SEC Won't Hold Up FAS 140 Update

The **SEC's** recent criticism of certain accounting practices that are often associated with securitization won't delay a pending set of rule changes for off-balance-sheet vehicles.

The **Financial Accounting Standards Board** expects to unveil its planned revisions to FAS 140, the principal set of accounting guidelines for securitizations, by early next month, said **Ron Lott**, a senior technical advisor at the organization.

Meanwhile, the rule-making panel is working with the SEC to resolve the regulator's concerns about companies that use securitization techniques as a ploy to move assets off their balance sheets without actually shedding all of the risk associated with them.

The SEC aired its concerns in a broad report published June 16, as required by the 2002 Sarbanes-Oxley Act. FASB chairman **Robert Herz** immediately announced that FASB was already planning to improve financial-reporting requirements for companies that use off-balance-sheet vehicles and special-purpose entities. However, the board's talks with the SEC on those issues will take place over a much-longer period than its current schedule for updating FAS 140, Lott said.

The board still wants to finalize those revisions by December or January, which means they could go into effect for new transactions on April 1 or July 1, 2006.

However, **Mark Adelson** of **Nomura** thinks the FAS 140 revisions could wind up taking a lot longer. "The [SEC] report stops just short of announcing the SEC's intention to haul FASB out to the woodshed for a plain, old-fashioned whoopin'," the asset-backed research chief said in a report released last week.

"To really take the criticisms to heart," FASB might have to consider replacing FAS 140 altogether, he wrote. There is precedent for such actions, considering that the existing set of rules replaced FAS 125 in 2000, and FAS 125 replaced FAS 77 four years earlier. ❖

Cifuentes: Wachovia Swayed Research

Former **Wachovia** researcher **Arturo Cifuentes** has accused the bank of meddling with the content of his reports.

Cifuentes, who lost his job as Wachovia's head of collateralized debt obligation research in May, filed a legal complaint against the investment bank with the **U.S. Department of Labor** this week. He maintains that bank officials repeatedly broke the law when they tried to please existing or prospective clients by influencing or blocking his reports — even though he made numerous efforts to stop the conduct and reported his concerns to superiors.

His complaint also alleges that Wachovia ran afoul of federal law by terminating his employment in response to several incidents, including disagreements over **SEC** filings that the Charlotte bank made under "Regulation AC." That rule requires that broker-dealers and researchers include certain information in research reports.

Cifuentes, who has also worked at **Moody's** and CDO issuer **Triton Partners**, lodged his accusations against Wachovia under whistleblower provisions set forth in the Sarbanes-Oxley Act of 2002. He is also thinking about filing an arbitration claim with the **New York Stock Exchange** in coming weeks. **Jenice Malecki** of **Malecki Law** is representing him in the proceedings.

A Wachovia spokesperson declined to comment. ❖

Moving Company Bound for Market

A relocation-services company wants to create a securitization program for its unusual home-equity loans.

The deals would be backed by the loans that **Sirva** of Westmont, Ill., writes against homes owned by corporate and government employees who are switching locations in the U.S. The borrowers use the proceeds to buy new homes. Sirva recoups its money when the old properties are sold.

Sirva also moves belongings, writes first-lien mortgages and helps out with home sales and purchases for its customers. Its first securitization could hit the Rule-144A market by yearend via bookrunner **ABN Amro**.

Sirva would use the money it raises through the deal to fund additional loans and pay off a three-year warehouse facility that it arranged with ABN's **LaSalle Bank** unit in December. The company may retire the warehouse line completely once it has a functioning securitization program in place. However, Sirva might likely expand the facility first, as it seeks to facilitate additional lending volume that it inherited through the purchase of competitor **Executive Relocation** at yearend.

An insider at Sirva said the company has enough performance data on its loans to satisfy buyers of asset-backed bonds. The borrowers usually sell the underlying homes in one to six months, making for quick payoffs of the credits and protecting prospective bondholders against fluctuations in interest rates or property values. If the properties sell for less than expected, the homeowners or their employers make up for any shortfalls in the loan payments.

Sirva handles 365,000 relocations around the world each year and writes home-equity loans in more than 143,000 of those cases. The outfit also wrote more than $1 billion of first-lien mortgages last year, all of which it sold as whole loans.

Among Sirva's better-known businesses are **Allied Van Lines** and **North American Van Lines**. ❖