



15000 Capital One Drive
Richmond, VA 23238

October 15, 2008

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. //

Re: FSP FAS 140-e and FIN 46(R)-e

Ladies and Gentlemen:

We appreciate the opportunity to respond on the proposed FASB Staff Position to amend FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*. We support the Board's overall goal to increase public disclosures about a transferor's continuing involvement with transferred assets and to improve transparency regarding a company's involvement with variable interest entities ("VIE"). The primary objective of our response is to provide the Board with insight regarding the usefulness and practicality of the proposed disclosures from the perspective of: (1) a transferor that has continuing involvement with qualified special purpose vehicles ("QSPEs"); (2) an investor that holds significant variable interests in VIEs; and (3) a primary beneficiary required to consolidate VIEs.

Enhanced Disclosures for Transferors with Continuing Involvement with QSPEs

We support the Board's objective of providing investors with information regarding securitization activities and material ongoing exposure and risks related to the transferred assets. We believe that current disclosure requirements for "generic" term securitizations that comprise much of the ABS market, including credit card securitizations, adequately capture the nature of involvement with a QSPE, the cash flows to and from these vehicles, the types of retained interests held, the assumptions used to value those retained interests and the impacts on the value based on stress testing key assumptions.

We have historically provided detailed disclosures about our securitization activities and substantial information on the nature of our continuing involvement with QSPEs in which we are the transferor and servicer. Additionally, we have disclosed financial statement information on both a reported basis (excludes off-balance sheet securitizations) and on a managed basis, affording users of our financial information the opportunity to evaluate our performance under both perspectives. We provide key metrics on the performance of our managed portfolio such as managed revenue, managed yields, managed delinquencies

Capital One Confidential

and managed charge-offs. We feel very confident that our current disclosures with minor modifications will meet the requirements of the proposed FSP FAS 140-e. We are comfortable that the enhanced disclosures can be achieved within the proposed timeline and with minimal resource efforts or operational concerns.

Enhanced Disclosures for Investors with Significant Variable Interests in VIEs or QSPEs

As a consequence of FSP FIN 46(R)-e, investors that hold a significant interest in a VIE or a QSPE would be required to perform an in depth analysis on potentially thousands of structures and transactions and review practically every investment to comply with the scope of the requested disclosures. As such, it would be virtually impossible to achieve an undertaking of this magnitude within the requested timeframe. Variable interests of this nature can take on a variety of forms and include, at a minimum, liquidity agreements, guarantees, indemnifications, derivative contracts, servicing contracts, new market tax credits, CRA investments and other investments held in liquidity portfolios (i.e. mortgage backed securities, asset backed securities, etc.).

Information is not readily available to determine if the variable interests relate to QSPEs and whether the level of involvement with these entities would be deemed significant. The determination of QSPE status is not public information. Companies would be required to obtain thousands of transaction documents, some of which are private and unavailable, and make individual assessments regarding whether the entities had been structured as QSPEs. Additionally, information concerning the entire mix of assets and liabilities in the VIE and the nature and amount of other third party investor interests would be needed to determine whether a variable interest is significant. We believe the extent of the disclosures could lead to less transparent information and possibly cause users to inappropriately assign unnecessary levels of risk to ordinary investments in VIEs. The level of effort and cost required to compile disclosures about the nature, purpose, size, and activities of VIEs, when the enterprise's risks are limited to its current investment, far outweigh any benefits to financial statement users.

However, we support enhanced disclosures when agreements or circumstance exist that require an enterprise to provide additional financial support (e.g. liquidity commitments, guarantee's and obligations to purchase assets) to the VIE or if the enterprise has exposure to loss in excess of the current carrying value of its variable interests. We request that the Board limit the scope of the required disclosures to significant variable interests of this nature.

Given the far reaching requirements currently being proposed for significant variable interests, we request that the Board provide more clarity regarding whether certain interests in VIEs are considered variable interests. As an example, it is not clear whether senior beneficial interests or senior debt securities that are currently subject to SFAS 115 would be considered variable interests subject to these disclosure requirements. We ask that the Board reconsider the magnitude and consequences of the proposed disclosures and whether the Board intended for these types of investments to be included in the scope of the FSP disclosures. Additionally, we ask for clarity regarding whether non transferor

servicing contracts would be considered variable interests, either on a stand alone basis or in combination with typical servicing advances, normal representations and warranties or indemnification provisions.

We request that the Board consider the necessary time, resources and operational complexity involved to comply with the proposed disclosure requirements of FSP FIN 46(R)-e and that the Board delay the implementation of the enhanced disclosures until it has time to appropriately readdress and redefine the scope.

Enhanced Disclosures by the Primary Beneficiary

We agree with the Board's decision to expand certain disclosures for consolidated VIEs. We recognize that these entities are different than other consolidated entities as the related assets are isolated and restricted for the sole benefit of third party investors and the Company has no recourse for the corresponding liabilities. As such, the nature and purpose of the VIEs and the corresponding assets and liabilities should be separately disclosed to provide users of the financial statements a clear picture of the risks and exposures related to these consolidated entities. While we agree with the need for expanded disclosures for consolidated VIEs, we believe that a more effective way for users of financial statements to understand the interrelations between the assets and liabilities of these VIEs and the actual risk and exposure to the Company's financial condition would be through Linked Presentation. We strongly encourage the Board to seek assistance with establishing a model that incorporates the concepts of Linked Presentation to properly reflect the risk held by the consolidating company of the VIE when the majority of the risks associated with the performance of the assets have been effectively transferred to third parties.

Under either scenario, we question the relevance or practicality of providing users with separate fair value disclosures for assets and liabilities of consolidated VIEs. Separate requirements to calculate and disclose fair values for these specific entities create undue burden, require even more disclosures with less transparency, and subject companies to speculation regarding valuation techniques and assumptions used to comply with valuation requirements under SFAS 157.

Conclusion

We recommend that the Board limit disclosures to circumstances in which involvement with a VIE is deemed significant and includes commitments, guarantee's or other agreements to provide financial support in excess of the enterprise's current interest or results in exposure to loss in excess of the current carrying value of the interest. This will narrow the scope and focus the disclosure requirements on variable interests that truly expose entities to financial risk of loss.

We request that the Board provide clarity regarding whether certain interests in VIEs are considered variable interests and that the Board consider providing a set of example disclosures. We question whether information concerning an investor's involvement with

a VIE where the investor is not the transferor nor deemed to be the primary beneficiary of the VIE would provide, in all cases, useful information or clarity to financial statement users. We believe the costs and operational complexities of obtaining information for every significant interest in a VIE far outweigh the benefits expected.

We request that Board consider the necessary time, resources and operational complexity involved to comply with the proposed disclosure requirements of FIN 46(R)-e and that the Board delay the implementation of the enhanced disclosures until it has time to appropriately readdress and redefine the scope of the required disclosures. A more targeted and focused disclosure surrounding variable interests that subject the company to additional exposure or risk of loss will achieve the Boards intended goal of adding transparency to the financial statements.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary L. Perlin", with a long horizontal line extending to the right.

Gary L. Perlin
Chief Financial Officer
Principal Accounting Officer