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**Statement of Rep. Edolphus “Ed” Towns**

**Committee on Oversight and Government Reform Full  
Committee Hearing Entitled “Credit Rating Agencies and the  
Financial Crisis.”**

**Wednesday, October 22, 2008 at 10:00 a.m. in Room 2154 of  
the Rayburn House Office Building**

I want to thank the Chairman and Ranking Member for holding this hearing to investigate the role of the nation’s credit rating agencies in the activities which led to the current economic crisis.

I am pleased that the heads of this country’s three principal credit rating agencies, Standard and Poor’s, Moody’s Corporation and Fitch Ratings, will be testifying today. The American people, along with businesses and investors from around the world, have come to depend on these private credit rating agencies to gauge the

risks of the investments that they are thinking about making.

During recent months, we have discovered that a 'good' credit rating may not mean exactly what we thought. Several highly rated investments ended up collapsing, and people who thought they put their money down on a safe bet found out that they were in trouble.

When I see a triple-A rating from one of the institutions that our witnesses represent, I used to feel fairly confident that the investment being rated is solid. I didn't go much beyond that, and as it seems, neither did many sophisticated investors.

We depend so much on the information and judgment of the credit rating agencies that these independent organizations serve an almost official role in our economic system. As our economy has grown in recent decades along with the growth of wealth and technology that allows more and more people to become active investors in the market, it becomes increasingly important that we find ways to ensure that investors have access to accurate and reliable information.

Credit rating agencies have an undeniable amount of power over the financial market. They influence where people put their money. We need to make certain that people know exactly what these credit ratings mean, and we also need to make certain that people know exactly why a particular investment got the rating that it did. Additionally, I hope that in response to this financial crisis, we find better ways to detect potentially crippling problems with certain types of investments that could affect our entire economy much sooner than we did in the present case.

Thank you Mr. Chairman.

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