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Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549–1090

Subject: SEC File Number S7-08-10, Proposed Revisions to Regulation AB - 17 CFR Parts 200, 229, 230, 232, 239,240, 243 and 249 (Federal Register Vol. 75, No. 84, pages 23328-23514), May 3, 2010

Dear Ms. Murphy:

Real Analytics appreciates the opportunity to comment on the SEC's proposed rule changes to Regulation AB. Disclosure of mortgage and collateral data that underlie residential and commercial mortgage securities is a key component of the proposed Regulation AB changes. The comments contained in this letter address the general topic of using XML, discussion of the proposed data fields that pertain to the residential and commercial mortgage asset classes, and the proposed use of a waterfall program that models each issuer's asset-backed securities.

Use of XML and Mortgage Data Standards

A central proposition of the SEC's proposed regulations is to require that data pertaining to mortgage-backed securities and their related collateral be reported in XML. This proposition is consistent with the SEC's similar existing requirement for financial reporting using a version of XML known as XBRL. Industry-specific versions XML are widely used in U.S. industries and throughout the world's financial markets[1]. While XBRL was developed for financial accounting purposes, it is not well suited for mortgage data or real estate.

Schedules L and LD in the proposed regulations, specifically Table 1, 2, 3, 11, 12 and 13, contain extensive lists of data which the SEC would like included with mortgage securities. Although it may not be apparent to many readers, the data requested in the Schedules L and LD are not XML, but only a listing of data fields, with proposed definitions and possible responses. This is an essential point, as the data fields as presently proposed are not part of a schema and, therefore, cannot be presented as XML. In addition, the 'proposed responses' do not conform to the principles of XML syntax. In certain instances, some of the proposed definitions do not conform to regulatory required definitions [e.g. appraisal Items 3(b)(8), 3(b)(9) and 3(b)10].

Although Schedules L and LD contain many useful fields for referencing mortgage and collateral data, the SEC's effort to create these fields duplicates what are already accepted as mortgage industry standards for loan and collateral data. For the past 10 years hundreds of individuals and companies whose expertise spans the breadth of the residential and commercial mortgage industry have devoted tens of thousands of hours to develop concise and technically correct XML terminology through the Mortgage Industry Standards Maintenance Organization (www.mismo.org) in what are known as Logical

[1] Australia, Belgium, Canada, China, Denmark, France, Germany, India, Israel, Japan, Korea, Netherlands, Singapore, Spain, Sweden, Thailand, United Kingdom Singapore, Spain, Sweden, Thailand, United Kingdom

Data Dictionaries (LDD). The table below presents a comparison of the SEC's proposed mortgage data fields and MISMO's Logical Data Dictionaries.

Proposed SEC Schedules L & LD	MISMO Standards
Table 1 – General Requirements - General Asset/Loan information (Asset ID, origination, amortization, underwriter), Current Loan Info (balance, payment, maturity, delinquency)	**Residential MISMO LDD ver. 3.0** **Commercial MISMO LDD ver. 2.0**
Table 2 – Residential Mortgage Requirements - Loan terms & loan type, loan modification, property information (occupancy, price valuation, LTV), borrower information (credit score, income, verification, mortgage insurance	**Residential MISMO LDD ver. 3.0**
Table 3 – Commercial Mortgage Requirements - loan terms, ARM type, prepayment & amortization	**Commercial MISMO LDD ver. 2.0**
Table 11 – General Requirements - General asset information (Asset ID, payments, servicing fees, repurchases)	**Residential MISMO LDD ver. 3.0** **Commercial MISMO LDD ver. 2.0**
Table 12 – Residential Mortgage Requirements – loan type and payment data, servicing info, loan modifications, loss recovery, foreclosure, charge off & collections details	**Residential MISMO LDD ver. 3.0**
Table 13 – Commercial Mortgage Requirements – loan terms, negative amortization, loss mitigation, loan modification terms, property-specific description data, income & expense info, building area, DSCRs, NOIs, 3 principal tenants	**Commercial MISMO LDD ver. 2.0**

Within the U.S., MISMO's standards are non-proprietary mortgage data standards, and can be used free of charge.

In the residential mortgage industry, Fannie Mae and Freddie Mac have adopted MISMO's residential standards [LDD 3.0] for their Uniform Mortgage Data Program (UMDP). The transition will be executed in two phases in 2011, with September 1, 2011 the deadline after which all loans submitted to Fannie or Freddie must be accompanied by data in the MISMO residential LDD. Since Fannie Mae and Freddie Mac dominate the residential mortgage securities market in the U.S., their adoption of the LDD 3.0 makes MISMO the *de facto* residential data standard in the U.S. mortgage industry.

Since the late 1990s, the issuing of commercial mortgage backed securities (CMBS) has been accompanied by data defined by the 'Investor Reporting Package'. During the decade since its inception, the IRP has undergone five major revisions. In 2008, developers of the IRP worked with MISMO to produce a version 6 of the IRP which is in XML, and known today as IRPx. This latest version of the IRP is consistent with commercial MISMO's LDD 2.0. Issuers of CMBS currently use the IRP, although most use the Excel .csv format.

It is clear from the recent history of mortgage standards adoption, the SEC should adopt MISMO' data standards, as they are the most widely used in the mortgage industry. To propose an alternative data scheme would be a burden on the U.S. mortgage industry, and require reporting in a 'second' standard. This duplicity would require unnecessary duplication and a financial burden for hundreds of firms involved in the residential and commercial mortgage industry.

Waterfall Program

In the SEC's proposed regulations, the question is posed (FR vol. 70 no. 84, page 23361) "Should we require aggregated asset level data in a machine-readable form for issuers of ABS backed by stranded costs so that investors may download the data and input it into a waterfall computer program? If so, please specify the characteristics, the appropriate distributional groups and related definitions and formulas, if applicable."

Response: The SEC proposes that bond issuers should provide a software program written in Python that would generate the cashflow ('waterfall') for a particular bond. To do so, the program would have to be 'executable', that is, capable of being run to generate output. Ordinarily, IT systems administrators avoid allowing executable code to be placed on servers, as the possibility exists that if such program code would 'execute' or run in the server environment, the operations of the server could be compromised. To safely upload executable code to a server, it would have to be packaged in such a way as to prevent its being run accidentally. This could be accomplished by compression ('zipping' the file) and encrypting the program in such a way to prevent its accidental execution except by authorized persons with a decryption key upon downloading the program.

If the program's code uses an open source language like Python, all portions of the program could be accessible, thereby permitting accidental or intentional tampering. For bond issuers to provide a program whose output is warranted to be correct, accessibility to a program's execution steps presents a problem, as even a minor modification or compiling error could alter the output, hence change the projected cash flow. This presents a risk for both those companies that issue the waterfall programs which model their bonds and those investors who must rely upon the output.

The format and structure of the output from any bond cashflow program would have to be standardized. If each issuer is permitted to write their own program and output, investors will have to be prepared to manage bond data in multiple ways, which would add unnecessary confusion to the market. To be most successful, a single, open source bond-modeling program would have to be written and adopted by all participants in the mortgage industry. In addition, the issuers should disclose the data used to generate the program so the modeling assumptions can be verified and presented in a human readable format.

Although there are open source programs in many U.S. businesses, financial programs tend not to be supported by open source communities, but by individual companies whose software products and formats are proprietary.

Should the SEC wish further clarification regarding the technical points discussed in this letter, I would be pleased to discuss them.

Sincerely,

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