

COMMUNITY MORTGAGE BANKING PROJECT

November 15, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-24-10

Dear Ms. Murphy:

The Community Mortgage Banking Project (CMBP) is pleased to submit its comments on the Commission's proposed rules regarding Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Our comments will be limited to the issues of the type of information on repurchase requests to be disclosed, the amount of information to be disclosed and timing of disclosures. Primarily we will be responding to questions 9, 14, 15 and 17 in the Notice of Proposed Rule-Making (NPR).

CMBP is a public policy organization representing the interests of independent mortgage banking companies. Our 40 member companies are engaged in residential mortgage lending and sell all the loans they originate into the secondary mortgage market to aggregators, securities issuers and investors. As such our member companies have significant experience with how representations and warranties (Reps and Warrants) on residential mortgage assets are structured and how they operate following the sale of the assets and placement in an asset-backed security (ABS).

In summary, we find the Commission's proposed disclosures to be entirely too limited, particularly since the purpose of these disclosures is to permit investors to "identify asset originators with clear underwriting deficiencies." In order for investors to make such judgments, they need all the facts behind repurchase requests and not just some of the facts. Investors need to know not only the number of repurchase demands that have been made, but how many repurchase demands are disputed by the originators, how many are in arbitration or negotiation between the parties and how many repurchase demands have been withdrawn by the issuer as well. This information should be contained in the body of the table and not buried in a footnote since it will be critical information in the formation of investor's judgments about whether the assets produced by certain originators have "clear underwriting deficiencies".

Background

Providing ABS investors with more detailed data about repurchase requests made against asset originators pursuant to reps and warrants will yield information not only about the originators, but also about the issuer. Not all issuers of ABS approach repurchase requests the same way, and as a result all repurchase requests are not of equal validity. Some issuers may initiate repurchase demands on large volumes of loans after only very limited reviews of the facts and circumstances of each one. This puts the onus on the

originators to review each request and dispute the request whenever the facts do not support the repurchase demand. These issuers, and the originators that sell to them, will have high volumes of repurchase requests, high levels of disputed and unfulfilled, and low levels of net repurchases. Other issuers may engage in more detailed file reviews before making a repurchase request, resulting in fewer disputes and very low levels of unfulfilled repurchases.

As a result of these differences in the issuers' approaches to enforcing reps and warrants, originators may have very different repurchase "profiles" depending on which issuer or issuers they deal with. For example, an individual originator that sells to both types of issuers will have very different levels of fulfilled and unfulfilled repurchases across issuers. Similarly, two different originators that sell to issuers with different approaches to repurchases could have very different repurchase profiles even though they have very similar credit quality standards. It is important, therefore, that the repurchase data provide a full and accurate picture of the volume and disposition of repurchase requests.

Clearly, the application of representations and warranties in a default situation can, and does, leave considerable room for disagreement between the originator and the party seeking to enforce the representations and warranties. The originator of the assets may dispute assertions made by the enforcing party on factual or legal grounds. And not infrequently, the enforcing party withdraws the repurchase demand, based on the legal and/or factual material presented by the originator. On the other hand there are certainly instances where the originator acknowledges a breach of the representations and warranties and repurchases the loan. In other instances the parties may have an extended negotiation over the repurchase demand and eventually agree to compromise the matter.

Specific Recommendations

Given the very different approaches that issuers take to repurchase, we believe that the public disclosure on asset repurchase demands needs to capture the full panoply of the interaction between issuers/aggregators and asset originators. This "full capture" will permit investors to make a fully informed determination regarding the issuers' approach to aggregating the assets and enforcing reps and warrants, and the quality of the assets created by each originator backing securities the investor owns. We have attached a proposed data format as Exhibit A.

Question 14 in the NPR asks if the information proposed to be required in the table is appropriate and then goes on to ask if there is any other information that should be presented in the table that would be useful to investors. Our answer to the first part of the question is that some of the information is appropriate and some of it is not.

Specifically we believe that the name of the issuing entity and the name of the originator are useful and appropriate information for an investor to know. In looking at the sample form set out in the NPR, moving left to right, we have some suggestions for additional information, and revisions to the columns suggested that will provide investors with an accurate picture of both issuers and originators.

First, we believe a column should be added to the table that displays for each originator, by number and dollar volume, the total assets contained in the security that were originated by the originator. That information will assist investors in placing the information on repurchase demands that follows in the proper context.

We would leave intact the information columns on Assets That Were Subject of Demand and Assets That Were Repurchased or Replaced.

Regarding assets that were not repurchased or replaced, we would suggest dividing that into four sub-categories: Demand Withdrawn; Demand is in Dispute; Demand Cannot be Satisfied and Demand Pending (within cure period).

The Demand Withdrawn sub-category would be for those repurchase demands withdrawn by the issuer. Withdrawn demands typically occur because the originator has provided information that indicates the asset was not, in fact, in violation of the reps and warrants. Providing this information gives investors a clearer picture of the originator's asset quality and of the issuer's approach to enforcing reps and warrants. The Demand is in Dispute sub-category would be for those instances where negotiations are still ongoing between the originator and issuer, but the originator has disputed the initial demand and situations where the demand is in arbitration or litigation. Again, this will provide investors with more detailed information that will give them a more complete picture of the status of repurchase demands and a more accurate reflection of the various interactions between issuers and originators over repurchase demands. In turn this will permit investors to make a more fully informed determination of originator underwriting quality. The column for Repurchase Demands that Cannot be Satisfied would be for repurchase demands where the originator is no longer in existence or unable to comply with the repurchase demand to the point where the issuer no longer believes the demand can be satisfied. Finally the Demand Pending sub-category would be identical to that column proposed in the NPR.

Turning now to Questions 9 and 17 we urge the Commission to apply the disclosure requirement prospectively only and to require disclosure on a quarterly basis rather than monthly.

Thank you for this opportunity to comment. Should you have any questions or desire clarification of any of the points we have raised please contact me at 571-357-1036.

Sincerely,



Glen S. Corso
Managing Director

