

## ASF Project RESTART

The American Securitization Forum (“ASF”) hosted its Sunset Seminar on July 16, 2008, to discuss the ASF’s Project on Residential Securitization Transparency and Reporting (“Project RESTART” or the “Project”). The goal of the Project, as implied by its name, is to restart the securitization market by restoring investor confidence in mortgage- and other asset-backed securities, beginning with residential mortgage-backed securities (“RMBS”), by improving disclosure, reaching a consensus on standards, and enhancing availability and distribution of information. Success in this industry-wide effort, which includes originators, servicers, investors, rating agencies, law firms, and other market participants, would help restore capital flows to the credit markets, increase the availability of liquidity and credit in the overall economy, and mitigate the current economic downturn.

The first phase of Project RESTART is the ASF RMBS Disclosure Package (the “RMBS Disclosure Package”), which was released by the ASF for comment on the day of the seminar. The RMBS Disclosure Package is a proposed disclosure package that would provide standardized pool and loan-level data that is more reliable, more easily understood by investors, consistent across the asset class, and equally available to all market participants. The proposed RMBS Disclosure Package consists of 135 data fields of pool and loan-level information. Some of the data fields highlighted during the seminar include:

- fields for the origination channel for the loan and whether a mortgage broker had a role in forwarding the loan application to the originator;
- a total debt-to-income ratio field—the ratio of a borrower’s total monthly debt expenses (including mortgage payments, credit card payments, child support, and other loan payments) to the borrower’s gross monthly income;
- multiple borrower income fields that specify income as to its source (e.g., wage, non-wage, base salary, and primary and non-primary borrower income);
- fields regarding documentation of the borrower’s income, assets, and employment; in addition, the development of a gold standard as to what a fully-documented loan would include;
- occupancy field—whether the property is the borrower’s primary residence;
- a field for the number of properties owned by the borrower that currently have mortgages on them;
- an LTV field that takes into account the original appraised value and combined mortgage debt and a separate field for alternative valuation methods used to determine the original property valuation; and
- a field for underwriter discretion that indicates deviations from the originator’s underwriting standards.

In addition to the loan-level data contained in the proposed RMBS Disclosure Package, the Project identified relevant information that may be disclosed in a supplemental electronic file (the “Transaction Supplement”) accompanying the RMBS Disclosure Package. The Transaction Supplement would separate information that may be of a type determinable only at the time of securitization as compared to the largely origination-based information contained in the related RMBS Disclosure Package. In addition, the Transaction Supplement could include information on the concentration of loans in the RMBS transaction that have unusual characteristics, such as loans to borrowers who are employees of the related originator.

The other phases of the Project include:

- ASF RMBS Reporting Package—standardized monthly servicing reports made available to investors and rating agencies;
- model representations and warranties—enhanced originator representations and warranties (so originators have more “skin in the game”);
- model repurchase procedures—a uniform set of repurchase procedures including a clear delineation of the roles and responsibilities of transaction parties in the repurchase process;
- model pooling and servicing agreement servicing provisions;

- ongoing review of project enhancements and other market standards; and
- coordination with the European Securitisation Forum’s comparable initiative.

The initial focus of the Project will be the private-label RMBS market, with the expectation that similar efforts will be pursued in other major asset classes such as student loan, credit card, and automobile securitizations. The Project’s proposals will be released in phases for comment throughout the remainder of 2008 with the hope of implementation in 2009.

The ASF summary of the Project is available at <http://www.americansecuritization.com/story.aspx?id=2655>, and the proposed ASF RMBS Disclosure Package is available at [http://www.americansecuritization.com/uploadedFiles/Project\\_RESTART RFC\\_%207\\_16\\_%2008.pdf](http://www.americansecuritization.com/uploadedFiles/Project_RESTART RFC_%207_16_%2008.pdf). The ASF requests comments on the RMBS Disclosure Package on or before August 22, 2008.

Dechert attorneys will be reviewing the RMBS Disclosure Package as well as future Project RESTART proposals with clients and are available to discuss these proposals in more detail.

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## Practice group contacts

If you have questions regarding the information in this legal update, please contact the Dechert attorney with whom you regularly work. Visit us at [www.dechert.com/finance&realestate](http://www.dechert.com/finance&realestate).

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