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Speaking of Securitization

## The Reg AB Static Pool Data Starter Kit

*Introduction by Chris Pruszko*

*Attachment by Marty Rosenblatt, Mark Scherer, and Chris Pruszko*

The release of the final version of the US Securities and Exchange Commission Regulation AB in December provides a comprehensive set of guidance to:

- Update and clarify the Securities Act registration requirements for asset-backed securities offerings;
- Consolidate and codify existing interpretive positions that allow modified Exchange Act reporting relevant to asset-backed securities;
- Provide disclosure guidance and requirements for filings involving asset-backed securities and;
- Streamline and codify existing interpretive positions that permit the use of written communications in a registered offering of asset-backed securities.

Among the many rules and regulations included in the SEC release, one of the most significant changes to the status quo is the requirement to disclose static pool data. Static pool data—performance data for a specified pool of assets tracked over a stated time period—is intended to provide greater transparency and disclosure for the asset-backed security investor.

*S.O.S. contains general information only; it is not a substitute for consultation with a professional. To receive copies or other information dealing with matters herein, contact the Securitization Strategies Team hotline at (213) 688-6555 or e-mail us at [securitization@deloitte.com](mailto:securitization@deloitte.com).*

This Speaking Of Securitization issue will focus specifically on the Static Pool Data requirements. The following article will cover when and where Regulation AB applies, what type of static pool data is called for by the regulation, and some considerations to keep in mind when determining the appropriate disclosures. Additionally, the attached electronic file provides some key excerpts from the regulation related to presentation and sample presentations of static pool data.

### Mark Your Calendar: Transition Rules

Regulation AB outlines compliance dates for initial bona fide offers and shelf registration statements. Following is a brief list of the applicability and key dates for compliance:

Issuance Type	Compliance Date	Requirement
Initial Bona Fide Offers	Offering date on or before December 31, 2005	The transaction is fully grandfathered and is not required to comply with the new rules of Regulation AB.
Initial Bona Fide Offers	Offering date after December 31, 2005	Must comply with the new rules and forms.
ABS Shelf Registration Statement	Shelf filed on or before August 31, 2005 <b>and</b> transaction with an initial bona fide offering after December 31, 2005 but not after March 31, 2006	The prospectus and the prospectus supplement, taken together, must comply with Regulation AB (the base prospectus does not necessarily need to be modified). Part II of the registration statement must also be post-effectively amended to add any required undertakings.
ABS Shelf Registration Statement	Shelf filed on or before August 31, 2005 <b>and</b> transaction with an initial bona fide offering after March 31, 2006	Shelf registration must be amended post-effectively so that the base prospectus complies with Regulation AB and the required undertakings are added to Part II.
ABS Shelf Registration Statement	Shelf filed after August 31, 2005 <b>and</b> transaction with an initial bona fide offering after December 31, 2005	Shelf registration must be pre-effectively or post-effectively amended, as applicable, to make the prospectus compliant and to make any required undertakings or other changes to Part II.

### What to Show

Regulation AB specifies the starting point for static pool disclosure requirements for amortizing asset pools and revolving asset master trusts by prescribing a principle-based set of disclosure items rather than detailed disclosure guides for each asset type.

With regard to amortizing asset pools, the requirements also indicate that if the sponsor has less than three years experience securitizing the asset type being offered in the pool, the static pool information should be provided by vintage origination years, grouping assets originated or purchased.

For amortizing asset pools, the static pool disclosures include (subject to materiality):

- Original Pool Summary Information
  - Number of pool assets
  - Original pool balance
  - Average initial loan balance (regulation states "pool" balance)
  - Weighted average interest or note rate
  - Weighted average original term
  - Weighted average remaining term
  - Credit quality measurement (e.g. weighted average, minimum, and maximum credit score)
  - Product type
  - Loan purpose
  - Loan-to-value information
  - Distribution by loan or note rate
  - Geographic distribution
- Delinquency Information
- Cumulative Losses and Prepayments

This data should be provided for five years or as long as the sponsor has been securitizing or, in the case of vintage origination years, originating or purchasing assets of the same asset type as the securitized assets.

For revolving asset master trusts, the regulation calls for:

- Delinquency Information
- Cumulative Losses
- Prepayments
- Payment Rate
- Yield
- Credit Quality Measurement (e.g. standardized credit scores)

This information for revolving asset master trusts should be provided in separate time intervals based on the origination date for the pool of assets. The regulation suggests a minimum of 12-month increments through the first five years of the account's life.

### Keep in Mind...

Some considerations to keep in mind regarding static pool disclosures include:

**Materiality**—Throughout the text of the regulation, materiality is reiterated. This underscores that the intention of the regulation is to be principle-based and not an all encompassing mandate. Consequently, the sponsor should be cognizant of what does, does not, or should apply and make the necessary adjustments.

**Starting point**—In line with the regulation's principle-based theme, the regulation identifies its disclosure guidance as a "starting point". The static pool requirements are not exhaustive and require customization by asset type, seasoning, or other applicable factors.

**Alternative disclosure**—To the extent that the suggested starting point information is not available, or is not material, the regulation allows for alternative static pool information disclosure that is material.

**Unreasonable effort or expense**—If the required static pool data is unknown and would require unreasonable effort or expense to acquire, it may be omitted. However, a statement must be included in the prospectus supporting the omission.

**Website distribution**—The regulation allows for electronic posting of the static pool information as an alternative to physical inclusion in the prospectus if certain conditions are met. These conditions ensure that the prospectus appropriately directs the investor to the information and that the information is easily obtained. This filing alternative is applicable until December 31, 2009.

### The Starter Kit

Attached please find an electronic file that includes excerpts from Regulation AB pertaining to method of presentation and static pool information and a variety of possible presentations of static pool data for amortizing asset pools. The presentation samples include:

- **Horizontal Sample**—horizontal display of data that can be used for either experienced or less-experienced sponsors (ideal for electronic display)
- **Mixed Sample**—demonstrates presentation of a sponsor with three vintage origination years and four static pools
- **Vintage Sample**—shows possible presentation for a sponsor who has not previously securitized; information shown by vintage origination year
- **Historical Pool Sample**—static pools displayed as an experienced securitizer may present them

Information included in this discussion is based on the Securities and Exchange Commission Asset-Backed Securities Final Rule, Release No. 33-8518 dated December 15, 2004. For additional information on this regulation, please refer to the Final Rule.