



9800 Fredericksburg Road
San Antonio, Texas 78288

September 5, 2008

Via Electronic Delivery

Ms. Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

**Re: Proposed Rules Related to References to Ratings of Nationally
Recognized Statistical Ratings Organizations (File No. S7-19-08)**

Dear Ms. Harmon:

USAA Investment Management Company (IMCO) appreciates the opportunity to provide comments on the Securities and Exchange Commission's (Commission) proposal to remove references to credit ratings of nationally recognized statistical rating organizations (NRSROs) from Rule 2a-7 under the Investment Company Act of 1940. While we support the Commission's review of the quality of credit ratings issued by NRSROs, we strongly oppose the Commission's proposal to remove references to NRSRO credit ratings from Rule 2a-7.

United Services Automobile Association (USAA) is a member-owned association that seeks to facilitate the financial security of its members and their families by providing a full range of highly competitive financial products and services, including insurance, banking and investment products. IMCO, an indirect wholly-owned subsidiary of USAA, serves as the investment manager, administrator, underwriter and distributor of the USAA family of mutual funds offered to the general public, including 7 money market funds with over \$10 billion in assets.

We believe that the use of NRSRO ratings within Rule 2a-7 has served the mutual fund industry well in providing investor confidence in the stability of this product. Although the Commission has expressed concerns over what it considers to be "undue reliance" by some funds on the ratings, the Rule has never contemplated that funds will rely solely on a security's NRSRO ratings. In fact, one of the most important requirements of the Rule is that the fund board (or its delegate) will complete an independent evaluation of the credit quality of each portfolio investment and make a determination that each investment presents minimal credit risk. Certainly with respect to the USAA money market funds, the independent judgment of IMCO analysts and portfolio managers has served both the funds' shareholders and IMCO well. Through the recent turmoil in the credit markets, the required ratings combined with the strong independent judgment of the portfolio management team has resulted in no need for IMCO to financially step in to preserve the funds' stable NAV. We believe the safeguards presently in place in this regard have struck the right balance.

The application of the NRSRO ratings provides an independent, objective standard that complements the board's determination. Without the consideration of the ratings, there would be widespread variations in judgment among money market funds as to which securities qualify as an eligible security. Specifically, we believe there would be significant potential for competitive forces to lead money market funds to stretch for yield with credits that may not meet with minimum security and liquidity necessary for a money market security. This could lead to some funds stretching for a competitive advantage resulting in funds "breaking the buck", which would severely damage investor confidence in money market funds. As such, we do not believe that removing the references to the ratings within Rule 2a-7 is the appropriate solution because it would compromise the investor protection framework for money market funds that have served investors well since the inception of the rule in the 1980s.

If, however, the Commission makes a determination that more is needed other than the ratings system reforms currently under consideration, and therefore moves forward with the proposal to eliminate all references to NRSRO ratings from the Rule, we would ask the Commission to alternatively consider providing funds with appropriate flexibility that reduces, but does not eliminate, reliance on NRSRO ratings. An example might be redefining "Requisite NRSROs" to mean only one NRSRO that has issued a rating instead of two. This would serve to re-emphasize independent credit analysis by the fund, but would continue to utilize an objective, industry-wide standard to establish eligibility and tier status for the security thereby preserving a uniform framework that would continue to protect investors. Similarly, to address supply challenges appropriately, the Commission should consider permitting funds, especially, tax-exempt money market funds, to purchase securities with conditional demand features that are rated at least A by one NRSRO thereby moving away from a AA standard for this type of short-term security.

In summary, we encourage the Commission to withdraw its proposal to eliminate all references to NRSRO ratings from Rule 2a-7, and continue to require consideration of such ratings subject to potential reforms to increase the reliability and integrity of such credit ratings. The investing public has gained confidence in money market funds with the existing framework, and it should remain that way.

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We appreciate the opportunity to provide comments on this proposal. If you have any questions regarding our comments, or would like additional information, please contact me at (210) 498-8696.

Sincerely,

Mark S. Howard
Senior Vice President, Secretary and Counsel
USAA Investment Management Company