Via Electronic Mail

November 25, 2008

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

File References: No. 1610-100 and No. 1620-100

Dear Board Members and FASB Staff:

The Mortgage Bankers Association\(^1\) (MBA) appreciated the opportunity to participate in the Statement 140 and Interpretation 46(R) Amendments Roundtable (the Roundtable) on November 6, 2008.

During the course of the Roundtable discussions, participants made certain statements that the MBA believes were over-generalized and inaccurate, which may leave the FASB with an inappropriate impression of mortgage-backed securitization transactions. Therefore, MBA feels compelled to provide the following addendum to its comment letters on the respective proposed amendments.

Implicit Arrangements: During the Roundtable conversation there were discussions to the effect that consolidation of all securitizations by the transferor with any continuing involvement may be appropriate, because of a belief that there is a "breaking point" at which the transferor would step in and provide support to a securitization that it is not contractually required to support in order to preserve the financing source or the sponsor's reputation. This observation appears to be based on recent actions taken by sponsors to support SIV structures even though the sponsor was not contractually obligated to do so. This type of implicit support is not representative of actions taken with regard to mortgage-backed securitizations. Although the MBA understands that the user community would be skeptical, MBA observes that it is inappropriate to assume that the sponsors of other structures would provide support that is not contractually required.

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\(^1\) The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 370,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.
The MBA members who have been involved in our discussions of the proposed amendments do not know of any mortgage-backed securitization that was supported by the transferor or sponsor without a contractual requirement to do so. MBA believes that allowing an investor to lose its money in a static trust in no way threatens a transferor’s future financing sources. The markets themselves and potential investor appetites for FUTURE risk will guide potential investor behavior.

Further, there were comments made during the Roundtable to the effect that the low yield investors were willing to accept on past securitizations is evidence that something else must have been going on and that investors were in reality relying on an implicit guarantee or support from the transferor or sponsor. MBA does not believe this is true as it relates to residential and commercial/multi-family mortgage-backed securities. The Market, Credit, and Risk Strategies group of Standard & Poor’s recently documented a finding that “The mistake many investors made was not that risk assets were incorrectly priced prior to 2007. The mistake was assuming that near-perfect credit conditions would last indefinitely into the future.” This statement has profound meaning in this context as it points out that investors were willing to take a low yield on their investments because of the perceived risk of the underlying collateral, NOT their belief that they would somehow be bailed out by a transferor or sponsor. Today, the markets have corrected, and maybe over-corrected, causing the credit spread on mortgage-backed securities as compared to Treasury securities to be so high that non-conforming product trading levels have dropped and credit available to nonconforming borrowers has tightened.

The Danger of Over-consolidation: During the Roundtable, there was discussion as to whether accounting should err on the side of over-consolidation when a transferor has ANY continuing involvement after the transfer. MBA adamantly disagrees with this assertion. If transferors with ANY continuing involvement consolidated all of the assets transferred, comparability of financial information from company to company will be obfuscated, because it will be impossible to distinguish between transferors with significant risk and those that simply service the transferred assets with no economic risk beyond loss of the servicing asset itself. MBA believes that such over-consolidation would be a lazy alternative to developing crisp, conceptually sound principles of consolidation. Further, MBA believes that fiduciary duties and servicing duties are not the type of involvement that should give rise to inclusion of the trust assets in the transferor’s or fiduciary’s financial statements.

MBA appreciates the opportunity to share these additional comments with the Board. Any questions about MBA’s comments should be directed to Jim Gross, Associate Vice President and Staff Representative to MBA’s Financial Management Committee, at (202) 557-2860 or jgross@mortgagebankers.org.

Most sincerely,

John A. Courson
Chief Operating Officer

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