

Ms. Suzanne Bielstein
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference 1225-001
Accounting for Transfers of Financial Assets --
an amendment of FASB Statement No. 140

Dear Ms. Bielstein:

On behalf of its 225 members, Community Bankers of Wisconsin (CBW) appreciates the opportunity to comment on the Financial Accounting Standards Board ("FASB") August 11, 2005 Exposure Draft (Revised) of the Proposed Statement of Financial Accounting Standards, "Accounting for Transfers of Financial Assets -- an amendment of FASB Statement No. 140" ("Revised Draft").

We believe that the Revised Draft would negatively impact the ability of the Federal Home Loan Banks ("FHLBs) to support the housing finance needs of their member financial institutions. Specifically, a primary mission of the FHLBs, as established by Congress, is to promote housing finance in partnership with its member financial institutions, many of which are also members of the CBW. The FHLBs achieve their housing finance mission in significant part through the Mortgage Partnership Finance[®] Program ("MPF[®] Program").

The MPF Program is a unique financing structure under which nine participating FHLBs ("MPF Banks") serve as a source of liquidity for their member financial institutions. Under the program, the MPF Banks either buy existing mortgage loans from their participating members, or alternatively, provide the funding for the mortgage loans through their members at the time of closing. Either way, the mortgage loans purchased or funded are held on the MPF Bank's balance sheet while the participating members record these loans off-balance sheet. Off-balance sheet treatment is critical to PFIs in regards to liquidity, reducing credit concentrations, and obtaining an appropriate risk-based capital treatment.

The MPF Program has proven very popular with FHLB members. More than 1.1 million MPF loans, worth more than \$156 billion, have been purchased or funded by the MPF Banks since the program began in 1997. Participation in the program has grown rapidly to more than 930 financial institutions, the vast majority of which (83%) are "community financial institutions" with assets of less than \$567 million. The program's structure has allowed many community

lenders, in particular, to be able to offer their customers the long-term fixed-rate mortgages preferred by most American homebuyers.

We are concerned the Revised Draft would require MPF participating lenders that sell mortgage loans to MPF Banks to use a qualifying special purpose entity (“QSPE”) in order to obtain true sale accounting treatment. The requirement of a QSPE would significantly impede these lenders’ access to the MPF Program, particularly for small and mid-sized institutions, by unnecessarily raising the cost of selling loans to a MPF Bank and adding an additional layer of complexity to these transactions. The use of a QSPE will add no further accounting clarity to what is already a straightforward sale transaction. In addition, the economic substance of the transaction is unaffected by the artificial insertion of a “QSPE” vehicle in the transaction structure. Further, the requirement of a QSPE will raise regulatory issues for the FHLBs which may not be allowed to create or have a residual interest in a QSPE.

In short, without further modifications, the Revised Draft may severely impede access to a valuable secondary mortgage market alternative currently used by over 900 mortgage lenders across the country, and thereby limit the ability of the FHLBs to perform the housing finance mission established for them by Congress.

Additionally, we strongly endorse the dissenting opinion of Board members provided in paragraphs A51 and A52. Specifically, we agree with their view that it is inappropriate to amend Statement 140 to impose QSPEs for simple disproportionate transfers of portions of financial assets when an entity and its legal advisors have concluded that it is not necessary to achieve legal isolation under applicable law. We also object to the implication that the insertion of a QSPE somehow changes the economics and enhances isolation of the assets beyond what would be achieved through a well-executed contractual sales agreement.

In summary, we request the FASB to clarify the Revised Draft, paragraph 8a, such that the requirement to utilize a QSPE only pertains to cases where a “legal” ownership interest in an individual financial asset does not qualify as a participating interest and we strongly endorse the dissent by Board members discussed in paragraphs A51 and A52.

Thank you for your consideration.

Sincerely,

Daryll J. Lund, CAE
President & CEO