [regardless of whether it was subsequently issued]?

- (1) Goldman Sachs wanted to underwrite high-grade (average rating Aa1 or Aa2) ABS CDOs that issued Commercial Paper without a liquidity guarantee. They wanted to use much deeper subordination for the CP tranche with a P1 short-term rating than was required for a tranche with a long term Aaa rating. They argued that the historical price variation of highly rated RMBS, CMBS and other ABS categories was low and that CP could be redeemed by asset sales if a CP auction failed. I believed that our long-term ratings did not address price liquidity and gave us no basis for a short-term rating. Moody's did not rate such a CDO that I know of but this proposed structure did share some similarities to SIVs that were Moody's rated.

(2) I worked with Bill Harrington on a CDO for Marathon Asset Management using mostly corporate loans as collateral. I believe they wanted a large fraction middle market loans. They wanted to issue a CDO that would give them much more flexibility in terms of the ramp-up period than we had seen before. Essentially they wanted to issue the liabilities and wait for one or two years to buy the assets, essentially shorting the market for CDO notes. This was before the synthetic market grew to prominence so at a later date they could probably achieve their goal synthetically with a bilateral CDS that would not need a rating.

Context: It was routine for Moody's to raise objections to certain features that were subsequently modified or removed. It was also common that discussions with an issuer or underwriter about a proposed CDO transaction would be acrimonious because of Moody's objections to certain features and that subsequently, the CDO would not be issued. The rating of a CDO was always a lengthy process that often fizzled out for a variety of reasons, most related to the interests of investors or the lack thereof. Given such an environment, attributing objections by Moody's to be the reason that a CDO that was not issued would be difficult.