



# Did Credit Rating Agencies Make Unbiased Assumptions on CDOs?

John M. Griffin

Dragon Yongjun Tang

AMERICAN ECONOMIC REVIEW

VOL. 101, NO. 3, MAY 2011

(pp. 125-30)

Download Full Text PDF

## 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 more likely to be subsequently downgraded. As the useful signals from the surveillance group were seemingly ignored, these findings suggest rating agencies bias towards high ratings.

### Citation

Griffin, John M., and Dragon Yongjun Tang. 2011. "Did Credit Rating Agencies Make Unbiased Assumptions on CDOs?" *American Economic Review*, 101 (3): 125-30.

### This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept

Choose Format:



## Additional Materials

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

---

## JEL Classification

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

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

Find us on Facebook and X (formerly Twitter).



[@AEAJournals](#)



[@AEAJournals](#)



[@AEAInformation](#)



[@ASSAMeeting](#)



[@JOE\\_listings](#)

Copyright 2024 American Economic Association. All rights reserved.

[Terms of Use & Privacy Policy](#)

### This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept