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By Email Attachment

Office of the Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Administrative Proceeding File No. 3-15098
Bulk Settlement Proposed Plan of Distribution

Dear Mr. Fields:

We represent MBIA Insurance Corporation (“MBIA”) and write to comment on the Proposed Plan of Distribution, Bulk Settlement Practice (the “Plan”) in *In re Credit Suisse Securities (USA) LLC, et al.*, File No. 3-15098, as it relates to the Home Equity Mortgage Trust, Series 2007-2 transaction (“HEMT 2007-2” or the “Transaction”). Terms not otherwise defined herein shall have the meaning ascribed in the Plan.

As the certificate insurer of the Transaction, MBIA has made over \$390 million in claims payments to the HEMT 2007-2 Trust under the terms of its certificate guaranty insurance policy (the “Policy”), and will likely continue to make payments in the future. Those claims payments covered the shortfalls in the amounts due to the certificateholders and are attributable in large part to Respondents’ malfeasance, including their failure to convey to the HEMT 2007-2 Trust the amounts relating to the securitized loans recovered through the Respondents’ Bulk Settlement Practices. Having honored the terms of its Policy, MBIA incurred the losses that the certificateholders otherwise would have borne. Under the operative Transaction documents, therefore, MBIA is entitled to priority reimbursement of its claim payment from any recoveries relating to the Mortgage Loans. Moreover, under its Policy and as a matter of law, MBIA owns any claims of the certificateholders—including securities law claims—to the extent of the claim payments made. Yet the Plan does not explicitly state that MBIA is entitled to recover its losses from the amounts the Respondents paid to settle the Commissions’ claims relating to the Bulk Settlement Practices. Instead, the Plan states that settlement amounts will be distributed to certain purchasers of HEMT 2007-2 Certificates, without acknowledging that MBIA stands in the shoes of those purchasers. Any payment made to such purchasers would constitute a legally-invalid windfall recovery, as they already have benefited from MBIA’s claim payments. That result also would be highly inequitable in view of the extensive expenditures MBIA incurred to provide the Commission with the information it requested relating to its investigation of the Bulk Settlement Practices. MBIA submits that, in order to avoid any uncertainty with respect to MBIA’s rights, the Plan should be revised to clarify MBIA’s entitlement to the reimbursement of its claim payments relating to HEMT 2007-2.

* * * *

In its Order dated November 16, 2012, the Commission recited its findings relating to the Bulk Settlement Practices. The Commission found that Respondents entered into financial settlements with loan originators related to early defaulting loans they previously had sold to securitization Trusts, and then kept the proceeds of those settlements without notifying or compensating the RMBS Trusts that owned the loans. Order ¶¶ 11-18. This practice was contrary to Respondents' obligation to transfer "right, title and interest" to the loans, and all "proceeds" from the loans, to the securitization Trusts. *Id.* ¶ 20.

The disgorgement paid by Respondents under the Order thus represents funds that belong to the Trusts, including HEMT 2007-2. As such, the funds must be distributed in accordance with the "waterfall" established by the governing Trust documents and the offering materials for HEMT 2007-2. Under the waterfall, after the senior certificateholders are paid their monthly distribution, all remaining funds are distributed to MBIA to reimburse it for any prior draws on the Policy and for any amounts owed to it under the Insurance Agreement. *See* HEMT 2007-2 Pooling and Servicing Agreement §§ 4.02, 4.05. Furthermore, under the terms of the Policy and as a matter of law and equity, MBIA is subrogated to the extent of its claim payments to the rights of the covered certificateholders. MBIA thus owns any claim, including any securities claim, of such certificateholders and has the right to any funds that otherwise would be provided to the certificateholders as recovery on such claims. Under either the contractually-mandated waterfall or principles of subrogation, the result is the same: MBIA is entitled to the funds disgorged by Credit Suisse due to the misconduct set forth in the Order. Any alternative distribution would result in a windfall to certificateholders who already have received their full distributions because MBIA has honored its obligations under the Policy to cover shortfalls in the amounts due resulting from the defaulted loans Respondents securitized.

Finally, any failure to reimburse MBIA for its losses with respect to the loans would be especially inequitable because MBIA provided extensive information to the Commission in response to its subpoena that was material to the investigation of Respondents' misconduct. In doing so, MBIA expended significant time and resources. Absent the appropriate distribution to MBIA from the settlement recoveries, therefore, MBIA will be financially worse off than if the Commission had never commenced an investigation at all.

MBIA therefore requests that the Commission revise the Plan with respect to HEMT 2007-2 to clarify MBIA's entitlement to the reimbursement of its claim payments. Please advise us of the Commission's position on this issue.

Respectfully submitted,



Erik Haas