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May 10, 2004

TA&I Director - Setoff & Isolation
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-51666

Letter of Comment No: 12
File Reference: 1200-SRI
Date Received: 5/10/04

Re: Setoff & Isolation

Dear Sir:

We have participated in, and endorse, the responses of the American Securitization Forum ("ASF") and the Section of Business Law of the American Bar Association ("ABA") to the FASB Staff request for information, dated April 9, 2004. In both cases the request and the proposed response were discussed at great length on multiple conference calls involving capital markets, banking and securitization lawyers from a number of firms. (If this had been a billable matter, the bill would have totaled an impressive sum.)

Lawyers active in securitization and other affected areas were drawn to the response project as they saw significant potential harm to their clients and the industry if "legal isolation" moved from a traditional bankruptcy remoteness standard, a standard understood and broadly accepted by rating agencies, regulators and investors (the parties most interested in financial statement clarity and transparency), to a standard having the potential for uncertainty and disruption. If this potential new standard is seen as flowing naturally from the words "legal isolation," then maybe the term needs to be clarified by an amendment to FASB 140. It appears to us, however, that this term can and should be read as referring to the traditional bankruptcy remoteness standards that form the foundation upon which structures and programs have been constructed at great expense and over many years by our clients.

Without getting into the substance of your inquiry, which is covered with precision in the ASF and ABS letters, set-off risk has been known to the industry since the beginning of securitization and it is appropriately accommodated in securitization structures and documentation. It would be a classic "tail wagging the dog" outcome if a strict anti-set-off-risk accounting sale standard caused, for instance, lenders to deprive consumers of rights that

they currently enjoy, particularly when the parties being protected never demanded the protection.

We would be pleased to participate in further discussions on this topic or to otherwise be of assistance. Should you have any questions or desire any clarification concerning the matters addressed in this letter, please do not hesitate to contact either me at 917-777-4565 or Matt Joseph at 917-777-4333.

Sincerely,

Edward M. De Sear

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