



FAS 140: Part 1, Legal Isolation in Transfers of Loans and MBS

The User's Perspective

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What should companies do to comply with legal isolation requirements?

Establish a *policy* that addresses:

1. When a legal isolation opinion must be obtained
2. When an existing legal isolation opinion can be relied upon
3. When a legal isolation opinion must be updated

1. Determine when a legal isolation opinion must be obtained

- Continuing involvement (including servicing) is key
- Provide examples

2. Determine when an existing legal isolation opinion can be relied upon

- Proximity of dates
- Quality and qualifications of the attorney
- Size and complexity of the transfer
- Similarity of the structure or transfer
 - Attributes of the structure or transfer
 - Lawyer considerations used in opinion

3. Determine when a legal isolation must be updated

- Proximity of dates
- Structure of the transfer changes
- Legal isolation or bankruptcy laws and regulations change

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