PRESS RELEASE

Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

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FDIC Board Approves An Extension Regarding the Safe Harbor Protection for Securitizations

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved by notational vote an extension through September 30, 2010 of the Safe Harbor Protection for Treatment by the FDIC as Conservator or Receiver of Financial Assets Transferred by an Insured Depository Institution in Connection With a Securitization or Participation. Under this safe harbor, all securitizations or participations in process through September 30, 2010 are permanently grandfathered under the existing terms of 12 C.F.R. Part 360.6.

When a safe harbor was initially adopted in 2000 for securitizations and participations, the FDIC provided important protections for securitizations and participations by confirming that in the event of a bank failure, the FDIC would not try to reclaim loans transferred into such transactions so long as an accounting sale had occurred. However, on June 12, 2009, the Financial Accounting Standards Board ("FASB") finalized modifications to the accounting treatment for such transactions through Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140* ("FAS 166") and Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* ("FAS 167"). Following the November 15, 2009 effective date of these changes, most securitizations no longer meet the off-balance sheet standards for sale accounting treatment and, as a result, no longer comply with the preconditions for the application of the original FDIC safe harbor..

On November 12, 2009, the FDIC Board approved a transitional safe harbor that permanently grandfathered securitizations or participations in process through March 31, 2010 that would have previously qualified for the 360.6 safe harbor, but for the changes to accounting standards. On December 15, 2009, the FDIC Board approved an Advanced Notice of Proposed Rulemaking (ANPR) to seek stakeholder feedback on questions and sample regulatory text regarding the treatment of securitizations and participations issued after March 31, 2010. The FDIC Board's approval of an extension of that safe harbor will provide a transitional period for adoption and implementation of final standards for a safe harbor for securitizations initiated after September 30th.

FDIC Chairman Bair said, "Today's action will provide continued protection for securitizations under the existing safe harbor to allow the Board to consider and adopt final standards for future safe harbor protections and to allow the industry time for a transition to these new standards. We will continue to seek broad agreement on securitization reforms that can be implemented by all the regulatory agencies. As we consider the feedback received during the comment period, our focus must remain on protecting the Deposit Insurance Fund from suffering the losses created during the current crisis by misaligned incentives in mortgage finance. We hope to foster a sustainable securitization market that emphasizes transparency, improved clarity in transaction structures and responsibilities, and incentives to support sustainable securitizations. These reforms will help restore investor confidence, provide a vibrant source of liquidity for banks, support underwriting standards, and prevent a recurrence of the crisis we are now working through."

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Attachment: Safe Harbor Extension - PDF (PDF Help)