United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

July 17, 2025

Rob Fauber
President and CEO
Moody's Investors Service
250 Greenwich Street
New York, NY 10007

Dear Mr. Fauber:

I write to request information regarding your company's approach to developing credit ratings for private credit products. The $1.7 trillion private credit market has grown rapidly in recent years, including a 145% increase in the volume of bank loans to private debt funds.[1] However, recent reporting suggests that some companies may be inflating the credit ratings of private credit products, posing potential systemic risks to the financial system.[2] To help us as policymakers better understand the health of the private credit market, we seek details on your company's business practices—especially as it relates to managing potential conflicts of interest in the development of credit ratings—and your methodology for determining product ratings.

Credit ratings play a critical role in financial markets and indicate the likelihood that a borrower will be able to repay their lenders.[3] Lenders that extend credit to companies that would not otherwise secure lending from traditional banks rely on your ratings to manage their credit risk and accurately price their loans. Credit ratings should offer independent, objective, and accurate assessments of credit risk. Inaccurate credit ratings notoriously contributed to the 2008 financial crisis: in the lead up to the crisis, credit rating firms provided overly optimistic ratings of mortgage-backed securities and collateralized debt obligations, leading many financial institutions to unknowingly take on riskier investments and spurring a financial catastrophe.[4]

[1] Bloomberg, "Bank Lending to Private Credit Funds Swells 145% in Five Years," Carmen Arroyo and Yizhu Wang, May 29, 2025, https://www.bloomberg.com/news/articles/2025-05-29/bank-lending-to-private-credit-funds-swells-145-in-five-years.
[2] Wall Street Journal, "Private-Credit Ratings Under Scrutiny: Conflicting Interests Fuel Investor Concerns," Isaac Taylor, May 18, 2025, https://www.wsj.com/articles/private-credit-ratings-under-scrutiny-conflicting-interests-fuel-investor-concerns-b103830b.
[3] Securities and Exchange Commission, Office of Investor Education and Advocacy, "ABCs of Credit Ratings," https://www.sec.gov/investor/alerts/ib_creditratings.pdf; Acquisition International, "Who Are the Best Credit Rating Agencies?" August 16, 2024, https://www.acquisition-international.com/who-are-the-best-credit-rating-agencies/.
[4] National Bureau of Economic Research, "The Credit Rating Crisis," Efraim Benmelech, March 1, 2010, https://www.nber.org/reporter/2010number1/credit-rating-crisis.

Yet, despite history and the importance of accurate credit ratings to our financial system, recent reporting suggests that some credit rating companies produce inflated ratings for private credit products.[5] In practice, some companies appear to be swayed by financial incentives, offering inflated ratings to lenders willing to pay. At one credit rating company, for example, staff analysts stated that they were pressured to "alter indicative ratings in order to induce customers to engage [the company] to issue final ratings of their securities."[6] Analysts also noted "the existence of a points system for rating analysts that interjected sales and marketing considerations"[7] into the development of credit ratings–meaning that ratings analysts, rather than exclusively assessing the credit worthiness of a client company, considered their employer's bottom line when formulating ratings.[8] That same company graded more than 3,000 investments in private credit, with a team of just 20 analysts, raising additional concerns about the quality of ratings given the volume and small staff size.[9]

If companies can "shop around" for higher ratings, the likelihood of inflated or inaccurate credit ratings in the private lending market grows. And these ratings can have real consequences for American consumers, as the systemic risk concerns are not solely theoretical. Last month, Moody's Analytics released a report detailing how private credit has grown in systemic importance to the economy and spread "across the financial system while remaining less transparent, less liquid, and more reliant on structures that make its risks more difficult to evaluate than those of other types of credit intermediaries."[10]

Private credit has permeated almost every sector of the U.S. economy, from real estate, to healthcare, to insurance companies. For example, according to Fitch Ratings, "Insurers collectively held around $350 billion of privately rated securities at the end of 2023."[11] This is especially troubling when considering the fact that credit ratings significantly influence the amount of capital reserves an insurance company must hold. Additionally, research from the National Association of Insurance Commissioners (NAIC) recently highlighted variation in ratings offered by NAIC versus external ratings agencies. Specifically, NAIC found "that the

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[5] Wall Street Journal, "Private-Credit Ratings Under Scrutiny: Conflicting Interests Fuel Investor Concerns," Isaac Taylor, May 18, 2025, https://www.wsj.com/articles/private-credit-ratings-under-scrutiny-conflicting-interests-fuel-investor-concerns-b103830b.

[6] Bloomberg, "A New Ratings Game: 3,000 Deals, 20 Analysts, Lost of Questions," June 2, 2025, Silas Brown, Alexandre Rajbhandari, and Laura Benitez, https://www.bloomberg.com/news/articles/2025-06-01/private-credit-ratings-egan-jones-deals-raise-wall-street-scrutiny.

[7] Wall Street Journal Private Equity, "Private-Credit Ratings Under Scrutiny: Conflicting Interests Fuel Investor Concerns," Isaac Taylor, May 18, 2025, https://www.wsj.com/articles/private-credit-ratings-under-scrutiny-conflicting-interests-fuel-investor-concerns-b103830b?gaa_at=eafs&gaa_n=ASWzDAhVWH-6EjRKhVuY_13HZZoFKXCjPkrWrWT3u8PUEb4Pzh.

[8] *Id.*

[9] Bloomberg, "A New Ratings Game: 3,000 Deals, 20 Analysts, Lots of Questions," Silas Brown, Alexandre Rajbhandari, and Laura Benitez, June 1, 2025, https://www.bloomberg.com/news/articles/2025-06-01/private-credit-ratings-egan-jones-deals-raise-wall-street-scrutiny.

[10] Moody's Analytics, "Private Credit & Systemic Risk," June 2025, p. 4, https://www.economy.com/getfile?q=2107637A-C535-4AFF-83BC-6CBA1AD1FAB9&app=download.

[11] Wall Street Journal Private Equity, "Private-Credit Ratings Under Scrutiny: Conflicting Interests Fuel Investor Concerns," Isaac Taylor, May 18, 2025, https://www.wsj.com/articles/private-credit-ratings-under-scrutiny-conflicting-interests-fuel-investor-concerns-b103830b?gaa_at=eafs&gaa_n=ASWzDAhVWH-6EjRKhVuY_13HZZoFKXCjPkrWrWT3u8PUEb4Pzh.

greater the deviation of a private-credit rating from the results of an assessment by the NAIC's securities valuation office, the more likely the grade came from a smaller ratings provider."[12]

Insurance companies have a direct impact on the financial well-being of everyday families. If an insurance company is unable to pay claims because of inadequate reserves, that means families may be unable to rebuild their homes or pay healthcare bills. This is just the tip of the iceberg when assessing the growing risk of the private credit market.

Given our concerns, we ask that you respond to the following questions by July 31, 2025.

1. How long does it take your company to provide credit ratings?

2. How many credit ratings does your company typically provide a week? A month? A year?

3. How many employees at your company produce credit ratings? How many employees are responsible for developing each rating, on average?

4. What quality control systems does your company have in place to ensure accuracy?

5. What methodologies does your company use to assess and rate private credit products?

6. Do these methodologies vary from the way your company assesses other products? If so, how?

7. What business considerations, if any, does your company take into account in producing credit ratings?

Sincerely,

[12] Note: The referenced NAIC report "was removed from the NAIC's website because of a backlash from the insurers as well as some of the ratings firms, according to people familiar with the matter" Bloomberg, "A New Ratings Game: 3,000 Deals, 20 Analysts, Lots of Questions," Silas Brown, Alexandre Rajbhandari, and Laura Benitez, June 12, 2025, https://www.bloomberg.com/news/articles/2025-06-01/private-credit-ratings-egan-jones-deals-raise-wall-street-scrutiny; Wall Street Journal Private Equity, "Private-Credit Ratings Under Scrutiny: Conflicting Interests Fuel Investor Concerns," Isaac Taylor, May 18, 2025, https://www.wsj.com/articles/private-credit-ratings-under-scrutiny-conflicting-interests-fuel-investor-concerns-b103830b?gaa_at=eafs&gaa_n=ASWzDAhVWH-6EjRKhVuY_13HZZoFKXCjPkrWrWT3u8PUEb4Pzh.

Sincerely,

Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs