



**MORTGAGE BANKING COMMITTEE
MORTGAGE BANKING COMMITTEE CONFERENCE CALL
Thursday, July 20, 2006
2:00 pm – 3:00 pm (Eastern)
Conference Call Summary**

Introduction

Debbie Rogan, Vice Chair, lead the conference call discussion of the Mortgage Banking Committee. During the call, MBA members discussed the mortgage banking licensing law project, Borrower Satisfaction Survey Working Group, MBA Quarterly Data Book, changes in financial document reporting standards, availability of catastrophic insurance and MBA updates.

State Mortgage Banking Law Research Project

The MBA is undertaking a research program to identify the state-by-state requirements for mortgage banking and brokerage licensure. The current phase of the project is to identify the information elements that will comprise the state by state Mortgage Banking Licensing Resource Center. Dan Perrone, who is performing the research of the state mortgage licensing law project, indicated to the group that he was in the survey portion of the project where he will be calling Mortgage Banking Committee members. The purpose of these calls will be to discover how mortgage banking companies in multiple jurisdictions are tracking state mortgage licensing requirements.

Borrower Satisfaction Survey Working Group

Following the May 30 Mortgage Banking Committee Conference call, the Borrower Satisfaction Survey Working Group (Working Group) discussed next steps for the Borrower Satisfaction Survey (Survey) results. The Working Group emphasized the need for the MBA to incorporate the Survey results in School of Mortgage Banking and other educational programs. The Survey results should all be presented at MBA conferences. MBA staff was charged with developing a program for the wide dissemination of the Survey results and developing options for updating the Survey.

MBA Quarterly Data Book

Jamie Woodwell reported the results from recently released First Quarter 2006, Quarterly Data Book (Data Book). During the first quarter of 2006 commercial and multifamily mortgage banker's loan originations increased 34.2 percent compared to the same quarter last year. This year over year increase during the first quarter was led by solid gains among all property types while CMBS conduits and commercial banks led the increases among investor types. The full Data Book can be accessed from the following link:

<http://www.mortgagebankers.org/ResearchandForecasts/ProductsandSurveys/QuarterlyDataBook.htm>

Changes in Life Company Reporting Requirements

Marty Clancy, Vice President, Capstone Realty Advisors, led the discussion regarding increased reporting requirements by life insurance companies. As many life companies implement web based property reporting systems, the demand for frequently updated property information has increased. Property inspections are being required earlier in the year, which is placing a compliance burden on servicers. In addition, operating data that was once required to be reported on an annual basis is now being required on a quarterly or semi-annual basis. The increased level of reporting is straining the resources of some servicers. However, greater efficiency of electronic reporting has countered the increase frequency of reporting which has prevented the need to add additional staff.

Availability of Catastrophic Insurance

Bernie Brown of Insurance Advisors (an insurance consultant) reported the following:

- There is a great deal of capital in the insurance industry and it is very competitive for non-catastrophic areas. But for catastrophic areas, there are real problems. Insurance companies are looking at location and loss experience. For new loans in Florida, they are seeing some transactions crater due to lack of availability. On renewals, insurance is available, but at a much higher price.
- Insurance companies are now starting to focus on the Northeast due to hurricane concern.

One member noted that a borrower located in Florida was renewing their policy; the apartment property is not on the water and rates went up by 500%, equating to an increase of \$1,400 per unit. Another member noted that deals have been pushed to more locally-based financial institutions that have more flexibility in accepting deals where there is difficulty in placing full insurance coverage.

MBA Update

MBA staff updated the Committee on the following activities:

Terrorism Risk Insurance Extension Act of 2005 (TRIEA)

On July 13, Stacey Berger, Executive Vice President of Midland Loan Services, Inc., made a presentation to the President's Working Group on Financial Markets (PWG) regarding how the MBA will evaluate proposed long-term terrorism insurance proposals. The PWG is charged by TRIEA with performing a study that examines the long-term availability and affordability of

terrorism risk insurance including nuclear, biological, chemical, radiological events.

Regulation AB

Regulation AB is a comprehensive regulation that addresses registration and disclosure of mortgage-backed securities as well as communication and required ongoing reporting of all asset backed securities, including mortgage-backed securities. Regulation AB affects any registered offering of mortgage-backed securities that were publicly offered to investors after December 31, 2005. One of the major goals of Regulation AB is to provide enhanced disclosure on all transaction participants involved in the mortgage-backed securities offering. Another goal of Regulation AB is to provide enhanced disclosure of the ongoing performance of the mortgage-backed securities. Participants in the commercial mortgage-backed securities industry are addressing their operations to handle the disclosure requirements for Regulation AB. However, the requirements of Regulation AB should not affect existing relationships between transaction participants in the commercial mortgage-backed securities market (for example, the relationship between the sub-servicers and the borrowers). If you have any questions on Regulation AB, please contact Jennifer Williams, Director of Capital Markets and Financial Disclosure, at 202-557-2918 or jwilliams@mortgagebankers.org. Also, please send the MBA examples of language in servicer agreements that require changes to business relationships due to Regulation AB. Committee members requested that time be set aside on the next conference call to discuss Regulation AB implementation.

Financial Accounting Standards 140

- Financial Accounting Standard (FAS) 140 is the accounting standard for securitizations and other transfers of financial assets. It is there to help distinguish transfers of financial assets that are sales from those that are secured borrowings. In order to record the transaction as a sale the trust must be deemed a qualified special purpose entity or QSPE.
- Earlier in 2005, the major accounting firms raised concerns about the interpretation of CMBS trusts as QSPEs and the extent of servicing activities in CMBS trusts and asked for clarification from FASB on these issues. Market practices concerning the commercial mortgage-backed securities industry continue to be refined so discussions regarding the industry structures and other practices are not surprising. However, nothing has changed in industry practices with regard to the accounting issues that have been raised since FAS 140.
- At the request of the SEC, FASB decided on December 20, 2005 to open a special short-term project to clarify the passive nature of QSPEs.
- FAS 140 currently permits decisions inherent to servicing. The project is to focus on the amount of discretion a servicer is permitted in servicing the assets of a QSPE and whether those activities are considered passive in nature.

- FASB is currently contemplating the best approach to respond to practical issues involving permitted activities in a qualified special purpose entity. At this time, FASB has indicated that the Board and the FASB staff have agreed to combine the servicer discussion on the project and the previous FAS 140 Exposure Draft on permitted activities into one project. Anticipate an update on the FASB guidance for the new combined project in mid-September.

MISMO

Over the past year, much progress has been made in developing MISMO. Some recent development includes working with the Appraisal Institute to create an appraisal report summary. In addition, MISMO is in the process of creating summary formats for other third party reports such as environment reports and property conditions reports.

Next Conference Call

Thursday, September 14, 2006

2:00 pm – 3:00 pm (Eastern)