

**FAS 140 – Part II, QSPEs-
Their Present and Future Accounting
MBA's Accounting, Tax and Financial
Analysis Conference
November 14, 2006**

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History of Servicer Discretion Issue

- Early 2005 – Audit firms raised questions about SPEs ‘Q’ Status while reviewing annual financials for FIN 46 compliance
 - CMSA met with the audit firms several times
 - CMSA provided industry information with support of the other Capital Consortium members
 - The audit firms took their concerns to the SEC

- October 2005 – Representatives of CMSA and the audit firms met with the SEC

- December 2005 – FASB agreed to take on a limited scope project

- January 2006 – FASB decided to form a Resource Group

- February 2006 – FASB Resource Group met with FASB staff and 2 Board members

Capital Consortium Information

- The Capital Consortium provided FASB with follow up information on:
 - The 3 Servicing Activities in Question
 - Due on Sale
 - Substitution of Collateral
 - Servicing on Foreclosed Assets

 - Additional Servicing Activity Questions
 - Defeasance
 - Loan Modification/Extension
 - Protective Rights
 - Voting Rights in Re-Securitizations
 - Companion Loans
 - Fair Value Default Call
 - Servicer Float

Capital Consortium Information cont'd

- Servicing for different asset types:
 - Commercial Mortgages
 - Credit Cards
 - Home Equity Lines of Credit
 - Student Loans
- The Capital Consortium also submitted a Proposal of a Principle that could be used in their FSP – Basic premise being third party trigger events which are out of control of transferors or servicer should allow decision making

Current Status

- September 2006 – FASB Education Sessions
 - Briefly discussed Capital Consortium’s principle
 - Focused discussion on staff’s proposal of further defining passive assets and liabilities
 - Staff to define and test all assets against the model
 - Staff tapping into industry experts for analysis
 - FASB is also looking at modifying paragraph 9(b) to redefine “trivia/benefit”

- Current estimated timing to re-deliberate – November

- Joint IASB and FASB Consolidation and De-recognition projects continue