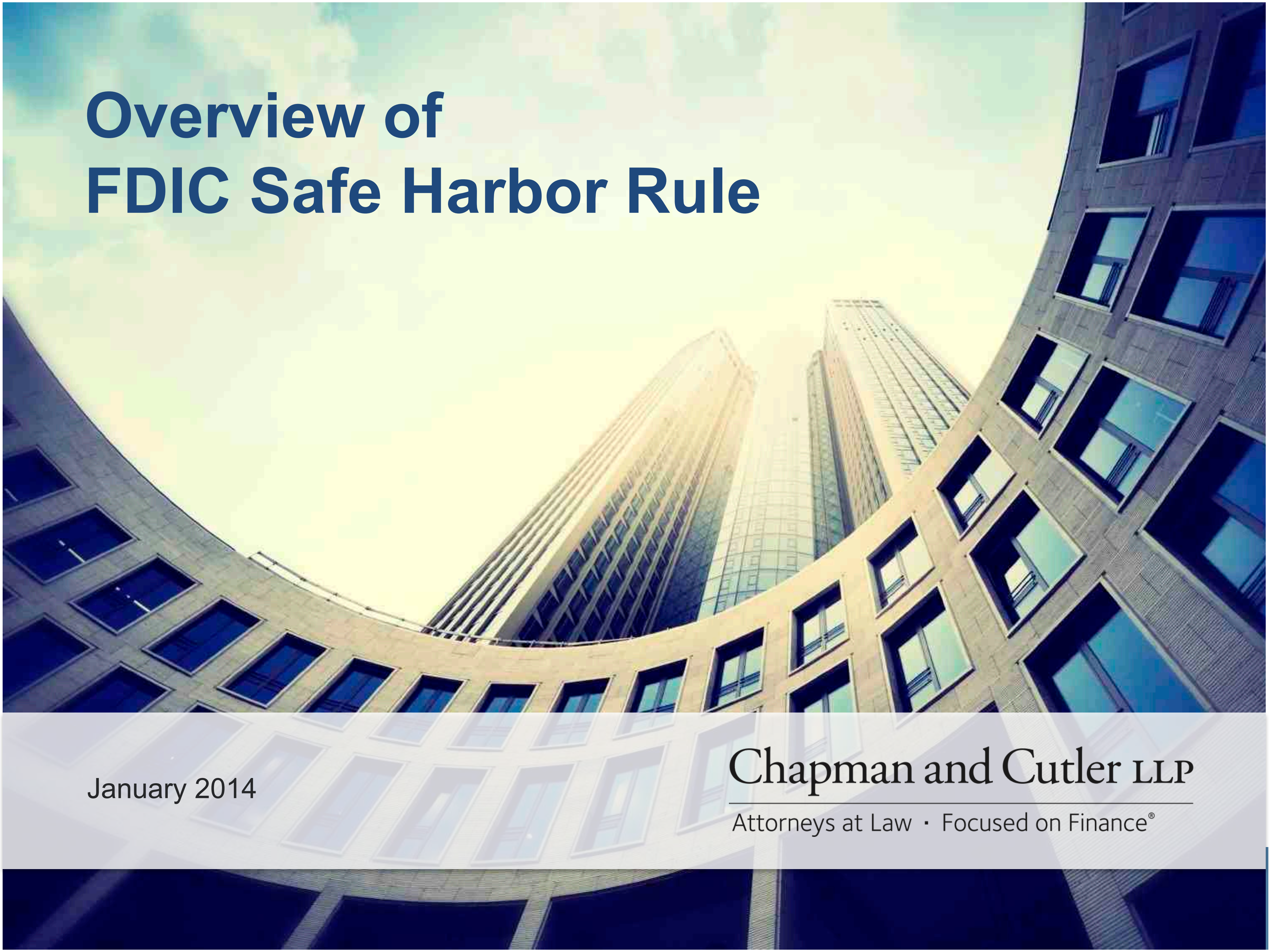

Overview of FDIC Safe Harbor Rule

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Introduction

The FDIC adopted amended Section 360.6 (the "**Safe Harbor Rule**") effective September 30, 2010.

The Safe Harbor Rule protects transfers of financial assets by a bank in connection with a securitization transaction that satisfies specified conditions.

The Safe Harbor Rule requires, among other things, that the securitization transaction documents:

- **Capital Structure and Credit Support:** provide that payments of principal and interest on the securities be primarily based on the performance of the underlying assets (and cannot be contingent on market or credit events that are independent of the assets).
- **Disclosure:**
  - provide that, regardless of whether the transaction is a private placement or a public issuance, information about the securities and the underlying financial assets must be disclosed to all potential investors in a manner that complies with Regulation AB* on or prior to the issuance of securities and when periodic reports are delivered; and
  - require disclosure on the nature and amount of compensation paid to (and the extent of any risk of loss retained by), the originator, the sponsor, any rating agency or third-party advisor, any broker or the servicer.

* As described under "Regulation AB II" below, the SEC has proposed amendments to Regulation AB that have not yet been adopted.

Requirements

The Safe Harbor Rule requires, among other things, that the securitization transaction documents:

- **Capital Structure and Credit Support:** provide that payments of principal and interest on the securities be primarily based on the performance of the underlying assets (and cannot be contingent on market or credit events that are independent of the assets).
- **Disclosure:**
  - provide that, regardless of whether the transaction is a private placement or a public issuance, information about the securities and the underlying financial assets must be disclosed to all potential investors in a manner that complies with Regulation AB* on or prior to the issuance of securities and when periodic reports are delivered; and
  - require disclosure on the nature and amount of compensation paid to (and the extent of any risk of loss retained by), the originator, the sponsor, any rating agency or third-party advisor, any broker or the servicer.

* As described under "Regulation AB II" below, the SEC has proposed amendments to Regulation AB that have not yet been adopted.

Requirements (Continued)

- **Risk Retention:** require that the sponsor retain at least 5% of the credit risk of the financial assets either:
  - by taking an interest in 5% of each tranche of securities transferred to investors; or
  - by retaining in its portfolio a "representative sample" of receivables in an amount equal to at least 5% of the securitized assets.
- The Safe Harbor Rule contains an "auto-conform" provision that will replace the risk retention requirements described above with those implemented under Dodd-Frank when they become effective. Risk retention requirements under Dodd-Frank will become effective, in the case of RMBS, one year after final regulations are published in the Federal Register and, in the case of all other ABS, two years after such publication.

Additional Conditions

- Prohibit the sponsor from commingling amounts received with respect to the receivables with its own assets except for the time necessary to clear any payment received (not to exceed 2 business days);
- Evidence the transfer agreement and the servicing agreement in separate documents; and
- Additional requirements for mortgage securitizations (e.g., deferral of rating agency fees over 5-year period based on asset performance, with 60% upfront cap; 5% repurchase reserve fund).

Safe Harbors

- Any obligations of master trusts for which one or more obligations were outstanding as of September 30, 2010 are grandfathered and, therefore, not required to comply with the Safe Harbor Rule conditions if they continue to satisfy FAS 140 (*i.e.,* the sale accounting rules preceding FAS 166 and FAS 167).
- Participations are not required to comply with the Safe Harbor Rule conditions.
- For securitizations not meeting sale accounting treatment, 60 or 90 statutory stay is reduced to 10 days provided that the Safe Harbor Rule conditions are met.
- For securitizations meeting sale accounting treatment, FDIC will not recharacterize or reclaim transferred assets if Safe Harbor Rule conditions are met.

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