



Bringing Transparency to Asset-Backed Securities

How Extensible Business Reporting Language (XBRL) can make a difference

Executive Summary

This white paper is intended for business and technology participants in the information supply chain for asset-backed securities. The goal of this paper is to launch the conversation on how XBRL can address the risk and transparency challenges facing the market today and provide the basis for a more efficient and liquid market going forward.

Introduction

As the financial markets went through unprecedented turmoil over the past twelve months, traders and regulators alike scrambled for accurate data. The market began to differentiate between securities and assets with transparent, historically accurate and well-presented performance data, and those without. Performance data for mortgage-backed securities and the underlying loan portfolios were subject to intense scrutiny as the market attempted to establish pricing benchmarks for the bonds. Within a short time, bid-ask spreads widened dramatically and the bid side disappeared almost entirely for some classes of securities. This illiquidity made pricing these assets nearly impossible. The markets for asset-backed securities and later corporate debt and equities began to stall and then decline rapidly as it became evident that buyers and sellers did not have access to sufficient accurate data to perform appropriate and timely analysis. As a direct result of the market's inability to establish pricing benchmarks, certain TARP measures - such as a government sponsored Special Purpose Entity to purchase securities and mortgage assets - could not be implemented. Further insecurity resulted and compounded market disruption, ultimately leading to frozen credit markets and huge losses at financial institutions.

Extensible Business Reporting Language (XBRL) provides the building blocks necessary to create a new data environment marked by transparency and accuracy that could address the liquidity challenges in this market. XBRL is already the language of choice for financial markets across the globe and with the recent SEC ruling, will become the choice for financial markets in the United States. XBRL enables the construction of new data classifications, known as taxonomies, written to meet the challenges of this increasingly complex and data-rich financial market (see the appendix for more information on XBRL).

Background

The fidelity of financial and loan performance data contained in monthly and other periodic reports and government filings are potentially inconsistent at different points of the lending value-chain. Rating agencies map originator data fields to their own data models. Data are handled by different entities and entered into different databases and general ledgers. Information based on the data is compiled and delivered to a wide variety of market participants, from investors to regulators, in a variety of different formats. The data contained in these reports are then extracted by the recipients, normalized to yet another data model and re-entered into a further array of databases and pricing or valuation models. Data models differ across institutions and data must often be re-tagged to match user requirements. And at the end of this life cycle, information is again compiled into reports and delivered to state and federal regulators.

Financial market data has experienced exponential growth in volume and complexity over the past twenty years. It is variously made to fit multiple models and database technologies in order to meet the requirements of the many thousands of market participants. It comes as no surprise that the

integrity of the data suffers as it moves laterally and vertically among market participants and regulators. Transparent, accurate data defined by universally accepted taxonomies are a pre-requisite for the efficient functioning of the credit and equity markets going forward. Talk in Washington is again turning to the creation of a so-called “bad-bank” to purchase and hold troubled assets currently on bank balance-sheets. This enterprise can only succeed if the market is able to assign a price to the bonds and efficiently monitor the underlying assets. Both of those operations are in large part dependent on the reliability of data.

Class	Initial Principal Balance (\$)	Pass-Through Rate	Principal Types	Interest Types	CUSIP
Offered Certificates					
Class A-1	\$71,534,000	6.000%	Super Senior, Planned Amortization	Fixed Rate	94985L AA3
Class A-2	\$75,000,000	6.250%	Senior, Accretion Directed, Targeted Amortization	Fixed Rate	94985L AB1
Class A-3	\$3,125,000	0.000%	Senior, Accretion Directed, Targeted Amortization	Principal Only	94985L AC9
Class A-4	\$15,905,140	6.000%	Super Senior, Lockout	Fixed Rate	94985L AD7
Class A-5	\$9,341,000	6.000%	Senior, Companion	Accrual, Fixed Rate	94985L AE5
Class A-6	\$44,305,000	6.000%	Super Senior, Sequential	Fixed Rate	94985L AF3
Class A-7	\$215,000,000	6.000%	Super Senior, Sequential	Fixed Rate	94985L AG1
Class A-8	\$27,625,000	6.000%	Super Senior, Sequential	Fixed Rate	94985L AH9
Class A-9	\$9,459,750	6.000%	Super Senior, Sequential	Fixed Rate	94985L AI7
Class A-10	\$9,222,110	6.000%	Super Senior, Sequential	Fixed Rate	94985L AJ5
Class A-PO	\$1,997,442	0.000%	Senior, Ratio Stripped	Fixed Rate	94985L AK3
Class A-R	\$100	6.000%	Senior, Sequential	Fixed Rate	94985L AL1
Non-Offered Certificates					
Class B-1	\$8,250,000	6.000%	Subordinated		
Class B-2	\$3,501,000	6.000%	Subordinated		
Class B-3	\$1,500,000	6.000%	Subordinated		
Class B-4	\$2,000,000	6.000%	Subordinated		
Class B-5	\$1,250,000	6.000%	Subordinated		
Class B-6	\$1,000,237	6.000%	Subordinated		

Class	Principal balance at cut-off date, up to 5%	Annual Interest rate	Special features	Expected rating/Fitch/Moody's	Subordinated to
IA-1	\$163,713,000	6.50%	Group I, super senior	AAA/Aaa	N/A
IA-2	9,400,000	6.50%	Group I, super senior support	AAA/Aaa	N/A
IA-PO	3,343,538	0%	Group I, ratio-stripped PO	AAA/Aaa	N/A
IA-IO	128,611,029 (notional)(1)	Variable (2)	Group I, ratio-stripped IO	AAA/Aaa	N/A
IIA-1	17,846,000	5.75%	Group II, super senior	AAA/Aaa	N/A
IIA-2	1,025,000	5.75%	Group II, super senior support	AAA/Aaa	N/A
IIA-PO	206,209	0%	Group II, ratio-stripped PO	AAA/Aaa	N/A
IIA-IO	16,911,639 (notional)(1)	Variable (2)	Group II, ratio-stripped IO	AAA/Aaa	N/A
B-1	4,123,000	Blended (3)	Composite (4)	AA-	A
B-2	2,268,000	Blended (3)	Composite (4)	A-	A, B-1
B-3	927,000	Blended (3)	Composite (4)	BBB-	A, B-1, B-2

Fig 1: Example of how different issuers provide different information in Free Writing Prospectuses

The next four years are likely to be marked by vast increases in public spending. Congress will insist that this money be carefully accounted for, and demand detailed reporting from those entities, both public and private, charged with managing the new programs.

XBRL is a crucial tool for meeting current and future challenges of data management. XBRL-based taxonomies enable the compiling, sharing and transmitting of accurate data in a transparent format.

The Status Quo and How XBRL Could Make a Difference Markets

Lending institutions are almost all the products of multiple mergers. Often, individual business units utilize legacy systems for loan data management and feed that information to a general ledger separate from that of other units. The business units deliver loan data to internal users such as credit and risk management departments as well as external users, primarily rating agencies and other lenders (for purposes of syndication). In order to receive and warehouse the data, the users map data fields from the original data model to their own.

Buyers and sellers struggle with securities valuations as the market has failed to deliver pricing in an environment of declining liquidity for structured bonds

and heightened scrutiny of the underlying assets. With the need to drill down to loan level data in order to establish a bid-side for mortgage-backed securities, analysts came to realize that there were significant qualitative differences in the data reported by different trustees. Bonds with substantially similar underlying assets traded at different levels (if they traded at all) based on data integrity and transparency. A standardized XBRL-based taxonomy would have enabled the efficient extraction of accurately reported data at a time when it was most needed.

Risk Management and Compliance/Reporting

The risk management and risk controlling units of lenders and investors alike often must extract and/or reformat data received from business units before it can be input to models for purposes of risk measurement, capital allocation and regulatory filings. Data are re-compiled for shareholder and investor reporting as well as regulatory filings. It is difficult to extract and/or reformat transactional and loan performance data without loss of integrity.

Credit risk managers at the various institutions holding the mortgage-backed securities and/or the underlying mortgage assets were hard-pressed during the past twelve months to assign a value to the assets being held either on trading books or investment books. Marking the bonds to market became increasingly difficult. As the institutions came under pressure to deeply discount the value of bonds and assets, the absence of market prices led to huge write-offs as bonds held on "trading" or "for sale" books had to be marked down beyond what many saw as the intrinsic value of the underlying assets. Bonds held to maturity have followed suit as the value of the underlying assets has deteriorated with the faltering economy. XBRL-based taxonomies would have established independence from database configurations. A common XBRL-based taxonomy would have eased the transfer of accurate data to - and from - the market.

Ratings Analysis

Ratings analysts receive information from a wide variety of sources. All have their own unique taxonomies. Data in almost all cases must be mapped from the submitter's taxonomy to that of the rating agency. Data fields must be interpreted as to their meaning and re-tagged according to the best possible match with the rating agency taxonomical definitions. Quite aside from the time and cost of this undertaking, the potential loss of accuracy is substantial. A common XBRL-based taxonomy ensures that analysis is based on the best possible data.

XBRL and the Future of ABS Data Management

The value of XBRL taxonomies

XBRL is an open standard adopted by financial regulators and markets across the globe. For example, XBRL taxonomies (data models and more) have been developed to represent key financial data in US GAAP, IFRS, and Basel II risk reporting. These taxonomies have laid the foundation for transparency and accuracy in data handling and information transfer. XBRL taxonomies could be

built to model both the securities and the underlying assets providing the same transparency and accuracy for asset-backed securities.

Targeted and complete extraction of data from any source

Once data is organized and tagged according to a XBRL-based taxonomy, it is easily extracted from databases, reports and regulatory filings without any further mapping or re-formatting. XBRL-based taxonomies are responsive to the reality of multiple reporting formats for securities. XBRL enables the recipient of any report or filing, regardless of layout or medium, to target and extract the desired data efficiently and consistently.

Integrity across multiple databases and market participants without loss of data “fidelity”

Shared XBRL taxonomies enable the seamless transfer of data across disparate data warehouses. Mapping data across taxonomies and creating new tags to describe similar data will become unnecessary. Data is no longer subject to manual intervention along the value chain, resulting in maximum accuracy and transparency.

Granularity of Risk Analysis

XBRL is flexible enough to expand tagging in existing taxonomies and provide additional granularity for risk measurement. In a competitive business environment, the ability to provide analysis based on highly granular data will provide an advantage in selling risk to other market participants. XBRL taxonomies enable solutions which immediately address current issues. XBRL can be a game changer for platform developers and developers of analytical tools for the financial industry.

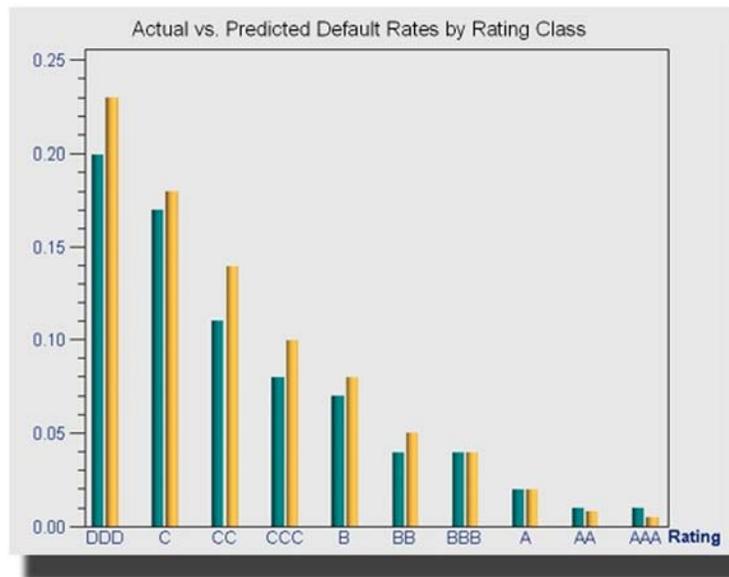


Fig 2: Risk Analysis chart from a prototype Asset-Backed Security reporting system

Accuracy in Reporting

The ability to report performance data on the existing book of business will dictate the ability to assume new credit risk going forward. The government is likely to engage in an unprecedented level of public infrastructure spending in

an effort to support the domestic economy. An efficient, accurate and transparent reporting platform will be crucial in keeping track of the billions in public money that will be spent and administered by private or NGO entities. The most desirable partners for government bodies in managing and financing public projects will be those with a demonstrable ability to provide high-quality data.

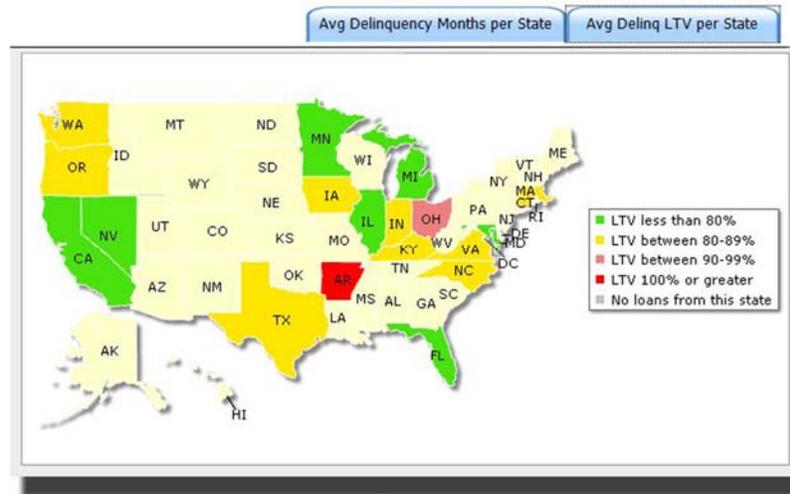


Fig 3: Example chart from a prototype Asset-Backed Security reporting system

Who Benefits from a Move to XBRL?

All parties in the market can benefit from a move to XBRL. XBRL improvements in the efficiency and transparency of the information supply chain for Asset-Backed securities would reduce risk and result better informed and more nimble decision-making for all participants in the market.

Financial Institutions

1. More liquid markets as issuers of debt and equity
2. More liquid markets as participants in the debt capital markets/loan syndication market
3. More transparency and confidence in risk analysis

Investors

1. Consistency in the data received from all issuers of debt and equity.
2. Transparent data that does not suffer loss of "fidelity" through handling by third parties such as rating agencies or providers of analytical services

Rating Agencies

1. Smoother and more accurate ratings process
2. Development of analytical tools and output for clients

State and Federal Regulators

1. Enhanced supervisory capabilities and better understanding of systemic market risk
2. Better ability to leverage data to support regulatory enforcement

What Next?

XBRL is already in use by market participants and government agencies. The SEC has initiated a voluntary XBRL filing pilot program. The XBRL taxonomy for GAAP has been created. Momentum is gathering for broader use of XBRL across federal regulatory agencies. There is a growing realization that better data may have helped mitigate the financial market travails of the past year. As you become more informed about XBRL and its current use, you will realize its potential to be a value driver in your organization in particular and the financial markets in general.

Learn about XBRL

- XBRL US website
<http://www.xbrl.us>
- XBRL International website
<http://www.xbrl.org>
- UBmatrix "Learn more about XBRL"
<http://www.ubmatrix.com/company/learn.htm>

See examples of how XBRL is already being used in the financial markets

XBRL is being employed broadly and its use is going to expand. Catch up on some new developments

- Securities and Exchange Commission
<http://www.sec.gov/spotlight/xbrl.shtml>
- International Accounting Standards Board
<http://www.iasb.org/XBRL/IFRS+Taxonomy/IFRS+Taxonomy+review.htm>
- Microfinance
http://www.ubmatrix.com/casestudies/mix_page.htm

Appendix: Introduction to eXtensible Business Reporting Language (XBRL)

XBRL is a global standard method for the electronic exchange of business information (replacing 100s of proprietary methods). XBRL is also a method of expressing meta-data and semantics, which is how the business information can be exchanged. Basically, this is what the XBRL Specification provides.

XBRL represents a global agreement of the semantics of financial reporting concepts and business rules. These concepts and rules, the semantics, have already been created for IFRS and US GAAP. These two taxonomies provide agreed upon semantics against the respective set of accounting standards. So, rather than each company defining its own financial reporting terms and business rules, standard taxonomies of concepts and rules have been created which enhances comparability across companies.

XBRL is also an organization, comprised of 500+ members from around the world which stands behind and maintains XBRL. The non profit organization XBRL International provides this. XBRL will cause a fundamental change in infrastructure relating to the creation and consumption of business information as the cost/benefit model for creating and using such information has fundamentally changed.

XBRL provides an XML-based framework that the global business information supply chain can use to create, exchange, and analyze financial reporting information including, but not limited to, regulatory filings such as annual and quarterly financial statements, general ledger information, and audit schedules. XBRL is freely licensed and facilitates the automatic exchange and reliable extraction of financial information among various software applications anywhere in the world.

XBRL extends XML to improve the efficiency, accuracy and transparency of reporting and information exchange. The key to the power of XBRL is the concept of a taxonomy, or metadata model. The taxonomy not only tags the data but also defines structure to the information being exchanged, business rules that operate on the information, and a framework for easily creating new taxonomies by extending existing ones. Taxonomies exist today for a wide range of business applications including US GAAP, IFRS (International Financial Reporting Standard), CRAS (Credit Risk Assessment Services), XBRL-GL and the COREP/FINREP (under Basel II Accord).

A few examples of high-impact XBRL efforts today include:

1. Securities and Exchange Commission - The SEC has recently published a series of rulings requiring Public Companies, Mutual Funds and NRSROs to submit XBRL documents. The SEC initiated a voluntary filing program in 2005 to understand the costs and benefits of using XBRL for financial disclosure.

2. FDIC (Federal Deposit Insurance Corporation) - 8,000 banks submit call reports quarterly to government regulators using XBRL. This program has been in place since 2005.
3. CEBS (Committee of European Bank Supervisors) - European banks submitting reports (COREP/FINREP) using XBRL under Basel II to their country's banking supervisor. As an example, Banque de France is currently live with a system for its 630+ submitting banks.
4. Dutch Ministry of Finance - In order to reduce the administrative burden of business filing, the Netherlands Taxonomy Project facilitates the filing of tax declarations, annual reports and economic statistics using XBRL with a goal of saving businesses 350 million Euros a year.
5. Microfinance Information Exchange (MIX) - As a supplier of information to the 25 billion dollar microfinance industry, MIX has put in place a reporting system using XBRL to promote greater transparency for 1,000+ microfinance institutions and organizations that invest in them.

About UBmatrix

UBmatrix, Inc. is the leading provider of XBRL-based information exchange solutions for global organizations and enterprises allowing them to more efficiently and effectively address the challenges of business and financial information management, exchange and reporting. XBRL is fast becoming the standard for financial information exchange and reporting demonstrated by the XBRL programs being driven by the SEC, FDIC and the European Central Bank Supervisors. UBmatrix XBRL solutions increase operational efficiency and financial transparency, and ensure reporting accuracy and regulatory compliance. UBmatrix is based in Silicon Valley with development centers in Bellevue, WA, and New Delhi, India. For further information, visit www.ubmatrix.com

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