The email below was received in connection with the June 6, 2012 conference call with American Securitization Forum.

From: Tom Deutsch [mailto:tdeutsch@americansecuritization.com]
Sent: Wednesday, June 06, 2012 11:06 AM
To: Sloan, Phillip E.
Subject: RE: ASF Letter regarding Credit Risk Retention

Phil,

Here are some of our thoughts to consider prior to our call at 4 today:

1. The ASF letter refers to two structures for the participation option:
   (i) The securitizer sells a 95% participation interest to the issuing entity and retains a 5% participation interest; and
   (ii) The securitizer sells 100% of the asset to the issuing entity and receives a 5% participation interest from the issuing entity.

Does ASF view one of the structures as superior to the other? Are there benefits or detriments unique to either structure?

In order for the 5% participation approach to be workable where it is created by the sponsor, it will be necessary for the 95% participation sold to the issuing entity not to be treated as a separate "security" under federal securities laws. Under Regulation AB and related rules, if a pooled asset is itself a security then additional registration requirements apply that would be unduly burdensome. While we believe that with appropriate contractual provisions such a participation should not be treated as a separate "security" under applicable case law, in order to use this suggested form of risk retention there would need to be clarification in the rules that the 95% participation would not be treated as a separate security under Federal securities laws, in light of general statements that have been made by the SEC regarding its view that participations that are securitized should generally be viewed as separate securities. This clarification would likely not be needed, where the 5% participation is created by the issuing entity, so we have offered up that option as well. It is important to note that these two structures are fundamentally different, however. In the case of a participation received from the issuing entity, consolidation issues must be considered (and the analysis would be similar to a vertical slice). A participation interest created by the sponsor would not have to deal with consolidation considerations, because it is not an interest in the trust from an accounting perspective.

2. The structure of the participation interest to be held by the securitizer or issuing entity– would the participation be a loan level participation involving hundreds or thousands of individual participations (one for each loan) or would there be an instrument evidencing the entire group of loan level participations?

We would prefer to have either option. The participation in the pool of loans would be simpler, but the participation in each individual loan may be helpful in facilitating our "blending" approach for QRMs and non-QRMs in the same pool (which is something we believe is critical for liquidity of QRM loans- see page 61 of our comment letter). One way to accomplish our blend approach would be to hold 5% retention on each non-QRM and 0% on each QRM.

3. Would a participation interest option provide any potential benefits that would not be available under the vertical option?

From an accounting perspective, the participation interest issued without a transfer of the underlying assets is viewed differently than a vertical slice. The vertical slice would be an interest in the trust, whereas the participation interest would not. It would effectively be the equivalent of having no retention in the trust from an accounting perspective (even though you would have a participation in the loans), which is helpful if you have other considerations, like having an affiliate service the assets or trust, which are facts that may likely lead to consolidation of the trust by the sponsor. In addition, the participation approach would more clearly represent a retained interest in 5% of each pooled asset, the performance on which would be more directly linked to the performance of each pooled asset, as compared to the vertical slice approach.