

VIA Electronic Mail (director@fasb.org)

March 12, 2009



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

LETTER OF COMMENT NO.

21A

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

Dear Board Members and FASB Staff:

The Mortgage Bankers Association (MBA)<sup>1</sup> appreciates the opportunity to share additional comments on the projects to amend Statement 140 and Interpretation 46(R). The minutes of the December 17, 2008, Board meeting for re-deliberation of proposed amendments to Statement 140 state:

The Board is reluctant to reconsider linked presentation in the short-term project; however, the Board asked the staff to bring back the issue of linked presentation for re-deliberation if the Board receives additional information about a workable model.

The following are principles and guidelines that MBA believes the Board and staff should consider for a workable model.

### **MBA's Proposed Guidelines for Linked Presentation Model**

The following model relates to residential and commercial mortgage-backed securities, which are primarily backed by a static pool of mortgages that is closed-ended. This represents a very large segment of asset-backed securitizations in the United States. MBA recognizes that there may be similar models that may work for asset-backed securitizations that are not static.

---

<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 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](http://www.mortgagebankers.org).

***Proposed Linked Presentation Framework:***

*Principle:* Assets and liabilities of a VIE should be presented “linked” by the primary beneficiary when the following criterion are present:

- The beneficial interest holders of the Variable Interest Entity (VIE) have no recourse to the general credit of the primary beneficiary other than standard representations and warranties;
- The VIE’s assets can be used only to settle the obligations of the VIE;
- There are no explicit arrangements or implicit variable interests that could require the primary beneficiary to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, other than servicing advances, which are only required if the servicer deems them to be collectible; and
- If the primary beneficiary is the transferor, the transfer meets the criteria for sale accounting under FAS 140, as amended.

***Linked Presentation Rationale:***

*Principle:* Assets and liabilities that meet these criteria for linked presentation are not assets that are owned or liabilities that are owed by the primary beneficiary. Therefore, these assets should be reported on the face of the statement of financial position net of the related liabilities as “net interests in the assets [or liabilities] of consolidated VIEs.”

MBA feels strongly that FASB should address the residential and commercial mortgage-backed securities accounting model first with a confined, rational, and straight-forward framework and principle for linked presentation because it is the largest segment of the asset-backed securitization market, and its static pool nature makes it easiest to conceptualize and implement in a linked presentation model. MBA understands that some Board members believe that presenting “gross assets in consolidated VIEs” and “gross liabilities in consolidated VIEs” on the asset and liability sides of the balance sheet, respectively, should be considered instead of linked presentation. MBA believes that, although this presentation would be preferable to line by line presentation of the VIE’s assets and liabilities, a linked presentation is superior, because it most-appropriately presents financial ratios and liabilities owed from the general credit of the primary beneficiary, may preclude any market dislocation related to the hundreds of billions of dollars of assets coming back on the books of financial institutions as a result of the proposed revisions to FIN 46(R), and would eliminate the need to re-write debt agreements and capital rules directly impacted by leverage ratios.

The enterprise will parenthetically disclose the “linked” amounts on the face of the balance sheet in addition to providing additional details in the notes.

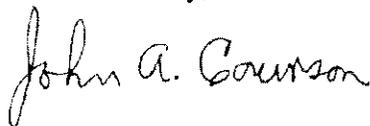
***Measurement of linked assets and liabilities:***

*Principle:* MBA believes the net assets of the VIE should be required to be presented at fair value in accordance with applicable accounting literature for the following reasons:

- Because the proposed criterion to qualify for linked presentation includes that the liabilities of the VIE can't be paid from the general credit of the primary beneficiary and the assets are not owned by the primary beneficiary, the result of fair valuing all of the assets and liabilities will generally be consistent with the fair value of the continuing involvement with the transferred assets. MBA observes that many of the retained interests in these types of securitizations are currently carried at fair value under applicable accounting literature.
- Accounting for these assets and liabilities that qualify for linked presentation at carrying value may be misleading and create unnecessary operational complexities. For example, many situations will exist where the carrying value of the underlying assets (due to allowance for loan loss, impairment, etc.) will be less than the carrying value of the liabilities. MBA believes showing a “net interest in VIEs” as a net liability is inappropriate when the primary beneficiary will never be obligated to make a payment to the VIE (see the first criterion of the proposed linked presentation framework). In fact, the proposed framework (along with fair value measurement of the linked assets and liabilities) ensures that a net liability can never exist.

MBA appreciates the opportunity to share these principles and guidelines for linked presentation of VIE's with the Board. Any questions about our 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](mailto:jgross@mortgagebankers.org).

Most sincerely,



John A. Courson  
President and Chief Executive Officer