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October 30, 2008

LETTER OF COMMENT NO. 7

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email to director@fasb.org

Reference: File Reference No. 1610-100, Proposed Statement of Financial Accounting Standards, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*

Dear Mr. Golden:

Freddie Mac appreciates the opportunity to comment on the Exposure Draft for the proposed Statement of Financial Accounting Standards, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (the "Exposure Draft" or "proposed Statement").

Freddie Mac is a publicly held company chartered by Congress in 1970 to increase the availability of funds for home ownership by developing and maintaining a secondary market for residential mortgages. We participate in the secondary mortgage market principally by providing our credit guarantee on the mortgage-related securities we issue, and investing in mortgages and mortgage-related securities. We also participate through direct securitization of loans we own, and re-securitization of mortgage-related securities we own. At September 30, 2008, Freddie Mac had participated in securitization transactions that are outstanding involving over $1.8 trillion of mortgages and mortgage-related securities.

We fully support the Board's efforts to amend FASB Statement No. 140, *Accounting for Transfers of Financial Assets and Extinguishment of Liabilities* ("Statement 140") to revise and clarify the derecognition requirements for transfers of financial assets and the initial measurement of beneficial interests that are received as proceeds by a transferor in connection with transfers of financial assets. We believe that there are number of significant practice problems that have emerged from the application of the qualifying special purpose entity ("QSPE") concepts articulated in Statement 140 that need to be addressed, and we applaud the Board for attempting to address these issues with the proposed Statement. However, we do have several concerns with the proposed amendments in the Exposure Draft, in particular the following:

- The lack of convergence with International Financial Reporting Standards ("IFRS");
- The inconsistencies in the definitions of control between the proposed Statement and the proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R) ("Proposed Amendments to Interpretation 46(R)");
- The elimination of the special provisions in Statement 140 and FASB Statement No. 65, *Accounting for Certain Mortgage Banking Activities* ("Statement 65") for guaranteed mortgage securitizations ("GMS");
- The definition of participating interests and the related amendments to the guidance for transfers of participating interests; and
- Some of the proposed and existing disclosure requirements.

The comment period for the proposed Statement is extremely short for proposed changes of this magnitude to a Standard that is very significant to the accounting and reporting for an entity such as Freddie Mac. Commenters seeking to participate in the public roundtable meeting on November 6, 2008 have been provided only 45 days to review and submit comments on this Exposure Draft in addition to reviewing and submitting comments on the Proposed Amendments to Interpretation 46(R), and the proposed FSP FAS 140-e and FIN 46(R)-e, *Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities* (the "Proposed FSP"), which were due on an even shorter timeframe. Further, the 45-day comment period for the proposed Statement occurred right at the end of the third quarter financial reporting process, adding to the difficulty of a timely review. Lastly, many of the entities that are likely to be the most affected by the proposed Statement, the Proposed Amendments to Interpretation 46(R), and the Proposed FSP are financial services entities that are in the midst of dealing with very significant business issues resulting from the current market turmoil. In view of these factors, we believe that much more time is needed to properly assess the overarching impacts of the proposed Statement and believe that we could provide helpful additional comments if we were afforded a longer comment period.

Our responses to the individual questions raised in the Exposure Draft are included in the attached Appendix, as well as our detailed comments on the concerns raised above.

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The views expressed in this comment letter are solely those of Freddie Mac, and do not purport to represent the views of the Federal Housing Finance Agency.

Freddie Mac appreciates the opportunity to provide our comments on the proposed Statement. If you have any questions about our comments, please contact Denny Fox (703-714-3160) or Timothy Kviz (703-714-3800).

Sincerely,

Denny R. Fox
Vice President, Accounting Policy and External Reporting and Interim Principal Accounting Officer

cc: David B. Kellermann
Senior Vice President and Interim Chief Financial Officer

Appendix

Included in this Appendix are the specific questions raised in the Exposure Draft with our responses and comments, as well as additional comments and feedback that we offer to the proposed Statement.

1. Will the proposed Statement meet the project's objective to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about (a) a transfer of financial assets, (b) the effects of a transfer on its financial position, financial performance, and cash flows, and (c) a transferor's continuing involvement in transferred financial assets?

We do not believe that the proposed Statement will meet the stated objective. We do not believe that the control criteria for determining whether the transfer of an asset meets the criteria for derecognition should be less stringent than the control criteria for determining whether an entity should be consolidated (i.e., consolidation of a variable interest entity under the Proposed Amendments to Interpretation 46(R)). We do not believe that comparability will be enhanced, as the guidance in the proposed Statement does not converge with IFRS. We believe that the application of the proposed Statement will result in a different accounting result for transactions that are in almost all ways virtually identical. Such an example is explained in our response to question 5 below. We do not believe that some of the required disclosures provide relevant information to users of the financial statements. Our specific comments on the required disclosures are articulated in our response to question 7 below. Additionally, we believe that the guidance relevant to GMS structures is inconsistent with the structures themselves, we do not agree with the accounting conclusions reached regarding these structures, and based on the rationale provided in paragraphs A30 to A32 of the Background Information and Basis for Conclusions to the proposed Statement, we do not believe that the Board fully understands the unique characteristics of GMS structures.

The control criteria for assessing whether the transfer of a financial asset should be derecognized and accounted for as a sale (i.e., control has been relinquished), is very different than the power and control criteria contained in the Proposed Amendments to Interpretation 46(R). Further, the interplay between these two proposed standards could result in a transfer qualifying for sale accounting under the proposed Statement, yet require the transaction to be consolidated by the transferor under the Proposed Amendments to Interpretation 46(R). We do not understand how it would be representationally faithful to state that control over a financial asset had been relinquished for purposes of sale accounting, yet power to control the assets had been retained such that the securitization structure should be consolidated. Our concerns with the control criteria relate mostly to the criteria contained in the Proposed Amendments to Interpretation 46(R), which we have articulated in our comment letter to that exposure draft.

We do not believe the objective of comparability of financial information resulting from the application of the proposed Statement has been met. The proposed Statement does not converge with IFRS, and it is not consistent with the discussions of a new derecognition model that the

International Accounting Standards Board ("IASB") has had. Further with the SEC's proposal to permit convergence with IFRS in the near future (and to require it shortly thereafter), we believe that it would be confusing for users of the financial statements to receive financial statements in 2010 following the proposed Statement, only to receive financial statements following IFRS only a few years later, potentially using a different derecognition accounting model. This type of continued change does not provide users of financial statements with information that is comparable over a significant length of time, which only increases complexity. Furthermore, we do not believe it would be cost effective to change to the model in the proposed Statement, and then change to a potentially different model on convergence with IFRS a short time thereafter. We are very supportive of convergence with IFRS, and we strongly encourage the Board to delay issuance of this proposed Statement, and to work closely with the IASB to develop a converged derecognition model.

Based on the discussion in paragraph A31 of the proposed Statement, it appears that the Board believes the GMS scope exception provided in paragraph 36 of Statement 140 somehow permitted GMS structures to achieve sale accounting. It is our understanding that the GMS scope exception provided in paragraph 36 only pertains to whether a QSPE is demonstrably distinct from the transferor (i.e., the criterion in paragraph 35(a) of Statement 140 on whether a special purpose entity is a QSPE), and not a conclusion on sale accounting in its entirety. Paragraph 36 only permitted a GMS to meet the criteria for a QSPE to be considered demonstrably distinct from the transferor when less than 10% of the fair value of the QSPE's beneficial interests were sold to third parties. This is only one of the many criteria that must be met for a special purpose entity to be considered a QSPE, which only addresses the requirements of paragraph 9(b) of Statement 140. All GMS structures were still required to meet the requirements of paragraphs 9(a) and 9(c) of Statement 140, as well as the criteria for a QSPE contained in paragraph 35 of Statement 140.

In evaluating GMS structures where the transferor retains all of the resulting securities, we believe that such a transfer would meet the criteria contained in paragraphs 9(a) and 9(c) of the proposed Statement. In GMS structures, legal isolation is achieved, and the transferor does not maintain effective control over the transferred assets. As a result, we do not understand the basis for the Board's conclusion that a gain or loss would be recognized in a GMS when sale accounting is not achieved.

Based on the proposed amendments to Statement 140 contained in the proposed Statement, it seems as though the Board has concluded that a GMS would not meet the criteria for sale accounting. We interpret the revisions contained in paragraph 62A, which removed reference to recognition of a servicing asset or liability in a GMS transaction where the transferor retains all of the resulting securities (what is commonly referred to as a "swap and hold" transaction), coupled with the rationale articulated in paragraph A31 (e.g., that is it not appropriate for a transferor to separately recognize a servicing asset or liability when the transferor has not met the requirements for sale accounting) to mean that the Board believes that swap and hold transactions do not meet the criteria for sale accounting. We do not agree with this conclusion, because, as discussed above, we believe such a transaction would still meet the criteria for sale accounting under the proposed Statement. Further, if the Board's conclusions on swap and hold structures were applied, the process for recording a sale and servicing rights when and if the transferor sells any of the resulting securities is not clear, nor is it addressed. We believe these very same issues arise in any other securitization structure where the transferor retains all of the resulting securities.

Additionally, paragraph A31 of the proposed Statement indicates the Board has been told that transferors were attempting to apply the GMS exception to other types of asset by analogy. After discussion with business partners, industry groups, auditors, regulators, and a search of public filings for restatements involving inappropriate analogies to the GMS exemption in Statement 140, we were not able to identify any situation where inappropriate analogies to the GMS exception had been made for other classes of assets.

The guidance in Statement 65, FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, and Statement 140 all acknowledged that there are differences in GMS structures that are unique to these transactions, and these differences were taken into account in developing appropriate criteria to evaluate whether the transactions met the criteria for sale accounting. The unique features of GMS structures are discussed in greater detail in the response to question 5 below. These unique features continue to exist, and thus, we believe the proposed Statement should continue to acknowledge these differences.

We believe that the objective of the proposed Statement could be met if the GMS accounting guidance contained in Statement 140 were retained, guidance for securitizations of participating interests were developed to permit such transfers to meet the criteria for sale accounting in the same manner as economically similar transactions, and the disclosures were enhanced to eliminate disclosure of irrelevant information.

2. Do you agree with the Board's decisions to eliminate the qualifying SPE concept and to require that all securitization entities be evaluated for consolidation under applicable U.S. generally accepted accounting principles? If not, why not?

We agree with the elimination of the QSPE concept from Statement 140. The QSPE concept has proven to be a model that does not work, even in some of the more basic securitization structures.

The original premise in Statement 140 contained inherent conflicts that have proven to be irreconcilable. QSPEs were supposed to be devoid of all decision-making capabilities, yet Statement 140 and the FASB Staff Implementation Guide for Statement 140 specifically acknowledge that decision-making is inherent in servicing, particularly as it relates to working out troubled or defaulted financial assets. The boundaries of permitted activities surrounding servicing activities, particularly as it relates to defaulted financial assets, have been pushed and stretched beyond the original intent of Statement 140. Additionally, a strict interpretation of the QSPE requirements are inconsistent with certain federal and state laws that require that servicers take certain actions in limited situations (despite the fact that such actions do not occur very frequently, and are consistent with the spirit of Statement 140's requirements). Further, exceptions to the basic principles of a QSPE have been granted, such as permitting modification of loans to borrowers that are not yet in default, which has further blurred the lines of permitted activities of a QSPE to a point where preparers can no longer understand what a QSPE can and cannot do to meet the requirements of Statement 140.

We agree with the proposal that securitization transactions and structures should be evaluated for consolidation under U.S. generally accepted accounting principles; however, as discussed in our response to question 1 above, there are inconsistencies between these models that present results that are difficult to understand. The concepts of control in the proposed Statement differ significantly from the concepts of control in the Proposed Amendments to Interpretation 46(R). As a result, it is quite possible that securitization transactions will meet the criteria for a sale under the proposed Statement, yet will be consolidated by the transferor under Proposed Amendments to Interpretation 46(R). We believe this will result in confusion for users of the financial statements, given the differing definitions of control and the different conclusions about control (i.e., that the transferor has surrendered control over the transferred assets, yet has power and control and should thus consolidate). This result presents new irreconcilable differences in the accounting literature that we believe will create additional issues in the future that will need to be addressed.

It appears that the consolidation model contained in the Proposed Amendments to Interpretation 46(R) is being used as a "catch-all" approach to address inadequacies that exist in the current Statement 140 derecognition accounting model and the difficulties experienced in developing new derecognition criteria in the proposed Statement. Rather than simplify derecognition criteria under the proposed Statement and default to consolidation guidance in the proposed Amendments to Interpretation 46(R), we believe that the Board should revisit the criteria for derecognition contained in the proposed Statement. In the proposed Statement, sale accounting may be achieved if the transferred assets are legally isolated and effective control, through agreements, abilities or rights, is relinquished. In addition to these criteria, we believe that the Board should consider additional control concepts, similar to those contemplated in the Proposed Amendments to Interpretation 46(R), as additional criteria to achieve derecognition of a transferred financial asset. We believe that in addition to the criteria set forth in paragraphs 9(a) and 9(c) of the proposed Statement, the transferor should not have the ability to actively manage the transferred assets or actively managed the issuance (or re-issuance) of the beneficial interests of the SPE, while receiving a direct benefit from its management activities. For example, if a transferor were actively managing the collateral to generate sufficient cash flows to repay the obligations of the SPE, and the transferor directly benefited from such active management through a residual interest, the transferor would not have relinquished control over the transferred assets. Additionally, if the transferor actively managed issuance of short-term debt obligations backed by the long-term financial assets in the SPE, and the transferor retained a residual interest in the SPE, the transferor would maintain effective control over the transferred assets. We believe these additional concepts of control are important in evaluating whether a transfer of financial assets should be derecognized.

We have articulated our comments on the exposure draft to the Proposed Amendments to Interpretation 46(R) in our comment letter on that exposure draft.

3. Certain financial statement users suggested that the Board adopt a no-continuing-involvement model (that is, if there is any continuing involvement, sale accounting would not be permitted). The Board decided to continue to permit derecognition of financial assets with continuing involvement as long as the conditions in paragraph 9 of Statement 140, as amended by this proposed Statement, are met, with the addition of enhanced disclosure requirements about a transferor's continuing involvement (see paragraph A28 of this proposed Statement). Do you agree with this decision? If not, why do you disagree and what approach would you recommend to meet the needs of financial statement users for additional information on transferred financial assets?

We agree with the Board's conclusion that some level of continuing involvement should be permitted, so long as the criteria for recognition of the transfer as a sale have been met. We share the Board's concern expressed in paragraph A28 that the economics of many simple transfers would not be properly reflected in a no-continuing-involvement approach; however, as we have highlighted above in our responses to the prior two questions, the very same result can occur when the proposed consolidation guidance in the Proposed Amendments to Interpretation 46(R) is considered.

We believe that a no-continuing-involvement model would present structuring opportunities, based on uneconomic events. For example, if a transferor did not wish to account for a transfer as a sale, a non-economic continuing involvement could be added to the transaction, which would result in financing treatment. Further, because the continuing involvement that precluded sale accounting is non-economic, it could be later removed (likely without the need to consult the beneficial interest holders, as the continuing involvement is non-economic), thereby triggering sale accounting. We do not believe such bright lines are beneficial to anyone, and that judgment should be permitted to evaluate where continuing involvement would impact legal isolation, the ability to regain control over the transferred assets, or preclude the transferee from the ability to realize the economic benefits of ownership of their interest in the transferred assets.

4. What costs do you expect to incur if the Board were to issue this proposed Statement in its current form as a final Statement? How could the Board further reduce the costs of applying these requirements without significantly reducing the benefits?

We do not foresee any incremental costs if we were to adopt the proposed Statement. Depending on how one interprets the accounting for a GMS, where the transferor retains all of the resulting securities (commonly referred to as a "swap and hold" transaction), there may be significant costs to the transferor, and there may be increased costs for transferors into Ginnie Mae guaranteed mortgage-backed securities ("MBS").

5. The Board decided to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. A transfer of a portion of a financial asset as a sale is eligible for derecognition only for a pro rata portion that meets the definition of a participating interest. Do you agree with this decision? If not, why do you disagree? If you agree with the Board's decision to limit the portions of a financial asset that are eligible for derecognition, do you agree with the definition of a participating interest? If not, what alternative definition do you recommend and why?

We do not agree with the definition of a participating interest. We observe that in paragraph 8B(b) of the proposed Statement, the only cash flow that is allowed to be stripped and still meet the definition of a participating interest is servicer compensation. We believe that this limitation should be expanded to other cash flows, such as guarantor fees, trustee fees, and other fees necessary to complete the transaction, so long as the remaining cash flows are divided among the participating interests as described in paragraph 8B of the proposed Statement.

Additionally, based on the proposed amendments to Statement 140 contained in the Exposure Draft, we foresee significant changes to the accounting for securitizations of mortgage loans with Ginnie Mae. Ginnie Mae guaranteed mortgage-backed securities are formed without the use of a trust or other legal entity. In Ginnie Mae's GMS structures, the holder of the guaranteed MBS owns the original pool of mortgages in the form of an undivided interest. The cash flows from the pool of mortgages are passed through to the MBS investors, less the servicing and guarantee fees that are paid to the servicer and Ginnie Mae, respectively. The federal charter of Ginnie Mae and the government sponsored enterprises ("GSEs") (i.e., Freddie Mac and Fannie Mae) permit each entity to issue guaranteed MBSs without the use of a trust, though for a variety of reasons the GSEs have elected to use trusts in their GMS structures.

Ginnie Mae and the GSEs have powers granted by their federal charters that make their GMS structures different and unique as compared to other issuers/securitizers. They also have the unique ability to legally isolate pools of mortgage loans without the use of a trust or other legal entity, and to issue pools of mortgage loans as securities through the U.S. Federal Reserve's book-entry system.

Because there is no trust or other legal entity and Ginnie Mae GMS structures involve the sale of undivided interests in the pool of underlying loans, we believe such transactions would have to be evaluated under the new definition of participating interest in paragraph 8B of the proposed Statement and the related accounting guidance for participating interests contained in paragraphs 10 and 10A of the proposed Statement. Given the current definition of a participating interest, we do not believe that a Ginnie Mae GMS structure would meet the definition, and as a result, the guidance in paragraph 10A would indicate that the securitization transaction would be accounted for as a secured borrowing as prescribed in paragraph 12 of the proposed Statement.

The GSEs and Ginnie Mae have GMS programs that are essentially the same economically. The GSEs and Ginnie Mae have federal charters that constrain their operations, and limit the type of securities they can issue. The characteristics of the securities issued by all of the GSEs and Ginnie Mae are essentially the same, though the form of the issuance differs. Despite the fact that the GSE and Ginnie Mae GMS structures are essentially the same economically, the accounting for these structures would differ under the guidance in the proposed Statement. We do not believe there should be different accounting for transactions that are the same in all substantive respects.

Further, the historical accounting guidance for GMS structures contained in Statement 65 and Statement 140 acknowledged these differences, and provided practical accommodations in the accounting guidance such that the accounting for these structures would be the same as economically comparable structures that did not have the features unique to Ginnie Mae and the GSEs. Paragraph 84 of Statement 140 and the proposed Statement acknowledge that under structures like the Ginnie Mae GMS structures, legal isolation may be achieved; however, the remainder of the guidance in the proposed Statement seems to disregard the differences in these structures. We believe these exceptions were appropriate and should be retained. We believe that the accounting that result for Ginnie Mae GMS structures described above is a primary example as to why these exceptions should be retained.

6. Paragraph 9(c) of Statement 140 and the related implementation guidance, as amended by this proposed Statement, require that the transferor (a) not maintain effective control over transferred financial assets to account for a transfer as a sale and (b) provide examples of effective control. The Board decided to incorporate many of the concepts from paragraph 9(b) of Statement 140 into paragraph 9(c), which results in the creation of the additional examples that are included in paragraphs 9(c)(3) and 9(c)(4). Do you believe that paragraph 9(c) of Statement 140 and the related implementation guidance, as amended by this proposed Statement, clearly explain how to determine if the transferor maintains effective control? If not, what additional guidance or examples are necessary? Do you believe that paragraph 9(c), as amended by this proposed Statement, is operational in its entirety in its current form? If not, what changes are necessary? Do you believe these additional examples of effective control in paragraphs 9(c)(3) and 9(c)(4) are operational in their current form? If not, what changes are necessary?

We believe that paragraph 9(c) of Statement 140 as amended by this proposed Statement clearly explains how to determine effective control over a transferred asset. As stated in our response to question 1 above, we do not agree with the Board's conclusions related to GMS structures, as we do not believe the Board fully appreciates the unique characteristics of these structures; however, we believe the guidance in paragraph 9(c) is clear. Further, we believe the revised examples are both helpful and operational.

7. Certain financial statement users strongly recommended that the Board provide disclosure principles and require certain specific disclosures for both transferred financial assets treated as sales and those that are treated as secured borrowings. Do you agree that additional disclosures about transferred financial assets are necessary and operational? If not, what changes would you make to the requirements? Do you believe that the revisions to the

disclosure requirements are sufficient? If not, what additional disclosures do you believe are necessary?

We do not agree that the disclosures for transfers accounted for as sales and transfers accounted for as secured borrowings should be the same, and we do not understand how this information could be useful to the users of the financial statements.

When a transfer is accounted for as a secured borrowing, the assets remain on balance sheet, and are accounted for in the same manner as prior to the transfer. Activities related to the transferred assets remain in the financial statements. We do not understand how providing information about these very same assets from the perspective of the trust would provide any useful information. Additionally, in a secured borrowing, there will not be any retained interests recognized (i.e., residual interests) where disclosure of fair values, key assumptions used in measuring the fair value, and a sensitivity analysis of the key assumptions would provide any meaningful information.

The proposed Statement changes the disclosure requirements for cash flows between the transferor and the SPE, in that this disclosure is not only required for nonconsolidated SPEs. We agree that this information would only be meaningful for nonconsolidated SPEs, and support this change; however, we also observe that a similar limitation to nonconsolidated SPEs was not made for retained interests. Paragraph 17h(3), 17i(3), and 17i(4) continue to require information about fair values, inputs, and sensitivity analyses of interests that would be eliminated in consolidation if the securitization structure were consolidated by the transferor under either existing consolidation guidance or the Proposed Amendments to Interpretation 46(R). We do not understand how this information related to interests that are eliminated in consolidation would provide any relevant or meaningful information to the user of the financial statements. We recommend that these disclosure requirements be limited to interests retained in nonconsolidated SPEs as well.

Lastly, the current disclosure requirements in paragraph 17i(3) of Statement 140 requires a sensitivity analysis or stress test showing the hypothetical effect on fair value in two or more unfavorable variations from expected levels of the related assumptions for interests retained by a transferor. This sensitivity analysis is required for each assumption in isolation, without considering the impacts to the fair value of the retained interest from the other assumptions, rendering the information substantially less useful. For example, if a retained interest is exposed to both prepayment speed and credit risk, a change in prepayment speeds will mean there are either more or less loans outstanding than originally expected, and as a result, the credit losses will be impacted by this change. Showing the change in fair value from a change in prepayment speeds without considering the effects of credit result in a sensitivity analysis that informs the user of nothing relevant or meaningful. We would recommend that the sensitivity analysis be revised so that the impacts on the fair value of the entire retained interest be disclosed when the assumptions are stressed. We believe this will provide the user with better information about the potential changes in fair value of the retained interest in its entirety (and would likely be recognized in the financial statements) if that change were to come to fruition.

8. Appendix C includes significant amendments, primarily as a result of this proposed Statement, to related literature including (a) the FASB Special Report, A Guide to Implementation of Statement 140 on Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, (b) certain Emerging Issues Task Force (EITF) Issues and Topics, and (c) certain AICPA Audit and Accounting Guides. Do you agree that the related literature, as amended, is consistent with the proposed amendments to Statement 140? If not, why do you disagree and what changes would you make?

Given that we had only 45 days to review the proposed Statement, the Proposed Amendments to Interpretation 46(R), and the Proposed FSP, we did not have sufficient time to perform a thorough review of the proposed amendments to other authoritative literature impacted by this proposed Statement. If we had additional time, we would have been able to perform a complete review of the proposed changes and provide more robust feedback. That being said, we believe that many of the questions and responses in the FASB Staff Implementation Guide for Statement 140 that are proposed to be eliminated continue to present relevant questions under the accounting model in the proposed Statement. We believe that many of these questions should remain, with modifications to the new accounting guidance contained in the proposed Statement. For example, we believe that many of the questions related to QSPEs are still relevant, although they are now relevant in the context of whether the transferor has maintained effective control over the transferred assets, as opposed to whether an SPE is meets the criteria for a QSPE. We recommend that the Board revisit the proposed amendments in that light, and consider making further revisions.

9. Due to differences in financial statement user needs and cost-benefit considerations, should any differences exist for recognition, measurement, disclosure, transition, or effective date for private companies? If yes, please articulate what differences should exist and the reasons for those differences.

We do not believe there should be any difference in the requirements for private companies. We believe the usefulness of the financial statements for users (i.e., owners, investors, lenders, guarantors, etc.) will be diminished if private companies have different recognition, measurement, or disclosure criteria than public companies. Different requirements for private companies would also be inconsistent with the stated objective of the proposed Statement articulated in paragraph 1 of the Exposure Draft.

As part of our risk management activities, we regularly monitor the financial performance of our business counterparties, which include seller/servicers that may be public companies or privately held companies. Securitization activities are a significant part of the business for these counterparties, and their business activities may be very similar, if not exactly the same regardless of whether they are public companies as opposed to private enterprises. If there were different requirements for private entities as compared to public companies, this would make management of the risk with our counterparties far more complicated, and would make comparison between entities that engage in similar business activities very complicated at best, and meaningless at worst.

Further, if a private company were to decide to go public at a later point in time, the financial statements would require restatement to reflect the recognition, measurement, or disclosure criteria applicable for public companies. Given the potential for dramatically different financial statement results, we believe that retrospective application of the proposed Statement would be extremely difficult for preparers and auditors.