Babson Capital
MANAGEMENT LLC

March 12, 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Ref: File Number S7-04-07

Dear Ms. Morris:

We write to comment on Proposed Rule 17g-6 implementing the provisions of the Credit Rating Agency Reform Act of 2006 (the "Act") prohibiting unfair, coercive, or abusive practices.

We support the Commission's preliminary determination that it is unfair, coercive, or abusive for a NRSRO to issue or threaten to issue a lower credit rating, lower or threaten to lower an existing credit rating, refuse to issue a credit rating, or to withdraw a credit rating with respect to a structured finance product unless a portion of the assets underlying the structured product also are rated by the NRSRO. The prohibition on these practices, known as "notching" within the structured finance community, will increase competition within the credit ratings market. It will also provide investors in structured finance products increased choice among investment opportunities.

We believe that the Commission's proposed regulations could do even more to stimulate competition among credit rating agencies, as Congress has demanded by passage of the Act. Specifically, we believe that the proposed exception to the prohibition set out in paragraph (a)(4) of proposed Rule 17g-6 should be eliminated, or at the very least modified so that a NRSRO may not refuse to issue a rating if it has rated at least 66% of the underlying assets.

The argument to eliminate the exception is simple. There is no legitimate rationale for a credit rating agency to refuse, systematically, to review the performance of another credit rating agency's ratings, and to refuse to treat the other agency's ratings as accurate predictors of risk. We believe that once an agency is recognized as a NRSRO under the Act, its ratings should be recognized by the other NRSROs without penalization. One approach would be to establish a system whereby if a NRSRO rates a transaction that includes underlying assets that are not rated by that NRSRO, and the underlying assets are publicly rated by two other NRSROs, the NRSRO issuing the rating would use the lower of the two public ratings. If an underlying asset was publicly rated by three other NRSROs, the NRSRO would take the middle rating. If an underlying asset was publicly rated by four or more firms, the NRSRO would take the second lowest rating. This would provide a conservative and transparent approach to rating pools of assets, while avoiding the unfair, coercive and abusive effect of requiring a percentage of assets to be rated by a given agency.

In the event the Commission is unwilling to eliminate the proposed exception, we believe the exception should be modified to provide a threshold more likely to stimulate increased competition. The proposed exception providing for a 85% threshold imposes a continued barrier to entry. Specifically, it allows the largest credit rating agencies to suppress competition by compelling issuers of structured finance products to buy securities that carry their ratings. We believe issuers of structured finance products should be free to choose among securities rated by all NRSROs without fear or uncertainty as whether or not a rating agency will agree to rate their product.

By passing the Act, Congress recognized that increased competition within the credit ratings market leads to increased responsiveness of the rating agencies to the needs of financial market participants, and to greater accuracy and comprehensiveness of available information. We urge you to foster such competition by eliminating the proposed exception to the prohibition set out in Proposed Rule 17g-6, or lowering the 85% to 66% or less.

We would be happy to discuss our comments with you in greater detail at your convenience.

Sincerely,

BABSON CAPITAL MANAGEMENT LLC

By: _____
Name: Rodney J. Dillman
Title: General Counsel