



Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE Washington, DC 20549

Re: SEC File Number S7-08-10, Asset-Backed Securities, 17 Federal Register 33-9117, May 3, 2010

Dear Ms. Murphy:

CMBS.com appreciates the opportunity to comment on the Securities and Exchange Commission's (Commission) proposed rule changes to Regulation AB ("Proposal"). Specifically, we are providing comment on whether the required data disclosures recommended in Schedule L and Schedule LD of the Proposal are appropriate for CMBS.

As a matter of background, CMBS.com provides commercial real estate software known as Backshop (learn more at [www.backshop.com](http://www.backshop.com)), which standardizes underwriting for lenders, rating agencies and investors. Since our software provides a common underwriting "calculator" to analyze the commercial real estate collateral, we are experts at knowing what data is required to perform commercial real estate credit analysis. We are also experts regarding existing CMBS monthly reporting (the CREFC's IRP version 5) because we have CMBS data products which require us to download and import the IRP monthly (learn more at [www.cmbs.com](http://www.cmbs.com)).

Since we know what is needed for credit analysis through our development of Backshop and know what is currently provided in the IRP through our CMBS data products, we are uniquely qualified to comment on the data requirements needed for transparency in CMBS.

## **RENT ROLL NEEDED**

Both schedule L and LD are steps in the right direction, especially as they relate to new disclosures needed on the debt and the requirement that data be reported in XML. However, both schedules fall short of requiring the data needed for true transparency into the collateral securing CMBS. Specifically, the deficiency relates to the disclosure of full rent rolls for the underlying real estate. The current IRP, and the proposed Schedule L and LD, all only require limited information on the top three tenants. **The lack of rent roll disclosure for all tenants is the single biggest gap in current CMBS reporting and the most important new data disclosure the SEC should require.**

Rent rolls and the tenant-level information they provide are an essential component of analyzing commercial real estate. The Income is determined by adding up all the rental payments received from the tenants (information found on the rent roll). After deducting operating and capital expenses, the property is left with its Net Cash Flow. This number, in simplified terms, is used for valuation and risk assessment (LTV and DSCR).

Standard access to this data will deliver great benefits to the CMBS industry, especially CMBS investors. Unlike rating agencies and B Piece buyers who get full rent rolls during the offering process, CMBS Investors do not currently get rent rolls in useable formats. CMBS investors need rent roll data to accurately assess collateral value and, therefore, the value of the bonds. In fact, the CMBS Investor's "Best Practices" guide demands disclosures of full rent rolls. The disclosure of full rent rolls to CMBS Investors will:

- Reduce Investor reliance on the rating agency because all investors (not just B piece investors) will have the ability to do full commercial real estate underwritings to value the loans and, therefore, the bonds.
- Promote alignment of interest because it will limit the ability to make commercial "liar loans" (where income is inflated above current contractual amounts) because contractual amounts will be readily disclosed.
- Is essential to the viability and longevity of the asset class because at both issuance (Schedule L) and during surveillance (Schedule LD) all investors and rating agencies will have enough information to independently rate, value and price the bonds.

## **XML STANDARD NEEDED**

We applaud the Proposal's requirement that reporting be provided in XML. While we acknowledge that existing CMBS reporting (IRP v. 5) is better than other asset classes, the fact that the monthly reports are in CSV, Excel and even PDF, greatly limits the transparency of CMBS. Furthermore, if rent rolls are to be included in the disclosures, XML is the best format because it supports the many-to-one relationship of tenants-to-properties.

MISMO (Mortgage Industry Standards Maintenance Organization) has developed XML standards for both the commercial and residential real estate markets for the past 10 years. MISMO has rent roll XML standards that were developed in a collaborative, non proprietary structure and they are available free of charge. If rent rolls are added, the addition of the existing MISMO rent roll XML standard would be preferable to a new standard that would need to be developed. MISMO has also worked with the CREFC's IRP committee in converting the existing IRP v 5 to XML and has a logical data dictionary schema capable of handling the IRP, Schedule L and LD, rent rolls, operating statements and other data that may be required. Using existing data standards, especially the IRP and MISMO, will make industry adoption easier.

## CONCLUSION

We applaud the Dodd-Frank Bill's requirement for transparency in securitized products and appreciate the SEC's role in implementing the appropriate rules to ensure such transparency. We hope our comments regarding the current deficiencies in CMBS reporting are helpful in helping the SEC decide the appropriate data fields required for both Schedule L and LD. We also hope that the SEC will establish rules that are consistent with existing standards where possible to limit disruptions and costs.

Simply put, if the data already disclosed in the existing IRP files were converted to XML (draft IRP 6), were expanded to include the missing data items proposed on Schedule L and LD (mostly loan modifications information), and full rent rolls based on the MISMO XML schema were added to the data set, CMBS will be truly transparent. To us, true transparency is the single most important reform needed in CMBS. It is in both the spirit and the letter of the law and the SEC should do all it can to ensure this outcome.

If you have any questions or would like to discuss our comments, please contact Jim Flaherty at (415) 576-8008 or at [jim@cmbs.com](mailto:jim@cmbs.com).

Sincerely,

*Jim Flaherty*

CEO, CMBS.com