

Congress of the United States  
House of Representatives  
Washington, DC 20515-3213

October 18, 2010

The Honorable Mary L. Schapiro  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Dear Chairman Schapiro:

I write out of concern about the adverse impact that the proposed modifications to U.S. Securities and Exchange Commission (SEC) Regulation AB could have on the privately-offered securitization market for residential and commercial mortgage loans and bonds. I support the principles behind the proposed modifications and firmly believe that enhanced disclosure is good market practice. However, I write to urge you to address some unintended consequences in the proposed rule that could cause significant disruption to the securitization market and undermine the purpose of this new rule.

For decades, securitization has provided an important alternative to bank and government financing for residential and commercial mortgages. Securitization plays an important role in the mortgage finance market. These transactions have provided an efficient alternative to bank and government balance sheets for institutions seeking to finance or sell assets, reduce risk and improve liquidity.

However, a provision in the Proposing Release would be extremely disruptive to the capital markets because it includes provisions that would apply public disclosure requirements to already issued privately-offered securitizations. Although intended to improve disclosure for the benefit of investors, this provision would likely have the effect of eliminating securitization of existing assets because requiring new public disclosure standards for offerings that have already been issued would likely upend the securitization market.

As the SEC implements Regulation AB, these new disclosure provisions should only be made applicable to securitizations of assets originated after the effective date of the new rules. Applying these new rules on a prospective basis and grandfathering existing issuances would provide important safeguards in the context of new lending and securitization financing, without impairing the mortgage securitization market.

There clearly needs to be greater disclosure for new securitized issuances, but it is important to encourage our financial institutions to continue to use securitizations to reduce risk, increase the flow of credit and promote growth without fear that the

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disclosure rules for securitized products will change after the products have been issued. This principle is consistent with the rules established in the Dodd-Frank Act and the recently announced Basel 3 agreement.

I appreciate your consideration of these concerns, and look forward to working with you on this important matter.

Sincerely,

A handwritten signature in black ink that reads "Michael E. McMahon". The signature is written in a cursive, slightly slanted style.

Michael E. McMahon  
Member of Congress