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October 30, 2008

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

File Reference Nos.1610-100 and 1620-100

Dear Mr. Golden:

Capital One Financial Corporation appreciates the opportunity to comment on (i) the Exposure Draft (Revised) of Proposed Statement of Financial Accounting Standards, Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140 (FAS 140 Amendments), and (ii) the Exposure Draft of Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R) (FIN 46(R) Amendments). We are submitting a joint letter due to the highly related nature of the FAS 140 Amendments and FIN 46(R) Amendments. We have also participated in various taskforces with the American Securitization Forum in regards to these proposals.

As noted in our comment letter to the Financial Accounting Standards Board (Board) dated October 15, 2008, we agree with the Board's goal to increase public disclosures about a transferor's continuing involvement with transferred assets and to improve transparency regarding a company's involvement with a variable interest entity (VIE). We further support the Board's efforts to clarify derecognition requirements for transfers of financial assets. We also agree with the Board's previous decisions, embodied in the current version of FAS 140, supporting a financial-components approach which allowed for the deconsolidation of assets where control over the assets had been relinquished.

As part of the proposed FIN 46(R) Amendments, we support a more principles-based approach and believe that a qualitative analysis for determining the primary beneficiary of a VIE is a more workable solution that will not suffer from the difficulties and inconsistencies of applying a quantitative analysis.

We do, however, believe that the proposed changes to FIN 46(R) are too extensive and result in a material change to current accounting practices that will ultimately lead to the consolidation of securitization transactions in cases in which the transferor retains any continuing involvement regardless of whether the transfer complies with the isolation and control provisions of FAS 140. We believe that this directly contradicts the financial-components approach, and thus we request that the Board consider whether the current scope and the definition of "controlling financial interest" are appropriate. We ask that the Board work with the industry to develop a more reasonable implementation strategy targeting the specific issues that led to the consolidation of billions of dollars of off balance sheet assets. In particular, we believe the Board would be better served by limiting the scope of the currently proposed amendments by focusing on complex structures with significant risks beyond those currently recorded in sponsor or transferor financial statements.

We caution that consolidating these VIEs will inflate the balance sheets of transferors with assets that have effectively been sold and liabilities that are not obligations of the transferor, potentially creating more confusion and less transparency. We urge the Board to consider whether alternative solutions such as "linked presentation" would provide users of the financial statements with greater transparency and maintain the Board's financial-components approach.

We acknowledge that these are complex issues that have evolved over time and we appreciate the complexities that the Board is attempting to address. However, we believe that a short-term solution to a complex issue is not a prudent course of action. We request that the Board consider the impacts of adopting a change of this magnitude and the undue burden it places on issuers. We believe that the Board should take the necessary time to partner with the International Accounting Standards Board (IASB) and develop a joint approach that will not significantly change upon convergence with International Accounting Standards.

Financial-Components Approach

Over a decade ago, the Board concluded that viewing a financial asset as an indivisible unit does not provide an appropriate basis for consistent and operational accounting standards. Instead, recognizing that a transferor can sell the risks and rewards associated with only a portion of a financial asset, the Board adopted a financial-components approach that better reflected the economic reality of transactions in the capital markets.²

¹ Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, ¶ 8 (Superseded); Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, ¶ 7.

² Id.

This approach, currently embodied in FAS 140, has worked especially well for traditional securitization transactions, including those involving credit-card receivables and auto-loan receivables and most mortgage loans. In these transactions, the success of FAS 140 can be attributed to an appropriate transfer of the risks and rewards that are associated with the underlying financial assets. The proposed changes to FAS 140 and FIN 46(R) are, we believe, too broad and may result in the consolidation of numerous qualifying special purpose entities (QSPEs) that previously received off balance sheet accounting, including such securitizations where the transferor retains only a portion of the benefits and risks associated with ownership of the receivables.

However, we agree that FAS 140 should be amended to clarify the proper degree of servicing discretion that can be exercised under this accounting standard, considering there have been instances where some issuers may have stretched the activities of a QSPE beyond those initially contemplated,

Definition of Controlling Financial Interest

For the reasons that have been described thus far, we urge the Board to leave FAS 140 substantially intact and focus its efforts on FIN 46(R). In particular, we request that the definition of controlling financial interest in the FIN 46(R) Amendments be narrowed to exclude activities of transferors under traditional securitization transactions. In these transactions, the transferor (or an affiliate) services the portfolios in accordance with the prescribed transaction documents and under customary servicing practices. Including the receivables owned by these trusts on transferor balance sheets would contradict the economic reality of the transactions, implying that transferors had retained control as well as the risks and rewards when they had not. Such an interpretation would ensure that even the simplest transactions that meet FAS 140 sale accounting criteria could fail FIN 46(R) requirements and thus be consolidated. This overconsolidation, in our view, could result in decreased and inaccurate disclosure running counter to the Board's goal of increased transparency.³

Although we have not had sufficient time to fully deliberate possible alternatives, we, nevertheless, do recommend that (a) the first prong of the qualitative analysis be revised to exclude the typical powers of a transferor in traditional securitizations and (b) the second prong of this analysis be revised to exclude customary residual interests in revolving asset master trusts (such as the Interest Only Strip retained by the transferor in a credit card master trust) and any retained investor interests that do not have voting rights.

³ See Exhibit 1 to this letter for an illustrative example.

We would further propose that the definition also be revised to ensure that a variable interest warranting consolidation under FIN 46(R) bear some resemblance to the kind of equity that is held by the parent of a voting-interest entity under Accounting Research Bulletin (ARB) 51, Consolidated Financial Statements. Equity has both capital that is exposed and a right to residual returns – not merely one or the other. Additionally, a concept like implicit responsibility is too vague and could prove incapable of audit.

Linked Presentation

In the absence of derecognition, we believe that a more effective way for users of financial statements to understand the relationship between the assets and liabilities of VIEs and the actual risk and exposure to the company's financial condition would be through linked presentation. The Board should recognize that these VIEs are different from other consolidated entities as the related assets are isolated and restricted primarily for the benefit of third party investors, and the company has no credit recourse for the corresponding liabilities. As such, the nature and purpose of these VIEs and their corresponding assets and liabilities should be separately disclosed to provide financial statement users a clear picture of the risks and exposures related to these consolidated entities. We believe that linked presentation would be an effective and appropriate way to provide this information.

Most credit card issuers, including Capital One, already provide a wealth of disclosure through financial statements that include both managed and net reported performance data and balance sheets, allowing investors to easily make a full assessment of the assets and liabilities that are shown as on or off balance sheet. In notes to financial statements, credit card issuers typically disclose the performance of all card assets managed by the issuer, including those transferred to a QSPE. Capital One has historically provided this additional disclosure for both its credit card and auto loan securitization programs. This enhanced disclosure practice provides investors with full access to all material information regarding both sold and unsold assets, a result that would also be achieved by linked presentation.⁴

In addition, linked presentation would allow regulators to continue to tie the rules governing capital requirements for U.S. financial institutions to U.S. GAAP. Linked presentation is also consistent with current International Financial Reporting Standards (IFRS). In the past, the use of the financial-components approach has allowed U.S. regulators to assume a linkage between the risk transfer denoted under the accounting standard with the risk transfer

⁴ See Exhibit 2 to this letter for excerpts from Capital One's current disclosures.

assumptions required for calculating regulatory risk based capital. It is essential that any new accounting standard recognize this reliance and not fully abandon the appropriate disclosure of the substance and intent behind any transaction.

While Capital One maintains high capital ratios sufficient to absorb the consequences of consolidation, without linked presentation, the current proposal, under current banking regulations, may cause additional capital requirements for numerous other U.S. issuers. These requirements would be significantly in excess of those for non-U.S. competitors.

Indeed, the recent injection of capital into the credit markets by the U.S. government could be easily undermined by the proposed FAS 140 Amendments and FIN 46(R) Amendments. Research conducted by the Securities Industry and Financial Markets Association (SIFMA) indicates that up to \$10 trillion in assets could come back on the balance sheets of financial institutions, resulting in the need for hundreds of billions of dollars in additional capital reserves. ⁵

While the Board has indicated it does not have sufficient time to explore linked presentation, this accounting approach appears to have a significant amount of support. On September 18, 2008, at the hearing on "Transparency in Accounting: Proposed Changes to Accounting for Off-Balance Sheet Entities" before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, the American Securitization Forum presented the idea of linked presentation as a viable alternative to consolidation. In response to this testimony, other witnesses, including an ex-FASB Board member, indicated strong support for linked presentation.

International Convergence

We feel that any changes to FAS 140 and FIN 46(R) should be aligned with current efforts of the IASB to amend the international accounting standards for transfers of financial assets. As mentioned above, adopting a linked presentation approach could facilitate this process.

The Board has stated that the proposed FAS 140 and FIN 46(R) Amendments are designed to provide a short-term solution to address inconsistencies in practice until convergent

⁵ The source of this data is SIFMA. This included \$585.7 billion backed by home equity loans, \$356.3 billion backed by credit card loans, \$256.3 billion backed by student loans, \$199.0 billion backed by automobile loans, \$43.6 billion backed by equipment leases, \$26.6 billion backed by manufactured housing and \$1,031.4 billion backed by miscellaneous other receivables. The \$1,031.4 billion miscellaneous category includes collateralized dcbt obligations (CDOs) and numerous smaller asset classes. The assets underlying the CDOs include other asset-backed securities (CDOs of ABS), some or all of which might be viewed as double counting with other ABS outstandings.

standards with the IASB can be developed. We believe that the Board should take the necessary time to consider alternative solutions and the appropriate scope of these amendments. International convergence will most likely lead to more, and perhaps different, changes than those currently being proposed.

Revisions to FAS 133 were recently delayed in part due to pending international convergence. Capital One respectfully requests that the FASB adopt a single standard in conjunction with the IASB. To the extent the new standard does not preserve the financial-components approach under FAS 140 and the corresponding deconsolidation, we believe that the Board and the IASB should adopt the linked presentation model.

We urge the Board to consider the burden that these proposed amendments will place on transferors, issuers, and sponsors of these transactions. There are numerous costly and time-consuming activities that need to occur before transactions can conform to new standards. For example, general ledger systems and securitization reporting systems would have to be remapped; accounting models would have to be reconfigured, and, in some instances, newly developed, to support the existing transactions. Call Reports and financial statements would also have to be changed substantially. At the same time, issuers could be forced to raise additional capital and reassess their business and funding strategies. It would be impractical for all this effort and cost to be duplicated if rules change again upon international convergence. Financial statement users might also find it difficult to keep adapting to continually evolving disclosures.

Operational Concerns with Current Proposal

We would also like to take this opportunity to highlight additional areas of concern and request clarity on specific operational considerations.

Fair Value Provision

Transition provisions within the proposed FIN 46(R) Amendments require an entity that becomes the primary beneficiary of a VIE to measure and recognize the assets and liabilities in accordance with FAS 141(R), essentially at fair value. The proposed transition provision creates particular issues for revolving loan products. Upon consolidation of the VIE, one portion of the securitized loan portfolio would be reported at the principal amounts outstanding with an appropriate allowance for losses inherent in the portfolio, while the other portion would be reported at fair value with no separately reported allowance for loan losses. Accordingly, assets that are essentially the same and are contained within the same structure would be accounted for on a different basis. To further complicate matters, initial balances recorded at fair value would

attrite but all new balances related to post-consolidation purchases would be recorded at par with an appropriate allowance.

Under the fair value approach, premiums related to the assets and discounts related to the liabilities would be recorded as a cumulative adjustment to retained earnings. We believe the subsequent amortization of premiums and accretion of discounts on the consolidated assets and liabilities of the VIE, and the recording of an allowance for subsequent purchases, would have a confusing impact to future earnings.

These impacts to the financial statements significantly reduce transparency around both earnings and asset values, contradicting the Board's key objective. As suggested above, we would advocate the use of linked presentation, which would alleviate much of this loss of transparency. Significantly, it would allow ongoing transactions to be accounted for on the same basis as historic transactions, thus ensuring consistency of approach to both earnings and balance sheet items.

If the Board does conclude that fair value is the preferred approach, then we respectfully request that the Board allow companies to elect fair value for all future balances and all future transfers into the structures to avoid this mixed attribute accounting. We believe that the securitization of a pool of receivables constitutes a change in the nature of the assets (similar to the concepts previously allowed under the provisions of FAS 65) and thus should represent a remeasurement event that would allow companies to elect FAS 159 on the assets and liabilities.

Clarification of "Shortly Before" Provisions in FIN 46(R)

As an alternative to fair value accounting, we also request further clarification on the "shortly before" provision in Paragraph 21 of FIN 46(R). Our credit card securitization structures have been established as revolving asset master trusts and new accounts are added into the trust on a monthly basis to satisfy minimum receivable balance requirements or to provide sufficient assets for a new securitization transaction. Additionally, balances on existing accounts that are currently in the trust fluctuate on a daily basis to reflect customer payments and new purchases.

Because of the nature of our revolving credit cards and our contractual responsibility to add new balances to the master trust on a periodic basis, we request that the Board provide clarification on its definition of "shortly before" and whether this requirement in FIN 46(R) would preclude us from recording the assets and corresponding liabilities of the VIE at fair value upon adoption of FIN 46(R). We also request that the Board specifically state what period of time would be considered "shortly before" the date the entity became the primary beneficiary.

Request for Additional Qualitative Examples of a Primary Beneficiary

We appreciate the examples provided by the Board to assist us with the qualitative analysis required to determine the primary beneficiary. While the examples are useful, they all follow the same circumstances in which the transferor held a significant residual interest and retained servicing. These fact patterns resulted in the transferor consolidating the VIE as the primary beneficiary. However, there are instances where loans are serviced by non-transferors. We ask for clarity regarding whether non-transferor servicing contracts would be considered variable interests, either on a stand alone basis or in combination with typical servicing advances, representations and warranties and indemnification provisions. We also propose that the Board include an example that applies the qualitative analysis to a traditional credit-card securitization transaction.

Application of Participating Interest Requirements of FAS 140

We would also seek the Board's confirmation regarding our interpretation of the term "participating interest". It is our assumption that the change in terms made by the Board from "undivided beneficial interest" to "participating interest" is not intended to introduce an entirely new concept into the accounting standard which would further limit the types of transactions that would qualify for sale accounting. In the case of a revolving trust, where the transferor retains an interest in the pool of trust receivables we would assert that the legal form of the asset transfer is one whereby one hundred percent of the assets have been transferred at the time when assets are first added into the trust. Following this initial transfer, the transferor is then granted an undivided beneficial interest in the pool of trust receivables. While the transferor does maintain an interest in these receivables, it is not a participating interest as the form of the transaction is one whereby the whole asset was initially transferred into the trust. Alternatively, a straightforward participation of a large commercial loan would, of course, fall into the definition of participating interest.

Conclusion

Capital One agrees with the Board regarding the importance of transparency to the capital markets. However, we maintain that derecognition is the appropriate accounting treatment for assets transferred where the transferor relinquishes significant control and retains only a limited amount of risk and reward associated with the assets. To the extent that the Board disagrees, we strongly suggest that linked presentation be given serious consideration in order to preserve the alignment between current U.S. accounting standards and regulatory capital requirements, and to provide consistency with current IFRS standards. We also ask that the Board consider deferring changes to existing GAAP in advance of convergence with IFRS to alleviate the operational

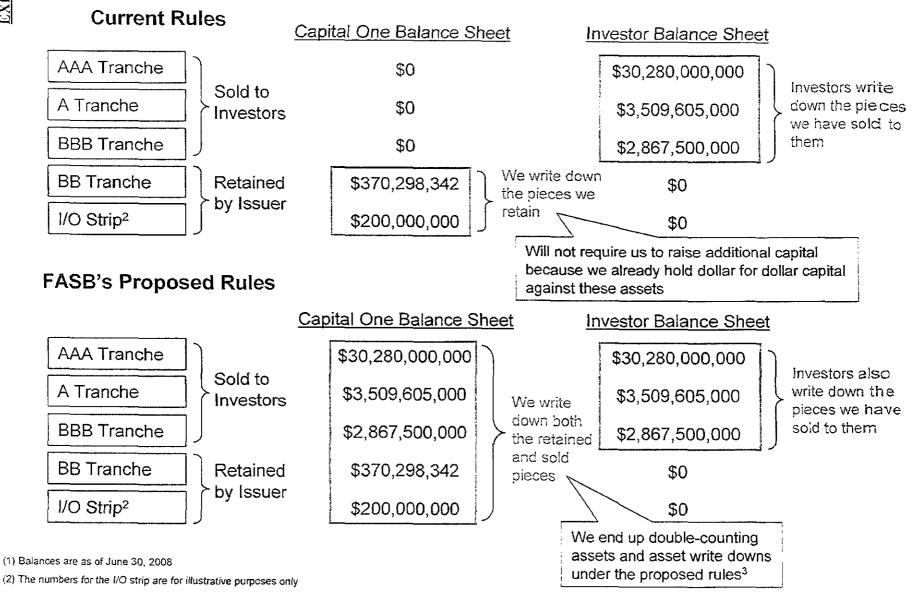
burden of changing accounting treatment twice in a relatively short period of time. For the reasons noted above and the potential impact to the economy, the banking system and the consumer during a time of economic distress, we feel that that it is imperative that the Board takes the time that it needs to develop a standard that provides transparency to the capital markets while recognizing the substance of the transaction and the operational complexities of implementation.

Very truly yours,

Gary L. Perlin

Chief Financial Officer

COMET Stress Scenario¹: Losses increase by 1000%



⁽³⁾ The example shown is for the purposes of demonstrating asset double-counting and institutional exposure to asset write-downs. In the proposed rule example, the asset write-down would also be offset by a corresponding reduction of the security shown under liabilities.

A. <u>Table C from Capital One Financial Corporation Form 10-K for the fiscal year ended December 31, 2007 (See Item 7, page 69-70 on the SEC's EDGAR web site).</u>

TABLE C-MANAGED LOAN PORTFOLIO

	Year Ended December 31					
(Dollars in thousands)	2007	2006	2005	2004	2003	
Year-End Balances:						
Reported loans held for investment:						
Consumer loans						
Credit cards						
Domestic	S 13.130.866	\$ 18.102.140	\$ 16,389,054	\$16,536,789	\$15.287.651	
International	3,661,661	3,203,148	3,356,415	4,017,585	2,752,343	
Total credit card	16,792,527		19,745,469	20,554,374	18,039,994	
Installment loans	- , · , ·	, , ,	, ,	, , ,	,	
Domestic	9,966,818	7,057,270	5,763,538	4,475,838	3,799,618	
International	354,556	637,982	551,460	493,846	249,560	
Total installment loans	10,321,374	7,695,252	6,314,998	4,969,684	4,049,178	
Auto Ioansti	25,038,294	23,180,455	18,041,894	9,997,497	8,466,873	
Mortgage loans	12,296,575	12,586,905	5,281,009	,		
Total consumer loans	64,448,770	64,767,900	49,383,370	35,521,555	30,556,045	
Commercial loans	37,356,257	31,744,239	10,464,311	2,694,036	2,294,224	
Total reported loans held for investment	101,805,027	96,512,139	59,847,681	38,215,591	32,850,269	
Securitization adjustments:						
Consumer loans						
Credit cards						
Domestic	38,885,887	35,430,763	33,059,990	32,088,151	30,983,631	
International	7,645,332	7,906,309	6,740,949	6,023,346	4,644,961	
Total credit card	46,531,219	43,337,072	39,800,939	38,111,497	35,628,592	
Installment loans						

Domestic	1,968,688	2,899,221	2,621,652	2,163,538	1,720,254
International	_	_		_	-
Total installment loans	1,968,688	2,899,221	2,621,652	2,163,538	1,720,254
Auto loans th	110,448	468,823	1,116,761		_
Mortgage loans	_	_			
Total consumer loans	48,610,355	46,705,116	43,539,352	40,275,035	37,348,846
Commercial loans	947,035	2,934,013	2,140,458	1,370,673	1,045,681
Total securitization adjustments	49,557,390	49,639,129	45,679,810	41,645,708	38,394,527
Managed loans held for investment:					
Consumer loans					
Credit cards					
Domestic	52,016,753	53,532,903	49,449,044	48,624,940	46,271,282
International	11,306,993	11,109,457	10,097,364	10,040,931	7,397,304
Total credit card	63,323,746	64,642,360	59,546,408	58,665,871	53,668,586
Installment loans					
Domestic	11,935,506	9,956,491	8,385,190	6,639,376	5,519,872
International	354,556	637,982	551,460	493,846	249,560
Total installment loans	12,290,062	10,594,473	8,936,650	7,133,222	5,769,432
Auto loans ^{to}	25,148,742	23,649,278	19,158,655	9,997,497	8,466,873
Mortgage loans	12,296,575	12,586,905	5,281,009		
Total consumer loans	113,059,125	111,473,016	92,922,722	75,796,590	67,904,891
Commercial loans	38,303,292	34,678,252	12,604,769	4,064,709	3,339,905
Total managed loans held for investment	\$151,362,417	\$146,151,268	\$105,527,491	\$79,861,299	\$71,244,796

Vear	Ended	Decemi	her H

(Dollars in thousands)	40050	2007	2005	2001	2007
Average Balances:	2007(1)	2006	2005	2004	2003
-					
Reported loans held for investment:					
Consumer loans					
Credit cards					
Domestic	S 12,601,155	\$ 15,114,625	\$ 12,073,407	\$ 12,243,466	\$ 10,807,685
International	2,980,539	3,226,858	3,530,174	3,192,501	2,563,165
Total credit card	15,581,694	18,341,483	15,603,581	15,435,967	13,370,850
Installment loans					. ,
Domestic	8,622,863	6,582,942	6,087,114	5,828,325	4,672,744
International	490,914	615,255	553,357	347,259	191,243
Total installment loans	9,113,777	7,198,197	6,640,471	6,175,584	4,863,987
Auto Ioans ⁽ⁱ⁾	23,928,080	19,902,920	13,056,708	9,305,008	7,799,706
Mortgage loans	11,412,960	5,826,632	674,047	_	
Total consumer loans	60,036,511	51,269,232	35,974,807	30,916,559	26,034,543
Commercial loans	33,505,314	12,308,047	4,759,430	3,349,109	2,643,073
Total reported loans held for		<u></u>	<u>-</u>	<u> </u>	
investment	93,541,825	63,577,279	40,734,237	34,265,668	28,677,616
Securitization adjustments:					
Consumer loans					
Credit cards					
Domestic	37,747,827	34,367,401	34,612,169	33,529,885	30,452,104
International	7,835,913	7,285,459	6,452,707	5,159,458	3,254,331
Total credit card	45,583,740	41,652,860	41,064,876	38,689,343	33,706,435
Installment loans					
Domestic	2,542,837	2,828,332	1,133,036	438,364	332,439
International	 	browner			
Total installment loans	2,542,837	2,828,332	1,133,036	438,364	332,439

Auto loans ⁽¹⁾	256,388	748,751	1,608,989		
Mortgage loans	·—	, 	 —		
Total consumer loans	48,382,965	45,229,943	43,806,901	39,127,707	34,038,874
Commercial loans	2,802,217	2,521,373	723,885	318,298	195,463
Total securitization adjustments	51,185,182	47,751,316	44,530,786	39,446,005	34,234,337
Managed loans held for investment:					
Consumer loans					
Credit cards					
Domestic	50,348,982	49,482,026	46,685,576	45,773,351	41,259,789
International	10,816,452	10,512,317	9,982,881	8,351,959	5,817,496
Total credit card	61,165,434	59,994,343	56,668,457	54,125,310	47,077,285
Installment loans					
Domestic	11,165,700	9,411,274	7,220,150	6,266,689	5,005,183
International	490,914	615,255	553,357	347,259	191,243
Total installment loans	11,656,614	10,026,529	7,773,507	6,613,948	5,196,426
Auto loans ^{to}	24,184,468	20,651,671	14,665,697	9,305,008	7,799,706
Mortgage loans	11,412,960	5,826,632	674,047		
Total consumer loans	108,419,476	96,499,175	79,781,708	70,044,266	60,073,417
Commercial Joans	36,307,531	14,829,420	5,483,315	3,667,407	2,838,536
Total managed loans held for investment	\$ 144,727,007	\$ 111,328,595	\$ 85,265,023	\$ 73,711,673	\$ 62,911,953

⁽¹⁾ Includes the auto loans of North Fork and Hibernia

B. Note 24 from Capital One Financial Corporation Form 10-K for the fiscal year ended December 31, 2007 (See Item 8, page 128-130 on the SEC's EDGAR web site).

Note 24 Off-Balance Sheet Securitizations

Off-balance sheet securitizations involve the transfer of pools of loan receivables by the Company to one or more third-party trusts or qualified special purpose entities in transactions that are accounted for as sales in accordance with SFAS 140. Certain undivided interests in the pool of loan receivables are sold to investors as asset-backed securities in public underwritten offerings or private placement transactions. The proceeds from off-balance sheet securitizations are distributed by the trusts to the Company as consideration for the loan receivables transferred. Each new off-balance sheet securitization results in the removal of loan principal receivables equal to the sold undivided interests in the pool from the Company's consolidated balance sheet

⁽²⁾ Based on continuing operations

("off-balance sheet loans"), the recognition of certain retained residual interests and a gain on the sale. The remaining undivided interests in principal receivables of the pool, as well as the unpaid bitled finance charge and fee receivables related to the Company's undivided interest in the principal receivables are retained by the Company and recorded as loans on the Consolidated Balance Sheet. The amounts of the remaining undivided interests fluctuate as the accountholders make principal payments and incur new charges on the selected accounts. The amount of retained loan receivables, representing, transferor's interest was \$11.4 billion and \$9.9 billion as of December 31, 2007 and 2006, respectively.

The following table presents the year-end and average balances, as well as the delinquent and net charge-off amounts of the reported, off-balance sheet and managed loan portfolios.

Supplemental Loan Information

	Year Ended December 31			
	200	07	200	16
	Loans Outstanding	Loans Delinquent	Loans Outstanding	Loans Delinquent
Managed loans	\$151,362,417	\$ 5,863,797	\$146,151,268	\$ 4,414,045
Securitization adjustments	(49,557,390)	(2,142,353)	(49,639,129)	(1,765,642)
Reported loans	\$101,805,027	S 3,721,444	\$ 96,512,139	\$ 2,648,403
	Average Loans	Net Charge- Offs	Average Loans	Net Charge- Offs
Managed loans	\$144,727,007	\$ 4,161,995	\$111,328,595	\$ 3,158,080
Securitization adjustments	(51,185,182)	(2,201,454)	(47,751,316)	(1,750,591)
Reported loans	S 93,541,825	S 1,960,541	\$ 63,577,279	\$ 1,407,489

The Company's retained residual interests in the off-balance sheet securitizations are recorded in accounts receivable from securitizations and are comprised of interest-only strips, retained subordinated undivided interests in the transferred receivables, cash collateral accounts, cash reserve accounts and unpaid interest and fees on the investors' portion of the transferred principal receivables. The residual interests are recorded at estimated fair value. Retained residual interests totaled \$2.3 billion and \$2.2 billion at December 31, 2007 and 2006, respectively. The Company's retained residual interests are generally restricted or subordinated to investors' interests and their value is subject to substantial credit, repayment and interest rate risks on the transferred financial assets. The investors and the trusts have no recourse to the Company's assets, other than the retained residual interests, if the off-balance sheet loans are not paid when due.

The gain on sale recorded from off-balance sheet securitizations is based on the estimated fair value of the assets sold and retained and liabilities incurred, and is recorded at the time of sale, net of transaction costs, in servicing and securitizations income on the Consolidated Statements of Income. The related receivable is the interest-only strip, which is based on the present value of the estimated future cash flows from excess finance charges and past-due fees over the sum of the return paid to security holders, estimated contractual servicing fees and credit losses. The Company periodically reviews the key assumptions and estimates used in determining the value of the interest-only strip. The Company recognizes all changes in the fair value of the interest-only strip immediately in servicing and securitizations income on the consolidated statements of income in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. In accordance with Emerging Issues Task Force 99-20 ("EITF 99-20"), Recognition of Interest Income and Impairment of Purchased and Retained Beneficial Interests in Securitized Financial Assets, the

interest component of cash flows attributable to retained interests in securitizations is recorded in other interest income.

The key assumptions used in determining the fair value of the interest-only strip and other subordinated retained interests resulting from securitizations of loan receivables completed during the period included the weighted average ranges for charge-off rates, principal repayment rates, lives of receivables and discount rates included in the following table. The charge-off rates are determined using forecasted net charge-off's expected for the trust calculated consistently with other company charge-off forecasts. The principal repayment rate assumptions are determined using actual and forecasted trust principal repayment rates based on the collateral. The lives of receivables are determined as the number of months necessary to pay off the investors given the principal repayment rate assumptions. The discount rates are determined using primarily trust specific statistics and forward rate curves, and are reflective of what market participants would use in a similar valuation.

Additionally cash reserve and spread accounts are discounted over the estimated life of the assets.

Securitization Key Assumptions

Year Ended December 31	2007	2006
Weighted average life for receivables (months)	8 to 9	8 to 9
Principal repayment rate (weighted average rate)	15% to 17%	14% to 16%
Charge-off rate (weighted average rate)	4% to 5%	3% to 4%
Discount rate (weighted average rate)	11% to 13%_	10% to 13%

If these assumptions are not met, or if they change, the interest-only strip and related servicing and securitizations income would be affected. The following adverse changes to the key assumptions and estimates, presented in accordance with SFAS 140, are hypothetical and should be used with caution. As the figures indicate, any change in fair value based on a 10% or 20% variation in assumptions cannot be extrapolated because the relationship of a change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the interest-only strip is calculated independently from any change in another assumption. However, changes in one factor may result in changes in other factors, which might magnify or counteract the sensitivities.

Securitization Key Assumptions and Sensitivities

As of December 31	2007	2006
Interest-only strip	S 429,288	\$448,684
Weighted average life for receivables (months)	8	8
Principal repayment rate (weighted average rate)	15%	16%
Impact on fair value of 10% adverse change	\$ (28,032)	\$ (26,505)
Impact on fair value of 20% adverse change	(53,231)	(49,799)
Charge-off rate (weighted average rate)	5%	4%
Impact on fair value of 10% adverse change	\$ (74,193)	\$ (45,334)
Impact on fair value of 20% adverse change	(133,681)	(90,476)
Discount rate (weighted average rate)	13%	10%

Impact on fair value of 10% adverse change	\$ (2,097)	\$ (2,042)
Impact on fair value of 20% adverse change	(4,170)	(4,109)

Static pool credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets. Due to the short-term revolving nature of the loan receivables, the weighted average percentage of static pool credit losses is not considered materially different from the assumed charge-off rates used to determine the fair value of the retained interests.

The Company acts as a servicing agent and receives contractual servicing fees of between 0.50% and 4% of the investor principal outstanding, based upon the type of assets serviced. The Company generally does not record material servicing assets or liabilities for these rights since the contractual servicing fee approximates market rates.

Securitization Cash Flows

Year Ended December 31	2007	2006
Proceeds from new securitizations	\$12,641,050	\$12,343,771
Collections reinvested in revolving-period securitizations	92,917,318	85,525,697
Repurchases of accounts from the trust	344,287	236,964
Servicing fees received	969,552	893,046
Cash flows received on retained interests th	5,290,100	4,465,769

⁽¹⁾ Includes all cash receipts of excess spread and other payments (excluding servicing fees) from the trust to the Company.

For the year ended December 31, 2007 the Company recognized gross gains of \$63.8 million on the sale of \$12.6 billion of loan principal receivables compared to gross gains of \$50.4 million on the sale of \$12.3 billion of loan principal receivables for the year ended December 31, 2006 and gross gains of \$58.2 million on the sale of \$9.5 billion of loans in 2005. These gross gains are included in servicing and securitizations income. In addition, the Company recognized, as a reduction to servicing and securitizations income, upfront securitization transaction costs and recurring credit facility commitment fees of \$45.0 million, \$66.1 million and \$48.6 million for the years ended December 31, 2007, 2006 and 2005, respectively. The remainder of servicing and securitizations income represents servicing income and excess interest and non-interest income generated by the transferred receivables, less the related net losses on the transferred receivables and interest expense related to the securitization debt.