REDWOOD
TRUST

One Belvedere Place, Suite 300
Mill Valley, CA 94941
Phone 415.389.7373
Fax 415.381.1773

December 1, 2025

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: File No. S7-2025-04 - Concept Release on Residential Mortgage-Backed Securities Disclosures and Enhancements to Asset-Backed Securities Registration, SEC Release Nos. 33-11391; 34-104102 (Sept. 26, 2025)

To Whom It May Concern:

Redwood Trust, Inc. (together with its subsidiaries, "**Redwood**") appreciates the opportunity to comment in response to the Securities and Exchange Commission's ("**SEC's**") Concept Release on Residential Mortgage-Backed Securities Disclosures and Enhancements to Asset-Backed Securities Registration, Release Nos. 33-11391; 34-104102 (Sept. 26, 2025) [90 FR 47254] (the "**Concept Release**"). Redwood is a member of the Structured Finance Association (the "**SFA**") and participated in the preparation of the SFA's response to the Concept Release. Redwood is supportive of the feedback the SFA is providing to the SEC and, at the same time, is providing herein its own additional comments in response to the Concept Release on topics not addressed by the SFA.

In particular, within this letter, we review key themes within the SFA's response to the Concept Release and also provide Redwood's additional feedback and commentary on several topics relating to the issuance of private-label residential mortgage-backed securities ("**RMBS**") from the perspective of an issuer of RMBS. Through its subsidiaries, Redwood has historically been both an issuer of RMBS, as well as an investor in RMBS – allowing it to play a leadership role in this market. In fact, in 2025, Redwood's Sequoia (or "**SEMT**") securitization platform has been the top issuer of RMBS backed by jumbo mortgage loans, with 15 securitization transactions backed by approximately $8.0 billion of mortgage loans to date in 2025.

As the Concept Release notes, there have been no registered RMBS offerings since June 2013, but prior to June 2013, Redwood was an issuer of both privately-placed RMBS (i.e., Rule 144A offerings of RMBS) as well as registered offerings of RMBS – including a regular cadence of registered offerings of RMBS up until June 2013. Moreover, over the course of 2014 and 2015, Redwood demonstrated its commitment to registered RMBS offerings by establishing the first effective shelf registration statement for RMBS following the adoption of amendments to Regulation AB in 2014 (commonly referred to as "**Regulation AB II**") – a process which

involved positive and constructive interaction with the SEC staff within the Office of Structured Finance.[1]

We believe our leadership position in the RMBS marketplace, as well as the different capacities (both issuer and investor) in which we have functioned across different issuance regimes (Rule 144A offerings and registered offerings), positions us to provide useful and practical perspectives to the SEC with respect to several of the questions set forth in the Concept Release, as well as with respect to certain other SEC regulations that apply to RMBS transactions.

By way of background, Redwood (NYSE: RWT) is a publicly-traded specialty finance company with over three decades of experience providing liquidity to segments of the U.S. housing market not subsidized by government programs. We are active in a variety of private sector securitization markets and, consistent with our market leadership in 2025, our Sequoia/SEMT securitization platform has long been the most active non-bank issuer of RMBS transactions backed by jumbo mortgage loans, having priced more than 150 securitizations backed by over $70 billion of mortgage loans since inception. Over 300 different investors have invested in our SEMT securitizations, many of whom regularly deploy capital into the U.S. mortgage finance market through Redwood's securitization transactions. These investors span pension funds, insurance companies, banks, money managers, private credit and hedge funds, and other types of institutional investors.

EXECUTIVE SUMMARY

As the Concept Release notes, there have been no registered RMBS offerings since June 2013. However, the RMBS market is ultimately a critical mechanism for transmitting investment capital to individual mortgage borrowers seeking to purchase a home or refinance an existing mortgage loan. As a result, the RMBS market plays an essential role as a source of funding for residential mortgage loans, ultimately supporting the U.S. housing market and Americans' ability to realize the American Dream of home ownership. Deep and liquid U.S. mortgage finance markets ultimately drive lower borrowing costs and increased credit availability to new and existing homeowners – and we believe that reviving registered issuance of RMBS can play an important role in broadening investor participation in the RMBS marketplace.

Key Themes in the SFA's Response to the Concept Release. As noted above, Redwood is supportive of the feedback the SFA is providing to the SEC in response to the Concept Release, including the following key concepts that will support the revival of registered issuances of RMBS, broaden investor participation in the RMBS marketplace and, ultimately, benefit individual mortgage borrowers seeking to purchase a home or refinance an existing mortgage loan. These SFA recommendations reflect input from RMBS issuers, RMBS investors, mortgage loan servicers, and other participants in the mortgage finance system with a common

[1] Unfortunately, this shelf registration statement was never used by Redwood due to the types of privacy/data field issues that are further described in the feedback the SFA is providing to the SEC in response to the Concept Release.

objective: restoring a viable and efficient registered RMBS market that balances investor transparency with borrower privacy and operational feasibility.

- Modernizing Schedule AL to Reflect Current Market Practice. The SFA recommends that the SEC revise Regulation AB's Schedule AL to more generally align with the disclosure standards in the current Rule 144A RMBS market. Aligning Schedule AL in this manner would ensure investors have access to the loan level data that supports investor analysis and diligence, while providing issuers with appropriate disclosure requirements in the context of registered issuance of RMBS.

- Balancing Transparency and Privacy in Asset-Level Disclosure. The SFA emphasizes the need for a disclosure framework that protects the privacy of mortgage loan borrowers, while still providing investors the granular data necessary for investment analysis. It recommends that sensitive information – such as five-digit ZIP codes – be made available to qualified investors through controlled, non-public channels rather than public filings. This balanced approach reflects established practice in the Rule 144A market and would preserve investor access to granular data while mitigating privacy risks.

- Harmonizing Regulatory Definitions and Reporting Requirements. Within Regulation AB and related regulations, the SFA urges the SEC to rationalize certain defined terms, eliminate duplicative requirements, clarify ambiguities and streamline ongoing Form 10-D reporting requirements. The RMBS market has evolved since Regulation AB II was adopted – and these clarification and enhancements will support registered issuances of RMBS.

Redwood's Additional Commentary in Response to the Concept Release. Redwood's additional comments in response to the Concept Release are summarized below, and focus on reforms that will drive lower costs and greater efficiency in the RMBS issuance process, ultimately supporting lower cost mortgage loans for U.S. borrowers.

- Regulation AB's Static Pool Data Requirements. Redwood urges the SEC to reconsider the requirement under Item 1105 of Regulation AB that issuers include static pool data in RMBS offering documents. Market practice that has developed across Rule 144A offerings of RMBS demonstrates that investors generally do not rely on issuer-prepared static pool disclosures when evaluating new issuances of RMBS.

    - Redwood recommends that the SEC eliminate the requirement for static pool disclosure in registered RMBS offerings or, alternatively, adopt a "safe harbor" deeming static pool information to be immaterial when comparable data is already publicly available and no static pool information was used in preparation of the RMBS offering – e.g., static pool information was not used for preparatory due diligence or credit/investment analysis.

- Rule 15Ga-2 Waiting Period. The SEC's Rule 15Ga-2 currently requires issuers or underwriters to file third-party due diligence reports with the SEC at least five business days prior to first confirming sales in the related RMBS offering. This five business day period delays execution, introduces "weekend risk," and increases hedging and other costs without providing meaningful investor benefit.

    - Redwood recommends shortening the filing deadline to two calendar days before first confirming RMBS sales in the related offering – consistent with the 48-hour prospectus delivery requirement under Rule 15c2-8(b). This adjustment would maintain investor access to third-party due diligence findings while improving market efficiency and reducing issuance costs that ultimately are passed on to mortgage borrowers.

- Rule 17g-5 Website Requirements. The SEC's Rule 17g-5 Website Requirements (defined below), which were originally designed to mitigate conflicts of interest and promote competition among rating agencies, have proven ineffective in the RMBS market. Non-hired rating agencies rarely, if ever, access or use the information posted on these websites. As a result, these requirements impose unnecessary operational and compliance burdens on issuers without advancing investor protection or ratings quality.

    - Redwood recommends that the SEC rescind these website requirements or, alternatively, make them applicable only on a "springing" basis – i.e., activated only if a non-hired nationally recognized statistical rating organization ("**NRSRO**") provides advance notice to an RMBS issuer of its intent to issue a credit rating for a given transaction.

- Ford Motor Credit Company No-Action Letter. Codifying the staff's longstanding 2010 Ford Motor Credit Company no-action letter position relating to disclosure of credit ratings of offered asset-backed securities would remove unnecessary regulatory uncertainty, align SEC rules with existing practice, and ensure that any future changes to the SEC's position on disclosure of credit ratings occurs through formal rulemaking rather than staff-level interpretations.

* * *

Redwood's detailed comments in response to the Concept Release on topics not addressed by the SFA are set forth below and are focused on the following areas:

I. Regulation AB's Static Pool Data Requirements.

Disclosure of "static pool" information was first introduced as a requirement for registered RMBS issuances when Regulation AB originally became effective in 2005 (*see* 17 CFR 229.1105, referred to herein as "**Item 1105**".) With respect to a new issuance of RMBS, Item 1105 generally requires providing delinquency, cumulative loss and cumulative prepayment information relating to the issuer's previously securitized pools of mortgage loans – all of which

is disclosure that is required in addition to detailed information about the pool of mortgage loans that is being securitized in the new issuance.

In promulgating Regulation AB in 2004, the SEC characterized static pool information as a "valuable tool" and stated that "presenting comparisons between originations at similar points in the assets' lives … allow[s] the detection of patterns that may not be evident from overall portfolio numbers and thus may reveal a more informative picture of material elements of portfolio performance and risk."[2] We believe that the evolution of the RMBS market over the subsequent 20+ years now presents an appropriate opportunity to revisit the requirements of Item 1105 as they apply to RMBS issuances.

With the adoption of Regulation AB II in 2014, static pool disclosure requirements for registered RMBS issuances were further enhanced.[3] However, these enhanced static pool disclosure requirements did not, in fact, have a sustained impact on subsequent RMBS offering disclosures. Instead, as the Concept Release notes, the most recent registered RMBS issuance was completed in June 2013, and since June 2013 nearly all new RMBS issuance has been confined to the Rule 144A market[4] – and within the Rule 144A market RMBS issuers generally no longer include – and institutional investors have generally demonstrated comfort and willingness to invest without – static pool information in RMBS offering disclosures. We believe this change in disclosure practice in the Rule 144A market merits focus by the SEC as it considers further revisions to Regulation AB, as the issuers and institutional investors that drive industry-wide disclosure standards in the Rule 144A market are expected to be the largest participants in any re-emergent registered RMBS market.

Notwithstanding that static pool information is generally not included in offering disclosures for current Rule 144A offerings of RMBS, Redwood recognizes that investors may nonetheless analyze the performance of previously securitized pools of mortgage loans in connection with making investment decisions relating to a new issuance of RMBS. In fact, current practice in the Rule 144A market suggests the following to Redwood:

- In the current marketplace, investors in new Rule 144A issuances of RMBS who seek information about the performance of previously securitized pools of mortgage loans are generally obtaining that information from sources other than issuer-prepared offering disclosures.
    - In contrast, when Item 1105's static pool disclosure requirements were first adopted in 2004, loan-level data about previously securitized pools of mortgage loans was not as readily available to investors as it is today.

[2] *See* Asset-Backed Securities, Release No. 33-8518 (Dec. 22, 2004) [70 FR 1506] at 1538.

[3] *See* Asset-Backed Securities Disclosure and Registration, Release No. 33-9638 (Sept. 4, 2014) [79 FR 57184] at 79 FR 57255.

[4] *See* Concept Release at 47256.

- In particular, in today's marketplace, institutional investors in RMBS who focus on static pool analysis have access to commercial data providers such as Bloomberg and Intex to review voluminous information about delinquencies, cumulative losses and prepayments relating to already issued and outstanding RMBS – obviating the need for this data to be disclosed in new issuance offering materials. These commercial data services also typically provide users with tools to effectively and efficiently analyze this data.

    - Using Redwood as an example, even if Redwood included Item 1105-required static pool information in its new issuance RMBS offering disclosures, Redwood believes that institutional investors who are focused on static pool analysis would not use those disclosures and would, instead, continue to access and analyze loan-level information relating to Redwood's previously securitized pools of mortgage loans through these commercial data providers. Moreover, investors who focus on static pool analysis would likely also access loan-level information on other issuers' previously securitized pools of mortgage loans, which would not, in this example, be required to be disclosed by Redwood under Item 1105.

- While investors in Rule 144A offerings may consider information about previously securitized pools of mortgage loans to be relevant from a broad-based analytical perspective, it is arguably not material with respect to a particular new RMBS issuance because static pool information is, by definition, generally information about mortgage loans that are *not* included in the pool that backs the particular new RMBS issuance being analyzed for investment.

    - By analogy, investors in a new issuance of corporate unsecured debt may consider trading data (e.g., pricing and interest rate spreads) relating to other issued and outstanding unsecured corporate debt (of the same issuer or of comparable companies to the issuer) in making investment decisions about that particular new issuance, even though that trading data is not considered material information that is required to be included in the offering disclosures for that particular new issuance.

    - Similarly, investors in a new issuance of corporate common or preferred equity may consider trading and valuation data (e.g., price-to-earnings or price-to-book value ratios) relating to equity securities of comparable/peer companies to the issuer in making investment decisions about that particular new issuance, even though that trading data is not considered material information that is required to be included in the offering disclosures for that particular new issuance.

We ask the SEC to consider the appropriateness of continuing to burden issuers with requirements to provide investors with data about loans not being securitized, when Rule 144A marketplace disclosure practices demonstrate that static pool information is not disclosure investors require to be included in offering materials for a particular RMBS issuance and when other disclosure requirements (e.g., Schedule AL) will ensure that this same data is generally available for analysis – thereby enabling investors to continue to deploy analytical tools to detect patterns and develop the modeling they desire to support their investment decisions.

- Moreover, under Item 1105, issuers are not required to disclose all static pool information in their possession, but rather are only required to disclose static pool information on the same "asset type" over a defined look-back period, as well as, in certain cases, static pool information relating to non-securitized or third-party originations. Consequently, under Item 1105 issuers must make determinations relating to what static pool information to include or exclude, given the practicalities of the time and space allotted to the preparation and physical production of an offering document. At the same time, as noted above, institutional investors have access to vast commercial databases of static pool information – and are best positioned to access, analyze and take into account the data they believe is relevant to their RMBS investment decisions.

    - Stated differently, investors in the Rule 144A market are generally not expecting issuers to "curate" static pool disclosure for them – e.g., provide or indicate, as currently required by Item 1105: "summary information for the original characteristics of the prior securitized pools"; "how the static pool differs from the pool underlying the securities being offered"; and/or whether and why "alternative static pool information" is being provided, such as static pool information on originations of the same asset type.

    - In particular, investors in Rule 144A offerings have not evidenced that they require issuers to obtain and disclose static pool information from third parties, such as third-party originators, that "is unknown and not available" to the issuer – even if that static pool information could be obtained by the issuer through reasonable effort or expense, as is currently required under Item 1105.

    - It is worth noting that issuers, like Redwood, who securitize mortgage loans that were not originated by the issuer (or by one of the issuer's affiliates) would typically not be in possession of static pool data on "vintage origination years" of the loans' originator(s). And Redwood's experience has been that third-party originators can be reticent to disclose this data, which is generally proprietary.

In reflecting on the foregoing in the context of reviving registered issuance of RMBS, Redwood's conclusion is that for many offerings of registered RMBS, disclosure of static pool information should not be required under Item 1105. As explained above, static pool information is about performance of prior securitized pools, and Rule 144A market practice has

demonstrated that it does not rise to the level of disclosure investors require in offering documentation about the assets that are being securitized. In addition, this type of asset-level data is more widely available than it was when Regulation AB was first adopted in 2004, resulting in market participants having access to vast commercial databases of data relating to delinquencies, cumulative losses and cumulative prepayments of various vintages of mortgage loans originated and/or securitized by a broad array of mortgage industry participants. A disclosure regime under Regulation AB that ensures that this type of data is available (e.g., Schedule AL) is far more effective and supportive of the analytical needs of investors than imposing on issuers the expense and burden of requiring the disclosure of issuer-curated static pool information within offering documentation – especially when such offering documentation disclosure will likely not be directly utilized due to the ease of using commercially available databases to access and analyze more tailored and/or broader sets of static pool information (i.e., the Rule 144A market has arguably established the obsolescence of a requirement to include static pool information in offering documentation).

Accordingly, Redwood requests that the SEC make the registered RMBS offering process more efficient, and reduce redundant and less useful disclosure, by not requiring that issuers incur the time and expense required to assemble, curate, review and disclose information about prior securitized pools in a prospectus. As noted above, Rule 144A market disclosure practice has demonstrated that such information about prior securitized pools is not material in the context of inclusion in offering documentation.

In the alternative, Redwood proposes that the SEC adopt a "safe harbor" provision within Item 1105, which would provide that an issuer would be deemed to have satisfied the determination in Item 1105(a) that the static pool information required by Item 1105 is not material with respect to a securitization of residential mortgage loan assets if:

(a) Information about delinquencies, cumulative losses and prepayments for all the sponsor's prior securitized pools of that asset type over the prior five years (or, if the sponsor has only been securitizing such asset type for a shorter period, for such shorter period during which the sponsor executed securitizations of such asset type) are available free of charge, including, through monthly distribution reports distributed by the trustee, securities administrator or other agent of those securitizations; and

(b) None of (i) any underwriter, placement agent, sponsor, or other participant in offering the securitization transaction to investors and (ii) any third-party engaged to evaluate the origination or creditworthiness of the assets being securitized or the securities being issued, in the case of either (i) or (ii), required the issuer to provide it with information (other than the information described in clause (a) above) about delinquencies, cumulative losses and prepayments of assets not being securitized for review and/or analysis as a condition to it participating in such offering, or publishing

its evaluation of the assets being securitized or the securities being issued in respect of such offering, as applicable.

Establishment of such a "safe harbor" would enable ordinary course issuance of registered RMBS backed by newly originated mortgage loans to generally and efficiently proceed without a requirement for the issuer to assemble, curate, review and disclose static pool data when that same information would generally already be available from other sources.[5] At the same time, under the proposed "safe harbor", investors would receive disclosure of static pool data within a prospectus if it were not otherwise available and it was, in fact, used as part of the underwriting or credit analysis process by parties associated with preparing the RMBS issuance.

II. Rule 15Ga-2 Waiting Period.

The SEC's Rule 15Ga-2 (17 CFR 240.15Ga-2) applies to both registered and unregistered offerings of RMBS. The rule requires that, in an offering that is to be rated by a NRSRO, an issuer or underwriter of the offering must furnish a Form ABS-15G (an "**RMBS Due Diligence Disclosure**") through the SEC's EDGAR system "containing the findings and conclusions of any third-party due diligence report obtained by the issuer or underwriter". An RMBS Due Diligence Disclosure is, effectively, a copy of the underlying report(s) of one or more due diligence vendors and must be furnished to the SEC at least five business days prior to confirming the first sale of RMBS to investors in the offering (the "**Five Business Day Waiting Period**"). For an RMBS offering, the RMBS Due Diligence Disclosure is in addition to, but not part of, the detailed disclosures that are part of the preliminary offering circular or prospectus provided to potential investors in advance of confirming any sale of RMBS to investors. These offering materials include disclosures of, among other things, origination guidelines or acquisition criteria, exceptions to those guidelines or criteria, loan-level representations and warranties, servicing standards, and granular asset-level data and disclosure about the due diligence review that was performed on the underlying assets.[6]

When due diligence reports are obtained from due diligence vendors, issuers and/or underwriters must review and engage in a process to ensure that private personally identifiable information is not disclosed (i.e., to redact such information) when the contents of those reports are incorporated in an RMBS Due Diligence Disclosure. As discussed in the Concept Release, the SEC has recognized the sensitivity of asset-level disclosures, and some sensitive information is generally redacted from the information included in an RMBS Due Diligence Disclosure. The process to prepare each RMBS Due Diligence Disclosure generally requires review by in-house counsel and/or issuer's outside counsel and underwriter's counsel, to ensure that sensitive information is redacted and not furnished on the SEC's publicly-available EDGAR system. This

[5] Under this "safe harbor" approach, the SEC could require an issuer to disclose within the applicable prospectus that the above referenced conditions (a) and (b) have been satisfied.

[6] *See, e.g.,* 17 CFR 229.1111(a)(7) and 17 CFR 230.193.

process generally occurs in parallel with preparation of the issuer's disclosures that are required to be part of the offering materials. There are regulatory deadlines (in advance of confirming the first sale of offered RMBS) that apply to both (i) the furnishing of a RMBS Due Diligence Disclosure through EDGAR and (ii) the distribution or filing of a preliminary offering circular or prospectus for the offering.

The Five Business Day Waiting Period following an RMBS Due Diligence Disclosure results – presumably unintentionally – in the disclosure of underlying loan-by-loan due diligence results in advance of broader, context-setting, disclosure within the preliminary offering circular or prospectus regarding the overall nature and results of the due diligence review. Moreover, because of the Five Business Day Waiting Period and the time needed to prepare these disclosures, Redwood often finds itself asking due diligence vendors to begin preparing them before the loan pool for an RMBS issuance has been finalized – which often leads to increased costs from its third-party due diligence vendors related to having to re-prepare aspects of the related RMBS Due Diligence Disclosure if/when the loan pool changes. Further, because the Five Business Day Waiting Period generally begins before the preliminary offering materials or prospectus are circulated, issuers must prioritize efforts to prepare and furnish the RMBS Due Diligence Disclosure – whose purpose is arguably related to scrutinizing the credit ratings of the offered RMBS – over preparation of the preliminary offering circular or prospectus disclosures that are material to an offering and which can be provided, under applicable regulations, closer in time to confirming the first RMBS sale in the offering.[7]

Redwood requests that the SEC shorten the Five Business Day Waiting Period because the requirement unnecessarily impacts the timing and efficiency of the offering process and effectively creates an unnecessarily long "waiting period" across registered and unregistered offerings between launching a transaction (which, for Redwood, is currently generally tied to when the RMBS Due Diligence Disclosure is furnished to the SEC) and confirming the first sale of offered RMBS. In 2011, commenters on the Rule 15Ga-2 rulemaking, including the Financial Services Roundtable, had stated that the five-business day period was too long and could "create an impediment to prompt market access." More than ten years later, we can report that the Five Business Day Waiting Period continues to be an impediment, and, with advances in technology that can assist in the review of RMBS Due Diligence Disclosures, stands out more today (as being longer than needed) than it did at the time it was adopted.

The Five Business Day Waiting Period under Rule 15Ga-2 creates a delay between the furnishing of an RMBS Due Diligence Disclosure and the time the first sale of offered RMBS is confirmed that does not seem to be supported by the needs of investors to evaluate an RMBS Due Diligence Disclosure. The Five Business Day Deadline also unnecessarily introduces

---

[7] *See* Nationally Recognized Statistical Rating Organizations, Release No. 34-72936 (Aug. 27, 2014) [79 FR 55078] (noting that the SEC did not propose to require that due diligence reports be provided in the prospectus because such information only pertains to the findings and conclusions of a third-party due diligence report relevant to the determination of a credit rating).

"weekend risk" to all RMBS – i.e., extending, over a weekend, the time period between launching an RMBS transaction and confirming the first sales of the offered RMBS, increasing, among other things, the risk that extraneous events disrupt execution. Increased risk results in increased expense, including hedging expense, to issuers of RMBS transactions, which ultimately leads to increased borrowing costs to mortgage borrowers. We believe the deadline for furnishing an RMBS Due Diligence Disclosure should be shortened to two calendar days, which is sufficient time for review and analysis of an RMBS Due Diligence Disclosure by investors. The change in filing deadline will help issuers prioritize and prepare all the disclosures that are required to be included in a preliminary offering circular or prospectus, including asset-level disclosures and disclosure about the review of the assets pursuant to Rule 193. As we see no evidence that investors need a full five business day period to review the an underlying RMBS Due Diligence Disclosure, the regulatory burden of this waiting period does not outweigh the benefit of shortening the filing deadline to two calendar days prior to first sale.

By way of precedent, it is worth noting that under the SEC's Rule 15c2-8(b) (17 CFR 240.15c2-8(b)), the SEC only requires a broker or dealer to deliver a preliminary prospectus for an RMBS transaction 48 hours prior to pricing – and this same time frame should be implemented in Rule 15Ga-2(a). In the alternative, the "waiting period" under Rule 15Ga-2 could be aligned with the shelf offering requirement that preliminary prospectuses be filed on EDGAR three business days before first sale.[8] However, aligning the RMBS Due Diligence Disclosure deadline to the preliminary prospectus filing deadline would mean that issuers would be furnishing an RMBS Due Diligence Disclosure simultaneously with a preliminary prospectus, when we believe an RMBS Due Diligence Disclosure can be filed after the preliminary prospectus is filed. Furthermore, because the filing due date would apply regardless of whether the filing is registered or unregistered, imposing a three business day prior to first sale due date would effectively impose a registered shelf offering requirement on unregistered/private placement offerings.

While we are supportive of the requirement under Rule 15Ga-2 to furnish an RMBS Due Diligence Disclosure prior to sale/pricing of the related RMBS, the Five Business Day Waiting Period should be replaced with a requirement to furnish the RMBS Due Diligence Disclosure two calendar days before first sale for the reasons set forth above, which include reducing RMBS offering execution risk. As noted above, longer "waiting periods" unnecessarily introduce execution risk, increasing the cost of RMBS securitization transactions and, thereby, increasing mortgage financing costs to homeowners and homebuyers – without a commensurate benefit to RMBS investors. Just as the SEC saw the benefits of reducing the trade settlement cycle in securities from T+3 to T+2 in 2017, and from T+2 to T+1 in 2024, so should the SEC recognize the benefits of a filing requirement that does not impose a long waiting period in order to lower risk, reduce costs, rationalize the process of preparing and distributing offering-related disclosures, and thereby strengthen and modernize the private sector RMBS market.

---

[8] *See* 17 CFR 230.424(h).

III. Rule 17g-5 Website Requirements.

The SEC's Rule 17g-5 (17 CFR 240.17g-5) relates to conflicts of interest of NRSROs (or "**rating agencies**") who issue and maintain credit ratings on asset-backed securitizations, including RMBS. While Rule 17g-5 appropriately prohibits certain conflicts of interest for NRSROs (*see* 17 CFR 240.17g-5(c)), it also includes requirements that the issuer, sponsor or underwriter of the related RMBS transaction maintain a website (the "**Rule 17g-5 Website Requirements**") to house disclosure of extensive information relating to that RMBS transaction for the potential use of non-hired NRSROs (*see* 17 CFR 240.17g-5(a)(3), 17 CFR 240.17g-5(b)(9), and 17 CFR 240.17g-5(e)). However, we understand that with respect to RMBS offerings these mandated websites are rarely, if ever, accessed by non-hired NRSROs.

When the SEC adopted these provisions in 2010, they were part of a broader set of regulatory reforms that were, among other things, "***designed to*** enhance the transparency and objectivity of the NRSRO credit rating process generally and in particular with respect to rating structured finance products, to ***increase competition among NRSROs***, and to make it easier for market participants to assess the credit ratings performance of NRSROs" (emphasis added).[9] More particularly, the Rule 17g-5 Website Requirements were proposed to address conflicts of interest by seeking to support increased competition among NRSROs (and, thereby, increasing ratings quality).

In 2009, when the Rule 17g-5 Website Requirements were being proposed, some commentators speculated that these requirements would "have a positive effect on competition within the credit rating industry", "level [the] playing field" and result in "true competition" in the credit rating industry. Other commentators expressed concerns that non-hired rating agencies would publish "sweeter" unsolicited ratings in a bid to gain future rating assignments or otherwise incentivize issuers to engage in "ratings shopping".[10] However, with more than 15 years of subsequent experience and data, it is now clear that none of this commentary correctly predicted the impact of the Rule 17g-5 Website Requirements. Instead, in the RMBS sector, these websites neither enhance competition/quality, nor facilitate a "race to the bottom" in terms of ratings quality. In fact, these websites are rarely, if ever, accessed by non-hired NRSROs and NRSROs rarely, if ever, publish ratings on a non-hired basis.

While many of the provisions in Rule 17g-5 are effective at addressing conflicts of interest in the credit rating industry, the Rule 17g-5 Website Requirements do not – and they now live on in a manner that overly formalizes communication between RMBS issuers and hired NRSROs and creates unnecessary regulatory expense without any corresponding benefit. Furthermore, this is another example of where regulations relating to RMBS issuance require

---

[9] *See* Amendments to Rules for Nationally Recognized Statistical Rating Organizations, Release No. 34-61050 (Nov. 23, 2009) [74 FR 63832] at 63843.

[10] *See* 74 FR 63832, page 63843 for a review of this commentary.

that the issuers bear the burden and expense of a policy goal that is directly related to conflicts of interest rules that apply to NRSROs and not to issuers.

We have previously urged policymakers to rescind the Rule 17g-5 Website Requirements – namely, 17 CFR 240.17g-5(a)(3), 17 CFR 240.17g-5(b)(9), and 17 CFR 240.17g-5(e). And, while we continue to advocate for recission of the Rule 17g-5 Website Requirements, we also believe that our criticisms of the Rule 17g-5 Website Requirements could be addressed by making them applicable only on a "springing" basis – i.e., applicable only if and when a non-hired NRSRO provides advance notice to an RMBS issuer of its bona fide intention to publish credit ratings in respect of an issuer's upcoming RMBS transaction. If the SEC were to see merit in this "springing" approach, we would be happy to engage and provide feedback and commentary regarding a more detailed proposal for implementation.

IV. Codify Ford Motor Credit Company No-Action Letter; Rescind Regulation AB Items 1103(a)(9) and 1120.

As a result of the no-action letter that the SEC's Division of Corporation Finance issued to Ford Motor Credit Company (the "**Ford No-Action Letter**") on July 22, 2010, credit ratings are no longer included in registration statements.[11] Consistent with the Ford No-Action Letter, we request that the requirements to provide "**Ratings Disclosure**" required by Items 1103(a)(9) and 1120 of Regulation AB[12], be rescinded to provide issuers with regulatory certainty for the following reasons:

- Since 2010, issuers, including subsidiaries of Redwood, have looked to the staff's position expressed in the Ford No-Action Letter when excluding Ratings Disclosure from registration statements. Under existing rules, issuers and underwriters file free writing prospectuses when ratings are communicated to investors, typically via term sheet. We believe that investors have not demanded Ratings Disclosure be provided in prospectuses because ratings are available through other means, including through publication by the applicable rating agency during the offering period.

- The Dodd-Frank Act greatly expanded the regulatory regime applicable to NRSROs, including requiring certain disclosures, policies and procedures and increased oversight.

[11] The initial July 22, 2010 no-action letter was superseded by an extension letter dated November 23, 2010. SEC Staff No-Action Letter, Ford Motor Credit Company LLC, November 23, 2010 available at https://www.sec.gov/divisions/corpfin/cf-noaction/2010/ford072210-1120.htm.

[12] Items 1103(a)(9) and 1120 of Regulation AB require disclosure of whether an issuance or sale of any class of offered asset-backed securities is conditioned on the assignment of a rating by one or more rating agencies. If so conditioned, those items require disclosure about the minimum credit rating that must be assigned and the identity of each rating agency. Item 1120 also requires a description of any arrangements to have such ratings monitored while the asset-backed securities are outstanding.

In addition, Section 939A of the Dodd-Frank Act[13] requires federal agencies to remove references to credit ratings from their regulations, and the SEC has adopted many rules to implement this statute. Within Regulation AB II the SEC sought to reduce reliance on ratings by requiring asset-level disclosures for investors to analyze directly.[14] Therefore, rescinding the Ratings Disclosure requirements would be consistent with implementation of the Dodd-Frank Act and past SEC policy initiatives. In addition, keeping the Ratings Disclosure requirements in the rules is inconsistent with Section 939A, while at the same time rescinding the Ratings Disclosure requirements would not be inconsistent with the intent of Congress to require, if a rating is disclosed in a prospectus, an expert consent by a rating agency.

Issuers, investors and RMBS market activity should not be subject to undue uncertainty relating to the potential for future reforms or changes to the SEC's approach to regulating Ratings Disclosures. For example, in recent years credit rating agency reform was an area of focus again for Federal policymakers, including discussion of the possible rescission of the Ford No-Action Letter. Even the SEC staff recognized in its extension of the Ford No-Action Letter that, "without an extension of our no-action position, offerings of asset-backed securities would not be able to be conducted on a registered basis."[15] The SEC staff went on to extend the relief indefinitely stating that "Given the current state of uncertainty…and the benefits of investor protection resulting from Securities Act registration, the Division is extending the relief".

Notwithstanding this indefinite extension, an SEC staff no-action letter, such as the Ford No-Action Letter, only expresses that the staff will not recommend enforcement action to the SEC and it is not legally binding. In addition, the SEC staff reserves the right to change the positions reflected in prior no-action letters. It is unclear why the SEC did not rescind the Ratings Disclosure requirements with the amendments to Regulation AB in 2014; however, to remove regulatory uncertainty, we recommend that the SEC acknowledge its alignment with current market practice and codify the SEC staff position by removing the Ratings Disclosure requirements. Such a codification would ensure that any future change in policymakers' approach to whether Ratings Disclosure is required would involve a rulemaking process that would provide issuers with ample time to provide input and perspective and adjust future practice to any formal changes in regulations.

* * *

[13] 124 Stat. 1887 (July 21, 2010).

[14] *See e.g.*, Section I.C. of the 2014 Regulation AB Adopting Release.

[15] *See* SEC Staff No-Action Letter, Ford Motor Credit Company LLC, November 23, 2010.

We appreciate your consideration of our viewpoints and comments on the Concept Release. Please do not hesitate to contact us using the contact information first set forth above if you would like to further discuss any aspect of this submission.

Respectfully submitted,

/s/ Andrew Stone

Andrew Stone
Chief Legal Officer,
Redwood Trust, Inc.