

Key Points Summary:

Responding to the SEC's Request for Input on Residential Mortgage-Backed Securities Disclosures

Here's how our members can help

On October 30, 2019, the Securities and Exchange Commission (SEC) [published a statement](#) welcoming input from investors and other market participants on asset-level disclosures for residential mortgage backed securities (RMBS). Since the SEC implemented Regulation AB II in 2016, no private-label mortgage-backed securities (MBS) have been issued in public markets. The SEC's solicitation of input requests feedback on what regulatory and market conditions have led to MBS offerings being limited to government-sponsored entities issuance and [144a](#) deals.

A bit of background: The original Regulation AB, covers registration, disclosure, communication, and reporting, for all asset-backed securities, regardless of whether the securitizations are publicly registered or privately placed. Regulation AB II's revisions include an exclusion for privately placed securitizations. That's led to a divergence in loan-level reporting in the RMBS 144A market versus those required if publicly issued.

So, in response to the SEC's request, SFA has launched a series of member discussions via our RMBS Regulation AB II Task Force, including:

- Bank and non-bank issuers for both qualified mortgage (QM) and non-QM products;
- Investors, including credit risk transfer investors, investors in 144a offerings and investors currently not purchasing any MBS offerings;
- Rating agencies and diligence firms; and
- Law firms, technology and data providers, trustees, servicers and other market participants.

We're also taking a holistic look at current disclosures across active issuer participants and analyzing the differences between what is currently disclosed to investors in 144a offerings and what Reg AB II requires. Issuers will then carefully review fields that they believe need to be clarified to create certainty around compliance. They will also highlight disclosure fields that raise other concerns, such as a borrower's privacy or an originator's inability to obtain the required data. Issuers will then propose modifications, clarifications, and even additions to the disclosures that currently exist under Schedule AL of Regulation AB II.

Once we've gathered all that input, we'll convene investor members to walk through each set of disclosures, field-by-field, as well as the recommendations from issuers for how Schedule AL could be improved and clarified. Investors and issuers will engage in a back-and-forth discussion on the disclosure fields, sharing views and exchanging ideas. Their goal: establish a comprehensive industry agreed recommendation to the SEC for how disclosures in public RMBS offerings may be modified to provide investors the material information they need to analyze RMBS investment opportunities and while also supporting public issuance of private label RMBS.

This process will be governed by SFA's advocacy approach, which ensures that all parties will have their voices heard as we work towards a consensus position that accounts for the views of all industry participants. While the process may present challenges at times, consensus efforts best ensure a vibrant, functioning public RMBS market that provides certainty to issuers while safeguarding the interests of investors.

For information on how you can participate in this process, please contact Kristi Leo (Kristi.Leo@StructuredFinance.org) or Dallin Merrill (Dallin.Merrill@StrucutredFinance.org).