



Press Release

STANDARD & POOR'S ADDRESSES ROLE OF RATING AGENCIES AND RECENT ACTIONS IN TESTIMONY BEFORE SENATE BANKING COMMITTEE

S&P EVP Vickie Tillman Addresses S&P's Ratings and Their Role in Capital Markets, Strong Track Record of Ratings Opinions, and Commitment to Transparency and the Continuous Enhancement of its Processes

Tillman Also Will Testify Tomorrow at House Subcommittee on Capital Markets

WASHINGTON, D.C., September 26, 2007 – In testimony today before the United States Senate Committee on Banking, Housing, and Urban Affairs, Vickie A. Tillman, Executive Vice President of Credit Market Services for Standard & Poor's Ratings Services ("S&P"), focused on the role of S&P's ratings in the capital markets, S&P's strong track record of assessing creditworthiness, and the steps it is taking to ensure transparency and the continued enhancement of its analytics and processes. Ms. Tillman also addressed common misconceptions regarding S&P's role in the subprime market.

In her testimony, Ms. Tillman stated that "it is important to clarify the role of rating agencies such as S&P in the financial markets, the rigor S&P applies in fulfilling that role, and our overall record of delivering unbiased opinions on creditworthiness."

She also noted that, "Our reputation is our business, and when it comes into question we listen, learn, and improve ... We have learned hard lessons from the recent difficulties in the subprime mortgage area ... we are taking steps to ensure that our ratings, and the assumptions that underlie them, are analytically sound in light of shifting circumstances."

She also reiterated S&P's "...commitment to do all that we can to make our analytics the best in the world..." and to working with the Committee as it "explores developments affecting the subprime market."

The following are additional highlights from Ms. Tillman's testimony.

The Role of Rating Agencies

Credit ratings are "...not a promise of performance but an evaluation of the risk of default ... Credit ratings speak to one topic and one topic only – the likelihood that rated securities will default. When we rate securities, we are not saying that they are 'guaranteed' to repay but the opposite: that some of them will likely default."

"S&P has been rating RMBS for thirty years and has developed industry-leading processes and models for evaluating the creditworthiness of these transactions. As a result, S&P has an excellent track record of assessing RMBS credit quality ... Over that [30-year] period the percentage of defaults of transactions rated by us as 'AAA' is four one-hundredths of one percent. Even our lowest investment grade rating, 'BBB', has a historical default rate of only slightly over one percent."

Efforts to Improve Performance and Ensure Transparency

“We continue to work to enhance our analytics and processes by: tightening our criteria and increasing the frequency of our reviews; modifying our analytical models; completing a recent acquisition that will help further enhance our analytics; and analyzing areas in which we can do more, such as ways to enhance the quantity and quality of data available to us.”

“At S&P, our policies and procedures include the fact that analysts are neither compensated based upon the number of deals they rate nor are they involved in negotiating fees. These controls and others are set forth in our Code of Conduct, modeled on the IOSCO Code. Every employee receives training on this Code and must attest to compliance with it.”

“That S&P refuses to put revenue ahead of analytical rigor is further demonstrated by the fact that we have refused to rate whole categories of transactions that do not meet our criteria.”

Common Misconceptions Regarding Actions Taken and Business Model

“S&P has spoken out — and taken action — early and often on subprime issues ... We have also taken action, including downgrading RMBS transactions more quickly than ever before and updating our analysis to reflect increased risk.”

“We also take affirmative steps to guard against conflicts of interest that may arise out of the fact that we — like almost every other major rating agency — use an ‘issuer-pays’ model. As the Committee knows, this issue was thoroughly debated by Congress during consideration of the 2006 Act.”

“The issuer-pays model helps bring greater transparency to the market as it allows all investors to have real-time access to our ratings. Unlike under a subscription model, the issuer-pays model allows for broad market scrutiny of our ratings every day.”

To view a copy of Ms. Tillman’s testimony, please click [here](#).

Ms. Tillman also will testify on September 27, 2007 before the U.S. House of Representatives’ Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises. The hearing will commence at 2:00 p.m. in Room 2128 of the Rayburn House Office Building.

About Standard & Poor’s

Standard & Poor's, a division of The McGraw-Hill Companies (NYSE: MHP), is the world's foremost provider of financial market intelligence, including independent credit ratings, indices, risk evaluation, investment research and data. With approximately 8,500 employees, including wholly owned affiliates, located in 21 countries, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, please click [here](#).

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