



VIA E-MAIL: SecuritizationInfrastructure@fhfa.gov

June 30, 2013

Federal Housing Finance Agency
Office of Strategic Initiatives
400 7th Street, S.W.
Washington, DC 20024

Re: Comments on *Progress Report on the Common Securitization Infrastructure*

Ladies and Gentlemen:

The Structured Finance Industry Group (“SFIG”)¹ is pleased to offer this comment letter in response to the *Progress Report on the Common Securitization Infrastructure*, (“Progress Report”) issued by the FHFA on April 30, 2013. Our comments, summarized below, are relevant to both the Contractual and Disclosure Framework (“CDF”) and Common Securitization Platform (“CSP”) components of the Common Securitization Infrastructure (“CSI”).

We support the efforts of the FHFA to build a stable infrastructure for the future of guaranteed MBS issued by Fannie Mae, Freddie Mac or possible successor organizations. We also support efforts to continue GSE alignment activities in connection with the CDF. We are also pleased to

¹ Structured Finance Industry Group, Inc. (“SFIG”) is a member-based, trade industry advocacy group focused on improving and strengthening the broader structured finance and securitization market. SFIG provides an inclusive network for securitization professionals to collaborate and, as industry leaders, drive necessary changes, be an advocate for the securitization community, share best practices and innovative ideas, and educate industry members through conferences and other programs. Members of SFIG represent all sectors of the securitization market including issuers, investors, financial intermediaries, law firms, accounting firms, technology firms, rating agencies, servicers, and trustees. Further information can be found at www.sfindustry.org.

see the narrowed focus and development of a governance structure for the CSP described in the Progress Report.

Focus on GSE Issuance and Partially-Guaranteed RMBS Transactions in Building the CSI

We understand the FHFA's desire to maximize the benefits of the CSI, given the time and resources that will be invested in building it. The agency has expressed a desire to structure the CSI in such a way that it could serve both the GSE and private label mortgage-backed securities markets. However, we suggest a sequential approach. Therefore, we urge the FHFA to focus first on the CSI's application to the GSE MBS market, and perfect that application as the initial objective. As part of this initial focus the FHFA should also consider how the CSI might accommodate "hybrid" risk-sharing transactions where private investors accept some level of credit risk on conforming mortgage loans coupled with a GSE providing a limited federal government guaranty (referenced in the Progress Report as Partially-Guaranteed RMBS Transactions). After this first phase is completed, expanding the CSI to serve the needs of the purely private RMBS market can be assessed.

We are concerned that attempting to accommodate private label securitization transactions during the initial build out will hamper the progress and success of the CSI. While there are many similarities, the private label market has different and unique needs and characteristics when compared to the GSE market. The GSE market was designed to be relatively homogenous and standardized in order to process large volumes of TBA deliverable mortgages for the rate investor MBS market. The private market, operating under a more onerous and involved legal regime than the GSE market, delivers more tailored products to borrowers to create assets for credit sensitive investors. While both markets might be able to share a CSI type platform in the future, the FHFA should initially focus on creating a CSI that works for the GSEs. The successful build and implementation of the CSI for the use of the GSEs in connection with GSE Issuances will be a significant achievement, and that goal need not be compromised by trying to incorporate, at the initial stage, the additional requirements for a private label utility, especially given the legal and operational distinctions in these markets.

Coordinate Data Disclosure Issues with MISMO

SFIG agrees with the emphasis that FHFA placed in its Progress Report on the need to leverage the private sector to the extent feasible when building the CSI. In this regard, we note the particular focus in the Progress Report on leveraging the MBA's MISMO initiatives as Fannie Mae and Freddie Mac ("GSEs") work toward modifying their Uniform Mortgage Data Program for Agency deliveries and fully-guaranteed Agency RMBS.

SFIG is working with MBA and MISMO to form a working group on loan level disclosure. The primary purpose of this SFIG/MBA working group is to discuss how MISMO origination

information and periodic servicing information (including ULDD and UMSD for conforming loans) can be expanded to incorporate data fields for non-conforming mortgage loans that the “pure” private label RMBS market deems necessary. However, this group will also work to identify the types of loan level data definitions and substantive data fields that should be provided for at least some Partially-Guaranteed RMBS Transactions such as cash senior-subordinated RMBS. It is important to stress that this working group is comprised of representatives from many industry sectors, and includes originator, servicer, investor, issuer, trustee, law firm, due diligence provider, and rating agency participants, as well as GSE representatives. We expect that the recommendations of this working group will be extremely valuable to the development of the CSI. SFIG is also keeping the SEC informed of the progress of this working group in view of the relevance of its activities to the SEC’s loan level disclosure requirements of the proposed amendments to Regulation AB.

New Representation and Warranty Structure Should Recognize the Different Nature of the Private Market

SFIG supports the efforts of FHFA to standardize and improve the Representation and Warranty structure in connection with the CSI. This is important for issuers, as it provides clarity on transfer of risk to the guarantor, and for investors, especially as it relates to Partially-Guaranteed RMBS Transactions.

However, we caution FHFA that structures and approaches that may be appropriate for securities that are fully guaranteed by a GSE, and even for Partially-Guaranteed RMBS Transactions, may not be appropriate for private label securities given the wide variety of loan types, origination practices, servicing contracts, and deal structures. Additionally, in order to promote the return of an efficient and functioning private market, participants in that market (including investors and sponsors) will need the ability to negotiate specific or bespoke terms in order to satisfy their own internal requirements. SFIG is working with a wide range of industry participants to improve the representation and warranty and enforcement process. We would very much like to include FHFA and the GSEs in those discussions in order to produce consistent approaches and definitions wherever possible.

We Encourage the Creation of an Industry Advisory Committee to Support the Development of the CSI

We appreciate the transparency with which the FHFA has undertaken the CSI initiative and we encourage the agency to continue that approach. The transparency facilitates constructive feedback from all interested parties. With that in mind, we noted that the Progress Report indicated that the “FHFA plans on instituting a formal structure to allow for ongoing input from industry participants.” We support the FHFA’s plan to do so, and recommend the creation of an

advisory committee with a membership that is broadly representative of the types of firms that have a strong interest in the design and operation of the CSI.

Advisory committees of this nature are commonly used by other Federal agencies with much success. The technical and policy issues that must be navigated in establishing something like the CSI are well suited for a formal structure like an industry advisory committee. In addition, given the mission and membership of SFIG, we would be well-suited and appreciative of an opportunity to serve on the committee.

SFIG appreciates the opportunity to comment on the Progress report and looks forward to constructive and supportive engagement with the FHFA on the continued build out of the CSI. If you have any questions or desire to discuss in more detail, please contact me at (571) 296 6017 or at Richard.Johns@SFIndustry.org

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Johns', is centered within a light gray rectangular box.

Richard Johns
Executive Director
The Structured Finance Industry Group, Inc.