

Letter of Comment No: 45
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July 31, 2003

MP&T Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

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Dear MP&T Director,

We are pleased to have the opportunity to submit comments on the June 10, 2003 Exposure Draft (the "ED") of a Proposed Amendment, *Qualifying Special-Purpose Entities and Isolation of Transferred Assets* - an Amendment of FASB Statement No. 140. Our comments are as follows:

Redefining the Qualifying Special-Purpose Entity (QSPE)

The summary of the ED noted that one of the primary reasons for issuing the proposed statement was due to the fact that the exception for QSPE's in FASB Interpretation No. 46, Consolidation of Variable Entities, "focused more attention on reissuance of beneficial interests because it included an exception for qualifying SPE's." The complexity within FASB Interpretation No. 46 related to the variable interest concept, logically focused interest towards the very appropriate QSPE exception. Since the qualifying special purpose entity was introduced in FASB Statement No. 125 - Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and replaced by FASB Statement No. 140, guidance related to QSPE's has been ongoing, creating significant implementation costs and effort. Modification of existing consolidation rules within FASB Interpretation No. 46 should be sufficient when considering very specific abuses. Further changes to qualifying securitization vehicles do not seem warranted, and if they are made, it is our recommendation that they not be significant or broad changes.

Asset Transfers and Recourse

The two changes that seem overly broad to us are (1) the requirement that all two-step transactions use a QSPE, and (2) the disallowing any type of recourse within the QSPE.

Many two-step transactions have legal opinions that support isolation from the transferor in the second step utilizing a non-qualifying special-purpose entity. Requiring all two-step transactions to utilize a QSPE in the second step seems broad and unnecessary. We would recommend a review of that requirement that does not mandate always utilizing a QSPE, and specific exceptions as it relates to the issuance of commercial paper, so the securitization market is not unduly limited. Limited recourse obligations and limited corporate guarantees are components of securitizations that exist as a matter of course. Broadly removing these between a transferor and

a QSPE will limit sale and purchasing options, and requires significant review related to long-standing securitization vehicles, that have been in compliance with initial accounting guidance issued in FASB Statement No. 125 and later FASB Statement No. 140. Again, it is our recommendation that broadly disallowing any recourse should be replaced with more specific guidance and appropriate exceptions.

Sincerely yours,

Michael Previty
Vice President Mortgage Finance and Accounting
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