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≡ Menu

# Did Credit Rating Agencies Make Unbiased Assumptions on CDOs?

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### Article Information

#### Abstract

We compare key CDO assumptions from two departments within the same rating agency but with different financial incentives. Assumptions made by the ratings division are more favorable than those by the surveillance department. The differences are not explained by collateral switching during the ramp-up period, a long time gap between reports, nor the collapse of the CDO market in 2007

Additionally, CDOs rated with more favorable assumptions by the ratings group were subsequently downgraded. As the useful signals from the

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## Additional Materials

[Online Appendix \(1.28 MB\)](#)

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## JEL Classification

**G21** Banks; Other Depository Institutions; Micro Finance Institutions; Mortgages

**G24** Investment Banking; Venture Capital; Brokerage; Ratings and Ratings Agencies

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