



May 15, 2007

Financial Accounting Standards Board P.O. Box 5116 Norwalk, CT 06856-5166

Dear FASB Members:

On behalf of the American Securitization Forum, we are writing this letter to indicate our interest in engaging with a dialogue with you regarding whether a "linked presentation" accounting model may offer an alternative to the FAS 140 amendments project currently under consideration.

As you may recall from previous ASF correspondence on this topic, our members believe that a linked presentation model coupled with the elimination of the QSPE, as further briefly outlined below, has significant merit in its own right. We also believe that this approach could help avoid and/or reconcile certain difficulties that we foresee in applying FAS 140 prospectively, based on the nature of amendments currently being contemplated by the Board. In addition, we understand that this approach is similar to one being discussed by the Big 4 accounting firms. As a result, we believe that there may be sufficiently broad support and momentum behind a linked presentation concept to warrant further discussion with the FASB.

Although our discussions are preliminary, we have recently begun working with our members to flesh out basic elements of a possible linked presentation approach. We would welcome an opportunity to discuss our developing approach with representatives of the Board and staff, whenever that discussion would be productive in connection with your ongoing FAS 140 amendment deliberations. In preliminary form, the linked presentation model that we have been discussing with our members may be summarized as follows:

Approach: Beginning with the existing construct of FAS 140:

- Maintain paragraphs 9a and 9c.
- Delete criteria set forth in paragraph 9b.
- The entity would be analyzed for consolidation under FIN 46; the QSPE concept would be eliminated
- The balance sheet would allow for linked presentation
- P&L concerns arising from mixed attribute accounting could be remedied by applying a fair value option

Financial Accounting Standards Board May 15, 2007 Page 2

Results: If sale criteria are met and there is no consolidation under FIN 46, then the debt would be off-balance sheet with gain-on-sale. If sale criteria are not met, then the transaction would be characterized as a financing.

If on the other hand, sale criteria are met and the entity is consolidated under FIN 46:

• Linked presentation would be permitted. If there is any recourse to the transferor, the fair value of the liability would be presented to the extent that recourse exists. No gain-on-sale would be allowed; instead, the fair value option could be used for valuation.

The principle behind this approach is that to the extent a transfer of assets qualifies as a sale and those assets have been legally isolated from the transferor, it is more appropriate and relevant to present as a liability on the balance sheet of the transferor only the amount of recourse that exists to the general assets of the transferor. Where legal isolation has been established, the transferor no longer has access to the transferred assets, and the cash flows generated by those assets would be used to repay the related obligations. To the extent that any other transferor assets are used to settle those obligations, they would be displayed as separate liabilities.

There would need to be additional consideration given as to how this model would apply to third party investors in SPEs that are considered QSPEs under today's guidelines (i.e., non-transferors). Here again, the general theory would be that the investor would present a liability only to the extent there is recourse beyond its investment in the SPE.

Obviously, significant additional work will be needed to define these proposed conditions and criteria in sufficient detail, but our members are increasingly of the view that a linked presentation model along these broad conceptual lines is worth pursuing.

We note that under FAS 159, preparers have the option to account for assets prior to a securitization transaction at fair value. As a result, we believe that many of the income statement issues that arise in considering whether to derecognize a transaction (so-called "gain-on-sale") may be less significant, at least for entities that elect to apply the fair value option to financial assets and liabilities prior to a securitization transaction. Accordingly, we believe that a project focused on linked presentation can become primarily a balance sheet presentation project. While not underestimating the scope of this project, we believe that the existence of the fair value option simplifies and contains the project's potential scope.

Again, we wanted to outline some of our initial thinking on this matter, in the hope that we will have an opportunity to discuss it with you in further detail at an appropriate time during the FAS 140 amendment process. We will be continuing our internal discussions and further development of this approach, and welcome any comments or feedback that you may have.

Financial Accounting Standards Board May 15, 2007 Page 3

Thank you for your time and consideration. Please contact George Miller at 646.637.9216 or email at gmiller@americansecuritization.com if you have questions or would like to arrange a meeting to discuss this matter in greater detail.

Sincerely,

George P. Miller Executive Director

Jage D. Mille

cc: Esther Mills, Morgan Stanley Chair, ASF Accounting Subcommittee

Lisa Filomia-Aktas, Ernst & Young LLP Deputy Chair, ASF Accounting Subcommittee