Using Standards for Transparency

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XBRL.US is the national consortium for xml business reporting standards **building a more transparent market.**

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Executive Summary

This testimony by XBRL US, the national consortium for business reporting standards in the United States, asserts that requirements for transparency in TARP funds reporting and oversight can be met using an existing standard that brings a consistent format to data on financial condition, risk, value, and compensation information regardless of sources.

As our economic crisis has worsened, government has responded with programs that seek to restore stability, investor confidence, and liquidity to the markets. The unprecedented magnitude and urgent pace of the programs bring great risk for fraud and waste and a proven method must be employed to mitigate and manage that risk by making data provided to the government and markets consistent - regardless of the company or system at its source.

Recent investigations have revealed that without consistent data, effective oversight and regulation is not possible. Government and investors cannot reliably determine the risk and value of troubled assets, know the disposition of TARP and other program funds, or judge compliance with executive compensation and other legislative requirements, unless a standard is adopted.

XBRL, a global open-source standard successfully used for tagging and exchanging financial information by government agencies such as the FDIC and the SEC, can be applied today for compliance, regulation, and congressional oversight of TARP programs. Just as web pages, PDFs, and email have transformed communications over the last fifteen years, XBRL is a mainstream technology that can bring quality, consistency, and interoperability to what is now a patchwork of proprietary data formats.

Transparency in financial reporting, therefore, is no longer a question of capability. It is a matter of agreement and decision, waiting for resolve and action by government and industry for the common good.

The advancement and implementation of this standard is facilitated by XBRL US, a nonprofit consortium that includes all economic sectors with a stake in the information supply chain: filers of information, software companies, accountants and auditors, regulators, publishers, and the citizens, investors and analysts who ultimately consume the information.

Government and industry participants in this consortium, working with our development team, have contributed to the creation of XBRL tagging standards for public company reporting of financial statements in US Generally Accepted Accounting Principles (or "US GAAP"), for executive compensation data, FDIC bank call reports, mutual fund risk and return reports, proxy statements, and corporate actions.

Using the standard does not require a proprietary software product; facts found in statements, narrative text and footnotes can be tagged within mainstream spreadsheet and word processing documents using free add-ins, or converted using open-source data conversion programs.

This testimony offers XBRL as a proven and immediately available method for standardizing the data that financial institutions provide to the government on fundamentals such as financial position, revenues and expense, cash flow, and executive compensation. Examples of current use, effectiveness, and readiness for expanded use are presented.

A significant section of this testimony is dedicated to the application of XBRL to mortgage and mortgage-backed securities (MBS) information. Under the leadership of XBRL US board member and MBS white paper author Philip Moyer, CEO of EDGAR Online, XBRL US assembled research and analysis of current reporting practices, and a team of mortgage data experts, to develop an XBRL dictionary for mortgage data which has been demonstrated to industry and government leaders and is ready for use.

Introduction

Since 1934 companies have been reporting their financial statements in increasingly large documents. As the number of companies and size of documents has grown it has become impossible for investors and regulators to understand bank balance sheets, executive compensation, the good versus the bad mortgages in a mortgage backed security or what happens to funds that the government uses to save a company. Investors and regulators are simply overwhelmed with millions of pages of incomparable data.

XBRL helps to solve this problem by requiring companies to report in a common format using a common, low-cost technology standard, In the same way that the United States is attempting to move to electronic medical records, XBRL is an electronic health record for a company that can be tracked cradle to grave.

XBRL can assist investors and regulators: 1)Monitor the recipients of TARP funds, including their executive compensation, bonuses, acquisitions and the status of their TARP loans) 2) Analyze the financial statements of all public companies, including those that that currently hold Asset Backed securities, 3)Value the actual cash flows of Mortgage Backed Securities, so that investors and government understand the real value of the securities, and 4) Eliminate the friction in the securitization industry and promote information transparency as a foundation to jump-start the market.

Reporting Problems in the Market Today

Investment information today, whether it is data on public companies or on specific securities, is rife with inefficiencies, inaccuracies and ambiguity. Whereas public companies are required to report certain financial data, they can report in different formats, use labels or underlying definitions of items that differ from their peers, and add disclosures that none of their peers report. When the underlying fundamental data is produced, it is typically made available in ASCII Text or HTML and cannot be easily consumed by investors and regulators. These reports can be thousands of pages in length, for example, the 2007 Citigroup 10k is 1,376 pages long. The entire stimulus bill for the United States that was just passed by this house was 1,100 pages long.

In the case of mortgage backed securities, the situation is even more daunting. In 2007, approximately 200 ABS were issued per month, in documents that were hundreds of pages long with thousands of loans. There was no single format for these reports, no single source of information and no regulatory authority managing reporting requirements cradle to grave for these assets. Every player in the industry develops their own proprietary process, resulting in systems that don't communicate, expensive processes and huge holes in critical information necessary for valuing these assets. Today the investors and the regulators that need to understand the health of these assets cannot cost-effectively re-construct their value and performance. Over the past decade, the financial market saw an explosion in

the complexity and variety of securities being offered. Unfortunately, there was no corresponding improvement in data standards for reporting related to those securities. This left regulators flat footed and helped to contribute to the crisis we face today.

XBRL is a standard that is in widespread use today

The XBRL standard has broad application. Examples of its use:
- The FFIEC (Federal Financial Institutions Examinations Council), led by the FDIC, launched a global repository of over 8,000 bank call reports in October 2005 resulting in an immediate improvement in data quality, analyst productivity and regulatory monitoring capabilities.
- The SEC mandated XBRL for all public company reporting, starting in June 2009. XBRL US developed the dictionary of terms to be used for US GAAP reporting requirements and common reporting practices. This implementation will result in greater comparability and transparency of corporate information for investors and more efficient monitoring of companies for compliance and enforcement by the SEC.
- Publicly traded companies in Israel, China, Japan and Australia have all started reporting financial statement information in an XBRL format, making their information more transparent and actionable. Government reporting initiatives are also underway in countries including Australia and the Netherlands.

Impact of XBRL on the transparency of financial transactions, specifically Mortgage Backed Securities (MBS)

The lack of reporting standards has made it difficult to understand the simple fundamental value of the mortgages in these loan pools. Information collected about borrowers, loans, ongoing surveillance, settlement and clearance information is reported in differing data and reporting formats. The identity of individual loans is lost when the pool is securitized and value becomes based on a rating and essentially what the market will bear.

With an agreed-upon data standard and XBRL, issuers, investors, rating agencies and regulators could forecast actual discounted cash flows of the individual loans, making it significantly easier to value each security – effectively "normalizing" the data so that the security can be valued using a recognized valuation method.

During strong market periods, there is little need to question the value of the underlying assets. However when a market sours people seek clarity, fundamentals and comparability and the securitization industry is currently unable to produce this. Establishing a standard requires political will and a centralized independent body to validate the information produced. No single participant can drive a standard.   As a result, without the government, standards and transparency are elusive.

Recommendations to Implement XBRL

The SEC has mandated the use of XBRL for public company reporting. Ongoing support and funding for this program is critical. Reporting needs change frequently; the collections of terms used to report must be adequately maintained.

In the MBS market, we recommend establishing a single data standard, providing an incentive to engage industry players and using XBRL to serve up the data. XBRL US has developed a prototype dictionary of terms for residential mortgage backed securities (RMBS) which could be a starting point to a broader development of XBRL data in the ABS market.

Once the data and technology standard have been determined, the existing pool of toxic assets can be valued if certain industry players will provide data on the underlying loans. Once that data is in hand, the XBRL dictionary of terms, e.g., the RMBS prototype, can be used to determine the value of existing toxic assets against a set of defined criteria, including those acquired under TARP. XBRL could also be used to support the valuation of other baskets of securitized assets, e.g., new issuances supported by the Term Asset-Backed Lending Facility (TALF).

XBRL could also provide a valuable tool for TARP performance reporting and the oversight of TARP funds through development of a dictionary of reporting terms in XBRL format for ongoing monitoring of the funds distributed.

The Need for Transparency

As the credit crisis has worsened, policymakers have responded with innovative and unprecedented programs to restore liquidity to the markets. The Emergency Economic Stabilization Act of 2008, enacted on October 3, 2008 (P.L 110-1343), authorized $700 billion for the creation of the Troubled Asset Relief Program (TARP). Since then, TARP funds have been utilized to support a broad range of programs including the Capital Purchase Program (CPP) in which Treasury has purchased hundreds of billions of dollars of bank equity in the form of preferred stock; the Targeted Investment Program (TIP) to provide support to systemically significant institutions including Citigroup and Bank of America; support for GM and Chrysler; and, the Term Asset-Backed Securities Loan Facility (TALF) which will first disburse funds on March 25, 2009.

As we will undoubtedly hear from some of today's other witnesses, there have been a series of reports, Congressional hearings and press reports raising concerns about an overall lack of transparency and accountability with respect to TARP expenditures. On February 10, 2009, the Obama Administration announced the Financial Stability Plan (FSP), which includes several important initiatives to address the continuing credit crisis. Significantly, the FSP calls for a "new era of transparency, accountability, monitoring and conditions…. These stronger monitoring conditions were informed by recommendations made by formal oversight groups – the Congressional Oversight Panel, the Special Inspector General,

and the Government Accountability Office – as well as Congressional committees charged with oversight of the banking system."1[1]

We believe the need for transparency and accountability will only increase as the existing programs are expanded and newly announced programs are implemented. In particular, the new Capital Assistance Program (CAP), the Homeowner Affordability and Stability Plan (HASP), the expanded TALF, and the much anticipated Public-Private Investment Fund (PPIF) will be more effective and receive broader public support if the associated disclosures are enhanced through the use of XBRL as described below.

The XBRL Standard

Taxpayers want to know how their money is being used to fund the financial bailout. XBRL is a standard that promotes transparency and accountability and can be used by regulators to perform oversight functions more effectively and efficiently. It is similar to other standards we know and use every day:

- Bar code – embeds information in a mechanism used worldwide
- The Internet – provides universal, open access to all comers
- Email – helps separate individuals communicate easily, effectively, quickly

Today's financial crisis was driven in part by a lack of accurate, easily useable information to give investors what they need to make informed, responsible decisions. The value of toxic asset backed securities remains a mystery because information on the underlying loans and ongoing viability of those loans and the securities themselves was not collected consistently and even if it had been, it would not have been in a useable, portable form. XBRL makes information that investors use to make investment decisions more transparent, more accurate, and easier to use because of the following characteristics:

- XBRL relies on XML tags - tags gives data context and can include the name of the element itself, its definition, date, etc. Examples of tags could be tagging photos on flickr or creating a blog.
- The standard is developed and driven by the industry that will use it. XBRL US, as a consortium of different organizations representing the business reporting supply chain can bring together industry representatives to agree upon the terms and definitions for a reporting application.
- XBRL is "extensible" – if a single reporting entity needs to explain a unique situation that other reporting entities do not share, e.g., a public company that wants to report sales of a special product line, the entity can do so by "extending" the collection of terms.

XBRL US developed the terms for US GAAP by bringing together the accounting industry, regulators, analysts, investors, software vendors and public companies. A similar industry-supported standard in the MBS market would require players from the major banks and loan servicers – a handful of organizations compared to the thousands of public companies and accounting firms needed to agree on the US GAAP standard.

1[1] Fact Sheet, Financial Stability Plan, February 10, 2009.

The impact on the user of the data (individual and institutional investors as well as regulators in the case of US GAAP reporting) is significant because XBRL:

- Uses a standard set of definitions – there is no ambiguity and it is easier to compare one company or security to another
- Results in computer-readable data which means less chance for errors because information is not rekeyed and can be taken directly from the source, e.g., the public company, the mutual fund, even from the lender or loan servicer. Machine-readable data means faster analysis and allows for large volumes of data to be extracted from company reports very easily.

Applications in Use Today

XBRL is in widespread use today around the globe.

FDIC and Banking Institution Call Reports

The FFIEC (the FDIC, Federal Reserve and OCC) jointly collect financial statement information, called call reports, from over 8000 banking institutions. The banks submit the information through approved software vendors. In 2005, the FFIEC, led by the FDIC, sought to improve the collection process and reduce costs by automating routine tasks, reducing the amount of manual data checking required (often with analysts contacting the banking institutions directly to verify and correct data submitted) and allowing for the seamless, automated entry of data. Historically data received was often rife with errors, didn't calculate correctly, and was expensive to process and analyze.

The FFIEC determined that XBRL was a viable solution. The agencies worked with the approved software vendors to develop an XBRL-enabled interface. When banks input their call report data, the information is immediately converted to XBRL. The XBRL-enabled software tools validate and check the data in a consistent fashion during the submission process.

The result was an immediate and significant cost reduction and efficiency improvements

- The legacy system had 66% clean data coming in, in the XBRL-enabled system, 95%
- The legacy system had 70% validity edits checked (data calculated correctly), today, 100% checks
- Staff analyst case load has increased between 10-33% because they can complete assignments faster

For the regulators, the result was significant cost reduction, increase in productivity, and greater accuracy.

US GAAP Reporting for Publicly Traded Companies

Approximately 12,000 public companies submit financial statements to the SEC's EDGAR database every quarter following US GAAP guidelines for required disclosures and general industry practice for elements that are commonly reported. While the data is submitted electronically to the SEC's EDGAR database, it is reported in ASCII Text or HTML and the line items within the financial statements are not computer-readable. The problem with today's financial statement reporting is that:

- Labels and definitions for elements reported often differ from company to company
- Some companies report additional elements that are unique to their organization
- Because data is submitted in flat files, it must be rekeyed by users before analysis can begin

Most analysts either 1) rekey company financial statement data which is time-consuming, results in inaccuracies and is expensive, or 2) they rely on aggregate databases that take the information from the SEC web site, rekey it into their own proprietary categories of terms to database the information to facilitate company to company comparisons. Often the database vendor combines elements that companies report to make it easier to compare company to company – thus reducing the granularity of corporate financial statements and potentially masking or even distorting their investment standing. Issues that investors face when relying on corporate data to make decisions include:

- Inaccurate corporate information
- Less granular data as the elements on a corporate financial statement are bucketed into proprietary categories predetermined by the database vendor
- Longer time to market to account for the databasing process, with small cap companies typically last in line to be databased
- Difficult to compare and analyze companies
- Large cap companies get preference over small cap companies
- Individual investors are disadvantaged because they don't have the resources to buy the third-party database or the staff to rekey the information they need

Using XBRL for public company reporting will result in greater accuracy and greater corporate accountability. In 2007, XBRL US, under contract to the SEC, developed the dictionary of terms for public company reporting including US GAAP requirements and common industry practice. XBRL US, as a nonprofit consortium, was able to bring together industry experts from accounting, public companies, analysts/investors, technologists and data intermediaries to develop the agreed-upon labels and definitions.   The resulting set of over 10,000 elements is comprehensive enough to make it relatively easy for public companies to present their financial statements in XBRL and for analysts to compare the resulting data company to company.

The SEC has mandated the use of XBRL for public company reporting, starting with the largest 500 public companies reporting their fiscal June 2009 quarter. In June 2010, all other large accelerated filers will be required to submit in XBRL format and in June 2011, all remaining companies will be required to comply.

The US GAAP dictionary of terms will continue to grow and change with changes in accounting standards and with industry-driven changes in reporting practice. At this time, XBRL US has completed the 2009 release of the US GAAP terms and is awaiting SEC approval and acceptance. Maintaining the taxonomies, effectively revising them every year to reflect industry changes and accounting changes (as determined by the Financial Accounting Standards Board), is imperative to making the process simple and effective for issuers but most importantly to make the resulting data useful for investors and regulators that are monitoring corporate performance or their own investments.

Using XBRL for public companies serves to

- Democratize investment information – the same information available today to institutions will be available to individuals, at the same time, with the same level of granularity
- Increase the transparency and accuracy of corporate data and make public companies more accountable to the shareholders that own the company.
- Allow companies tell their own story – small cap company information becomes just as accessible as large cap company information
- Gives investors, both individual and institutional, machine-readable data that can be extracted, searched, aggregated and analyzed more easily and cost effectively.

In addition to finalizing the rule for public company reporting, the SEC also approved the following rules in December 2008:
- Risk/Return Summary portion of Mutual Fund Prospectus – mutual funds must begin publishing the risk return summary portion of their prospectuses in XBRL format starting January 1, 2011. XBRL US has already completed that dictionary of terms and it is published at www.xbrl.us.
- Credit rating agencies – must begin reporting delayed ratings actions (initial rating, upgrades, downgrades, etc.) in XBRL format starting in August 2009 (180 days after publishing in Federal register)

Global Initiatives

XBRL initiatives are underway all over the world, driven by various stakeholders such as governments, stock exchanges, banks and other industry sectors.

In Asia, XBRL is being used by the capital markets. Stock exchanges in China, Japan, Singapore and South Korea all require the submission of XBRL-formatted financial statements. In 2004, China became the first country in the world to formally adopt XBRL for its equities markets. In the near future, it is expected that China will expand its use of XBRL for mutual funds reporting, IPO approvals, and nonofficial and internal financial reporting for smaller companies. In India, the major stock exchanges accept voluntary XBRL documents and are moving towards a mandate with support of the Securities and Exchange Board of India. Canada is also testing out XBRL with it's own voluntary filing program.

Both the governments of Australia and New Zealand have undertaken initiatives to implement standards for business reporting using XBRL.

While the U.S. and Asia focus on XBRL for use in the capital markets, Europe has developed a broad and diverse spectrum of government-wide and cross-border applications that can share consistently structured XBRL data. For example, tax regulators drove development in Ireland, municipalities in Germany, the banking sector in Spain, the Water Board in the Netherlands, and the Companies House in Denmark. The first wave of adoption in Europe started about five years ago, with stakeholders in the private and public sectors working together in an effort to develop a truly open standard.

Other Applications Underway by XBRL US

Corporate Actions Taxonomy
A collection of terms is in development for corporate actions data. This information is typically released by public companies in the form of news releases and prospectuses that must then be rekeyed into databases by custodians, clearing houses, investors and data intermediaries, resulting in inaccuracies, delays and substantial costs in securities processing. The terms are being created in cooperation with The Depository Trust & Clearing Corporation (DTCC). An initial prototype will focus on company mergers. Eventually, the taxonomy will be expanded to include all corporate actions. The XBRL US Corporate Actions taxonomy will be based on data elements found in the ISO 20022 standard.

Proxy Taxonomy
Broadridge Financial Solutions contributed a proxy taxonomy to XBRL US in late 2008. The SEC has shown interest in using this for the Def14a form, and particularly executive compensation reporting. The taxonomy will need to be modified to make it consistent with the XBRL US taxonomy. This taxonomy may prove useful in providing more accurate data in connection with the policy debate over executive compensation.

Bringing Transparency to the Mortgage-Backed Securities Market – a Prototype

This testimony, based on a white paper developed by Philip Moyer, President and CEO, EDGAR Online, member of XBRL US Board, explains how XBRL could be used in the MBS marketplace – an area that currently does not benefit from any form of data standard like US GAAP and certainly has no underlying technology standard to make the data needed by investors more accessible and consumable. Establishing a solid data standard, with XBRL as the conduit, will go a long way towards providing more clarity and accuracy in these complex investments and restoring trust in the marketplace. The use of data and technology standards will also eliminate the ambiguity surrounding valuation of these securities and establish a consistent set of assumptions to make investment decisions. Government agencies and all investors buying existing securities assets will be able to work off the same set of data and assumptions, thus reducing the cost of analysis and the risk of making ad hoc decisions.

What follows is a detailed analysis of how XBRL could be utilized in one sector (MBS) of the re-securitization market. The application of data and technology standards in this market could be used to value the existing pool of toxic assets and to help jumpstart the market going forward. This same methodology could be developed and utilized throughout the re-securitization market. The ability to produce accessible uniform data has the potential to transform the "shadow" banking system into a vibrant, transparent credit market.

Description of the MBS Marketplace

There are perfectly good cash flows to be found in many of the investment vehicles now clogging the American credit system, but the entire re-securitization market lacks the information and reporting standards necessary to untangle the good loans from the bad. As a result, investors will not buy what they cannot understand, the value of these assets is being marked to zero and the entire market has seemingly turned toxic. The cost of analysis is overwhelming because there is no standard data set to access, adding to the paralysis in the market.

The same principles of XBRL that are working for bank call reports and for public company reporting can be brought to bear in the MBS market. The concept is simple: provide loan level detail for every MBS from cradle to grave in an automated form that is easy to analyze so that investors can value the actual cash flows of these investments cost effectively.

The industry is awash in a sea of incomparable data
In the current decentralized and self-defined reporting model, access to MBS information is out of reach for most investors because it is locked up in incompatible data formats and subject to inconsistent reporting. The price of extraction, standardization and analysis has been too costly and time consuming to be viable for any single participant. As a result, issuers, investors, rating agencies and regulators have built sophisticated systems and financial models to get around the problem, and rely on *probabilities of default* and on *mark-to-market accounting* to value these assets. No one understands which loans are bad and which loans are good among the 10 million loans currently sitting in approximately 100,000 re-securitized products. Investors and regulators simply cannot discern the good from the bad.

We believe that MBS and the loans that are in MBS are publicly traded instruments, and all investors are owed regular public reporting on the health of the assets. What is needed is the political will to bring standards and open access to this information — in the same way that the Securities Act of 1933 and the Securities and Exchange Act of 1934 brought standards and open access to financial reporting for public companies after the 1929 market crash.

Specifically, our recommendations for the MBS market are:
1. Define the information disclosures necessary to evaluate a security across the entire MBS supply chain, including mortgage origination, MBS issuance, rating, and loan servicing.

2. Require reporting in a proven technology format already in use for financial data reporting, specifically XBRL (eXtensible Business Reporting Language), to ensure the quality, compatibility, and comparability of the information reported.

3. Require a common reporting system - similar to the SEC's EDGAR System - and ensure equal access to the information by market participants.

4. To value the existing pool of securities will require identifying the underlying data for each loan within the securities pool and reporting it back through an XBRL dictionary of terms, e.g., the prototype for RMBS developed by XBRL US. Industry participants that have ownership of this information must become part of the process in order for this initiative to succeed.

The mortgage-backed securities supply chain needs data standards.

As a loan moves through the many participants in the MBS supply chain, each member of the supply chain – originators, retail banks, wholesale banks, issuers, servicers and ratings agencies – decides what to report publicly and when to report it. All players use different report formats, data labels, data types, tracking methods and even different models for tracking the identity of the individual loans. A loan can receive as many as five unique IDs between its origination and when it is bundled into an MBS. There is no centralized regulator or repository that validates or collects all of this data. Every participant has completely different reporting models.

The Information Supply Chain in the MBS Market

A **Mortgage-Backed Security (MBS)** contains thousands of loans.

Originators capture information from borrowers including credit score, proof of income, etc.
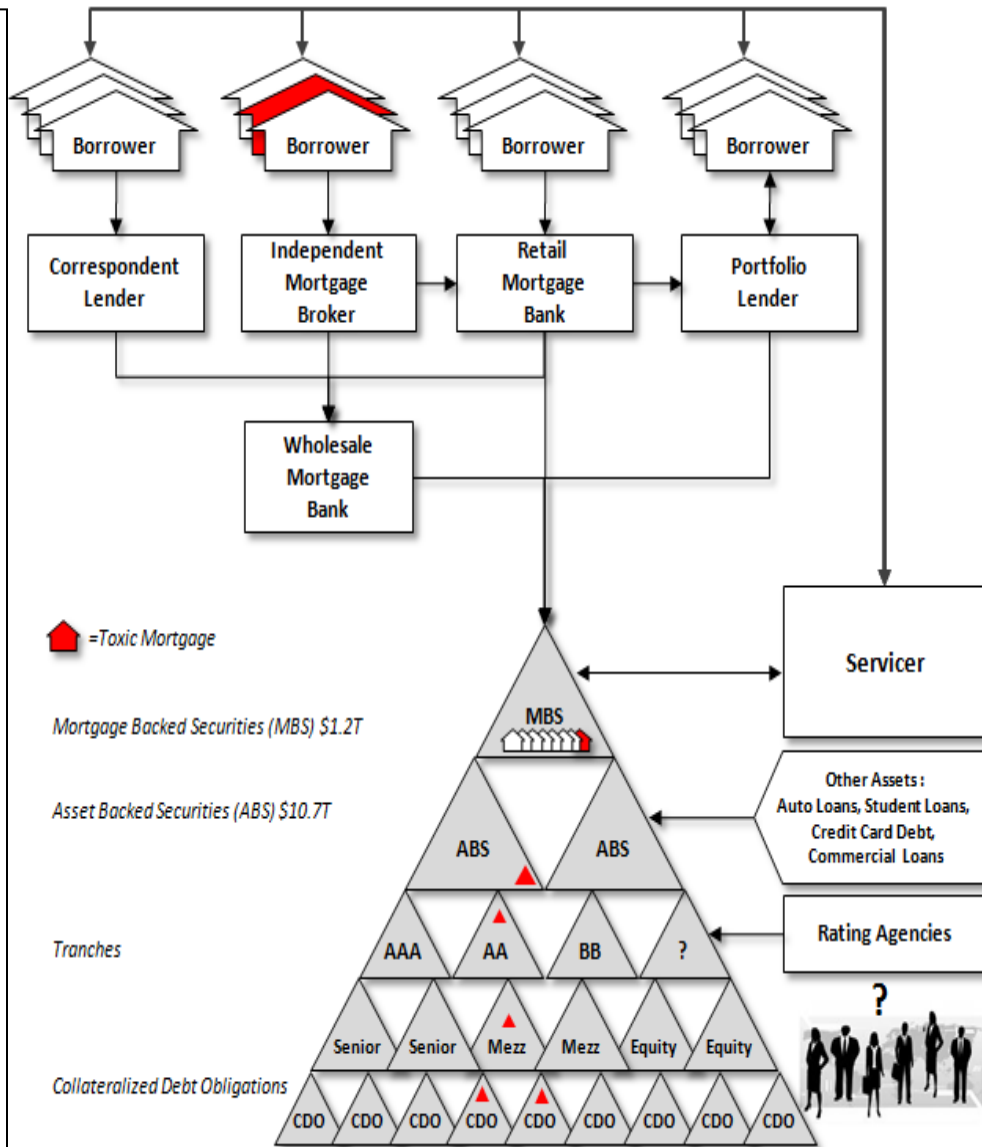
Lenders and banks provide financing for these loans and collect loan data from multiple originators.

Issuers accumulate large pools of loans from lenders. They use the data they receive from lenders to build an MBS. (Asset Backed Securities (ABS) may contain mortgages and/or other debt like auto loans, credit cards, etc.)

Servicers are the final resting place for loans in MBSs. They use the data they receive from lenders or issuers to collect payments from borrowers and issue payments to MBS investors.

Ratings Agencies use information from issuers and their own models to divide the credit worthiness of the pool into tranches. "Waterfall" data explains which loans are in which tranches.

Collateralized Debt Obligations are small slices of MBS tranches that distribute MBS tranches to a broader set of investors. Their value is based on the current market value of a specific Tranche rating.

Borrower • Borrower • Borrower • Borrower

Correspondent Lender • Independent Mortgage Broker • Retail Mortgage Bank • Portfolio Lender

Wholesale Mortgage Bank

= Toxic Mortgage

Mortgage Backed Securities (MBS) $1.2T

Asset Backed Securities (ABS) $10.7T

Tranches

Collateralized Debt Obligations

MBS • ABS • ABS • AAA • AA • BB • ? • Senior • Senior • Mezz • Mezz • Equity • Equity • CDO CDO CDO CDO CDO CDO CDO CDO CDO

Servicer

Other Assets: Auto Loans, Student Loans, Credit Card Debt, Commercial Loans

Rating Agencies

Incomparable data makes it impossible to identify and track individual loans from cradle to grave.

A single market participant controls little of the information that they depend on upstream, and controls little of what happens to the information that they pass along downstream in the supply chain. Ratings agencies, for example, have no authority to mandate and verify the validity of the data that is provided to them. Servicers cannot control quality of information at loan origination. Investors cannot mandate collateral status reporting across all servicers. Instead, investors spend millions of dollars on their own tracking systems, databases and statistical surveillance systems.

The re-securitization industry has created a multi-faceted data problem.

A. **Ratings are based on inadequate data.** The market relies on rating agencies and statistical probabilities for default instead of on analysis of cash flow and real time status of assets. Rating agencies, by necessity, have built models around assumptions and statistics and their ratings are only as good as the data they receive and their underlying assumptions.

When the market stopped buying, the statistical models were unable to explain the real value of the cash flows inside each loan within an MBS pool. No one had the information to contradict a market driven by fear, and values headed to zero. It is now apparent that some data provided to rating agencies was simply not valid or comparable. Critical data points, like whether a mortgage was being made to a "First Time Home Buyer" (which has the highest probability of default) or that it was a "Second Mortgage" was omitted by some originators. There are simply no standards for what is considered a "complete" report.

B. **Issuance requires no standardized information.** When an MBS is issued, underwriters file a Free Writing Prospectus (FWP) to the SEC. FWPs are lengthy documents listing all the loans in the MBS, with varying levels of detail on each loan, depending on the underwriter. The FWP describes the individual loans, credit worthiness of the borrower, the value of the asset, when the interest rate will reset, etc. The number of elements can range from over 100 to as few as 20 and an FWP can be thousands of pages long. There are no industry standards or government regulations concerning these disclosures. The FWP is a document, not a datafile and therefore not computer-readable – indeed, barely readable at all.

In an effort to better understand the available data, EDGAR Online, a member of XBRL US, conducted a study of loan tapes from over 500 mortgage-backed securities priced during 2006, 2007 and the first half of 2008. EDGAR Online extracted detailed loan information and attempted to standardize the various fields against a defined set of variables. Each underwriter provided a different set of information in each loan tape, using different terminology. A list of over 600 unique fields was disclosed, some nearly 100 percent of the time, e.g., current loan balance, while others were unique to certain underwriters. This small sample of MBS data demonstrated that investors would need enormous resources and time to accurately process and interpret the information to make better decisions.

The schedule below shows the fields that were most frequently included and the percentage of FWPs that contained those fields from the 500 FWPs analyzed.

Data fields usually found in Free Writing Prospectuses (at issuance)

DATA ELEMENT	% of FWPs	DATA ELEMENT	% of FWPs	DATA ELEMENT	% of FWPs
Original Loan Balance	97.02%	ARM - Periodic Rate Change Frequency	53.77%	Lender Paid Mortgage Insurance Fee	23.81%
Property State	97.02%	Balloon Flag	52.78%	Note Date	23.81%
Property Type	95.24%	Original Interest Rate	52.18%	Self Employed Flag	23.61%
FICO	94.64%	Remaining Term	51.39%	Program	23.21%
First Payment Date	94.64%	Servicing Fee	50.60%	Amortization Type	22.42%
Occupancy Type	93.65%	ARM - First Rate Change Date	47.22%	Pool	21.23%
Loan Purpose	93.45%	Adjustable Rate Flag	47.02%	ARM - First Rate Change Period	21.03%
Current Rate	92.06%	Origination Date	46.83%	Negative Amortization Limit	20.63%
Maturity Date	90.28%	Group	45.63%	Convertible Flag	20.63%
Property Zip	89.88%	Borrower Quality	45.04%	Current Combined LTV	20.24%
Original Term	86.71%	Current LTV	44.64%	ARM - Periodic Payment Change Cap	18.65%
Documentation	85.12%	Loan Type	42.66%	Frontend DTI Ratio	18.65%
ARM - Margin	84.92%	Mortgage Insurance Company	42.06%	Silent Second Flag	18.65%
Lien Position	84.33%	Interest Only Flag	41.67%	Delinquency Status	18.06%
Loan ID	82.74%	Prepayment Penalty Flag	40.87%	Conforming Loan Flag	17.26%
Interest Only Term	81.15%	Servicer	40.48%	Master Servicing Fee	17.06%
ARM - Periodic Rate Change Cap	74.21%	Paid to Date	38.69%	Mortgage Insurance Certificate ID	17.06%
ARM - Lifetime Max Rate	73.21%	Senior Lien Balance	38.69%	Originator Loan ID	16.67%
Current Loan Balance	72.22%	Junior Lien Balance	37.90%	Negative Amortization Flag	16.47%
Current Principal and Interest Payment	71.63%	ARM - Next Payment Change Date	37.70%	As of Date	16.07%
Mortgage Insurance Coverage	70.63%	Loan Subtype	35.52%	ARM - Look Back Period	15.87%
ARM - First Rate Change Cap	69.84%	Seasoning	34.33%	Channel	15.87%
Original Combined LTV	67.86%	ARM - Periodic Payment Change Frequency	33.93%	Property County	15.67%
Original LTV	65.08%	Original Principal and Interest Payment	31.94%	Current Scheduled Loan Balance	14.88%
Prepayment Penalty Term	64.09%	ARM - First Payment Change Date	31.35%	Mortgage Insurance Fee	14.48%
Number of Units	63.29%	Prepayment Penalty Type	30.56%	First Time Buyer Flag	14.29%
Backend DTI Ratio	63.10%	Cut Off Date	30.36%	Remaining Term - Stated	14.09%
Property City	62.70%	Mortgage Insurance Flag	29.76%	Buydown Flag	13.89%
ARM - Next Rate Change Date	62.50%	Next Payment Due Date	29.56%	Delinquency Count	12.30%
Appraisal Value	61.31%	Originator	28.97%	Remaining Interest Only Term	12.10%
ARM - Lifetime Rate Change Cap	61.31%	Current Net Rate	27.98%	Current Combined Loan Balance	11.71%
Property Sales Price	60.52%	Property Value	27.18%	Interest Paid to Date	11.71%
Amortization Term	60.12%	Appraisal Type	25.00%	ARM - Lifetime Min Net Rate	11.51%
ARM - Adjustment Index	60.12%	Current Actual Balance	24.60%	Current Appraisal	11.51%
ARM - Lifetime Min Rate	59.52%	Months to Next Rate Change	24.60%		

C. **Servicers use disparate data in their own, unique systems.** Servicers are organizations that receive pools of loans from a wide variety of originators and lenders. They hold the individual loans and collect and distribute the actual interest payments to investors. Servicers receive loan data in widely disparate formats that they attempt to standardize into their own formats. But in some cases servicers maintain multiple incompatible internal systems all housing information in different formats from different sources.

The servicers file forms 10-D with the SEC. These 10-D filings provide statistical level information on delinquencies, bankruptcies, foreclosures and bank owned assets (REOs), summary information on interest and principal payments, balance information and some loan level details. Information is provided in different format, in varying levels of completeness, and with different identifiers. Most important, the information is completely incomparable to the information provided by any of their peer servicers.

Principal Distribution Statement (continued)

Class	Realized Loss	Total Principal Reduction	Ending Certificate Balance	Ending Certificate Percentage	Total Principal Distribution
A-1	0.00	17,366.03	122,783,994.74	0.98227196	17,366.03
A-2	0.00	0.00	0.00	0.00000000	0.00
A-3	0.00	1,577,071.00	118,398,574.00	0.92599443	1,577,071.00

Principal Distribution Factors Statement

Class	Original Face Amount	Beginning Certificate Balance	Scheduled Principal Distribution	UnScheduled Principal Distribution	Accretion
A-1	125,000,000.00	982.41088616	0.02268944	0.11623880	0.00000000
A-2	0.00	0.00000000	0.00000000	0.00000000	0.00000000
A-3	127,861,000.00	938.32869288	2.01440439	10.31985703	0.00000000

Principal Distribution Factors Statement Interest Distribution Factors Statement

Class	Original Face Amount	Current Certificate Rate	Beginning Certificate/ Notional Balance	Current Accrued Interest	Payment of Unpaid Interest Shortfall (1)
A-1	125,000,000.00	5.75000%	982.41088616	4.70738552	0.00000000
A-2	0.00	0.00000%	982.41088616	0.00000000	0.00000000
A-3	127,861,000.00	5.75000%	938.32869288	4.49615833	0.00000000

Collateral Statement

Collateral Description	Total Fixed 30 Year
Weighted Average Coupon Rate	6.368291
Weighted Average Net Rate	5.743224
Weighted Average Pass-Through Rate	5.750000
Weighted Average Remaining Term	353
Principal And Interest Constant	3,270,171.54
Beginning Loan Count	1,195
Loans Paid in Full	3
Ending Loan Count	1,192
Beginning Scheduled Balance	578,887,815.86
Ending Scheduled Balance	576,686,667.68
Actual Ending Collateral Balance	577,651,200.23

Delinquency Status - MBA Delinquency Calculation Method

	DELINQUENT	BANKRUPTCY	FORECLOSURE	REO	Total
	No. of Loans Actual Balance	No. of Loans Actual Balance	No. of Loans Actual Balance	No. of Loans Actual Balance	No. of Loans Actual Balance
0-29 Days	0 0.00	0 0.00	0 0.00	0 0.00	
30 Days	2 714,243.22	0 0.00	0 0.00	0 0.00	2 714,243.22

10-D information can be critical for investors but because of the lack of standardization in format and fields it is highly time-consuming and expensive to convert these files into information that can be digested and analyzed by computers. The loan-level detail contained in these files is further complicated by unique identifiers that can't be traced back through the waterfall of tranches or to the original FWP. As a result, picking up trends in defaults, shortfalls in interest or positive performance for pools of loans is difficult, if not impossible.

D. **Payment processing is inefficient.** In 2007 the Depository Trust & Clearing Corporation (DTCC), which holds most of these issues on behalf of investors' financial intermediaries (banks and brokers), issued a whitepaper on the re-securitization market explaining that MBS issues have poor performance related to delivering accurate interest rate information on a timely basis.

Many of the deficiencies highlighted above hampered the ability of federal agencies and Congress to respond to the unfolding crisis in the mortgage backed securities market. Even now, issues such as the pricing of securities for purchase by TARP, the ability to understand which entity owns particular mortgages and the ability to refinance mortgages of at-risk borrowers are hindered by the information disconnects that are endemic to the system.

Every mortgage-backed security should be required to report a common set of data elements, using a common data format and submitted to a common centralized reporting system on a timely basis.

The reporting standard should explain the loans, the cash flow, and the status of the collateral every month. It should help originators communicate with re-securitization issuers, help issuers communicate with rating agencies, and help servicers communicate with investors. The MBS market needs to be updated to at least the reporting standards that exist in other asset classes, such as equities, with its own "EDGAR" system. Modern computer software makes the creation of this kind of reporting solution easy and relatively low cost for market participants.

Apply XBRL Principles to the MBS Market.

An industry body that includes the sell side, the buy side, rating agencies, and financial regulators, must come together to define "what" and "how" information needs to be reported to the market. Addressing "how" information is to be reported requires the market to agree on important constructs like the identity of a loan (from cradle to grave), who originated the loan (independent originator, retail bank, etc.), documentation of the borrower (first time home buyer, proof of income, etc.), the status of payments (is a payment late, has one been missed, is the loan in default), the waterfall information which discloses the tiered structure of creditors, who has the right to view certain information, payment processing data and other highly de-standardized but important facts.

Regulators must take leadership in working with the industry to:

1. **Define what information needs to be reported to the public.**

   Representatives from regulatory agencies, the buy-side and sell-side firms, credit rating organizations, issuers, servicers, the mortgage and securitization industries, the accounting profession, and the technology industry should come together quickly to define the data points needed to determine the real value of the underlying loans. That data is necessary for investors and the government to determine a fair price.

   The MBS industry should learn from the experience of the equities market in building the US GAAP dictionary of terms. Industry participants, CFOs, CPAs, CFAs, technologists, and regulators voluntarily convened a standards effort to create a collection of over 10,000 elements, led by XBRL US. The MBS market is far less complex than the equities market, and will require only hundreds of data elements.

2. **Implement reporting quality standards using interactive data (XBRL).**

   XBRL is a proven technology that is already in use for public company reporting, mutual fund prospectuses and bank call reports in the US. Applications are being built for corporate actions data and proxy statements. XBRL applications are interoperable – elements in a corporate actions taxonomy can also be used in the US GAAP taxonomy. XBRL allows the market to access what is essentially a single set of terms for many uses which streamlines the creation, processing, reporting

and analysis of information. The same XBRL-enabled software applications used for US GAAP reporting can be adapted for the analysis of proxy statements, mutual fund prospectuses, even MBS. XBRL builds on the tagging capabilities of XML by providing a uniform mechanism to present business information. There is no other technology standard in use today that can provide these capabilities.
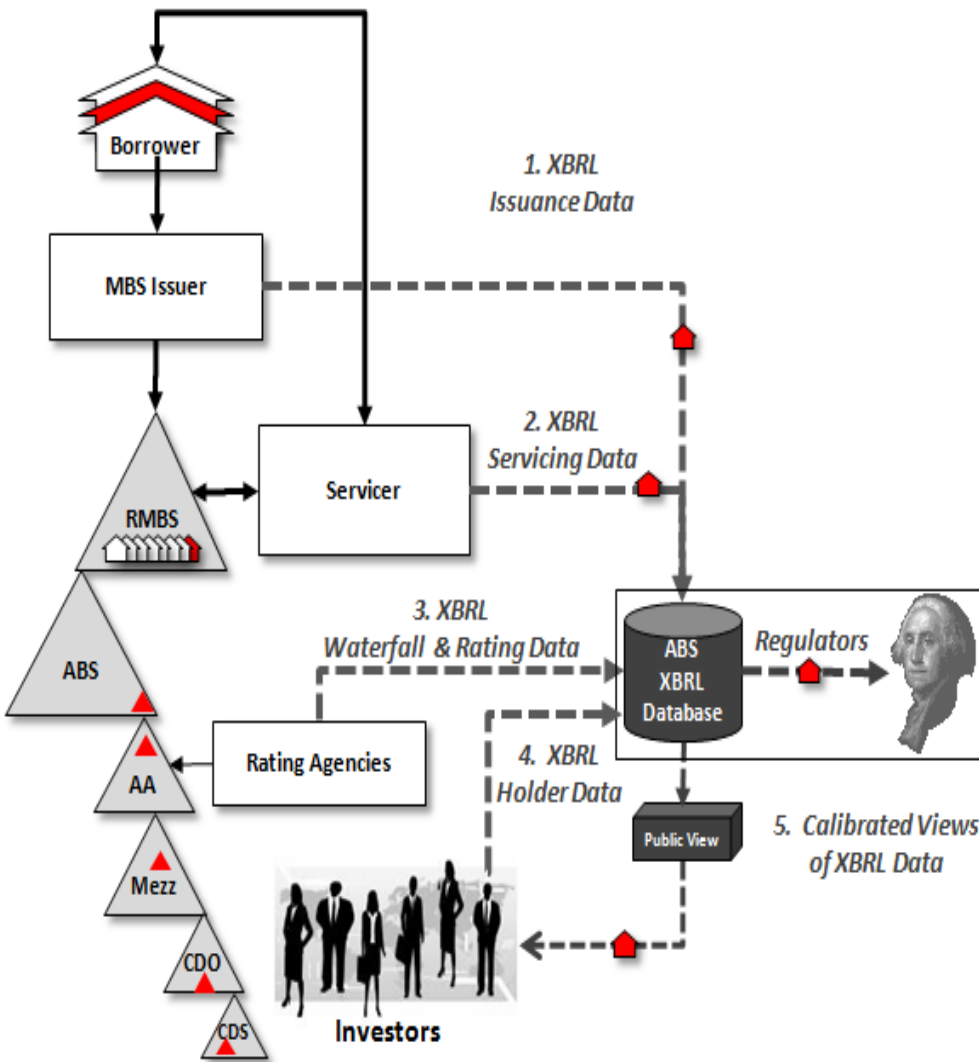
3. **Build a reporting system that makes the information accessible to investors.**

   Regulators should ensure that a repository like the EDGAR system is established for the MBS market. Any re-securitized asset that is publicly traded should be required to submit XBRL data reports to this central repository on a monthly basis. Market participants should have visibility to the entire supply chain with the data submitted. Investors should have transparency into the monthly health of assets they have invested in or are considering investing in through this central repository.

XBRL tagging and centralized reporting should be used throughout the entire MBS supply chain.
How would XBRL reporting practically work? When an MBS is issued, the issuer should be required to file a computer-readable XBRL data file with the repository that contains loan level data tagged in the XBRL format. Based on the work that has been done to date, we estimate that this will involve a few hundred data elements, and will include information on each individual loan, the collateral, and the supporting documentation and detail on the borrower such as: proof of income, salary and down payment amount, and detail on the originator – essentially a digital FWP document.

This XBRL data should be submitted to the common repository and made accessible to all investors. As a waterfall of mortgage-backed security vehicles is created, the contents and structure of each tranche of an issue should be similarly filed with the repository in this common data file format (XBRL). Throughout the life of the MBS, the servicers should be required to file monthly information that they collect on the status of the loans, the collateral and the borrowers in this common data format (XBRL). The result would be a central public repository of the ongoing status and cash flows of all publicly traded mortgage-backed securities – essentially a digital EDGAR system for the MBS*.* Investors in these issues would be able to access the data in the repository, and, through the use of XBRL, it would be immediately ready for use in automated data modeling and analytic systems. This would also enable investors to much more easily conduct their own financial analytics on the particular issue they own – a major improvement in transparency on MBSs, establishing a much sounder basis for an investor's conclusion that he or she thinks what the MBS asset is worth and is ready to trade it.

1. XBRL Issuance Data

2. XBRL Servicing Data

3. XBRL Waterfall & Rating Data

4. XBRL Holder Data

5. Calibrated Views of XBRL Data

1. MBS Issuers should provide loan level details in XBRL format before an MBS issue is priced. (Approx. 150 data elements)

2. MBS Servicers should provide Form 10-D, and loan-level detail of ongoing status/servicing information, including entitlement information (used by DTCC) in XBRL format on the MBS loans they service. (Approx. 500 data elements)

3. Ratings Agencies should provide XBRL data that describes the rating structure. This will allow investors and regulators to track the individual loans through the tranche process. (Approx. 100 data elements)

4. MBS Ownership information should be reported – similar to required reports on stockholder equity in the US equity market. (Approx. 100 data elements)

5. Public vs. Private Information - XBRL is a data language that allows issuers and services to file a single report but provides regulators and investors with their own unique views - maintaining the sanctity of private vs. public information for each issue.

All MBS that the TARP considers purchasing should be valued using this standardized data model and using XBRL as the technology format to serve up the data for analysis and ongoing monitoring. The Treasury will need to work with the issuers, rating agencies and servicers to identify all loans in all MBSs. It will need to provide some incentive to the servicers and other industry players to obtain the data on the underlying loans and borrowers – this information is critical to truly understanding the value of the securities. Define unique IDs. Retrieve any historical information from the original FWPS. Determine the current status of these loans from the servicers. Then, re-issue these MBS in re-tranched form – with a package of XBRL data for each tranche (CUSIP) – essentially kick starting the entire information ecosystem for this market with a new, more transparent type of MBS.

Establishing the data and technology standards to value existing assets will put in place the system to truly jumpstart the entire market and revive what is now a stagnant business.

Prototype for Residential Mortgage Backed Securities (RMBS)

To demonstrate the application of XBRL to the MBS market, XBRL US has developed a prototype collection of data tags (called a taxonomy) for residential mortgage backed securities, based on elements within the FWP. These data tags could provide more accurate, more transparent and more useable information on the underlying loans in a pool of securities. Better information can provide the tools needed by investors to properly evaluate the risk and return potential of their investments. The prototype taxonomy consists of approximately 350 elements, covering securities issuance, surveillance and bond remittance.

Securities issuance data describes the underlying loan and borrower information, including loan to value, mortgage insurance, loan terms, types and amortization, mortgage lien information and prepayment, among other elements.

Issuance Data Elements in the RMBS Taxonomy Prototype
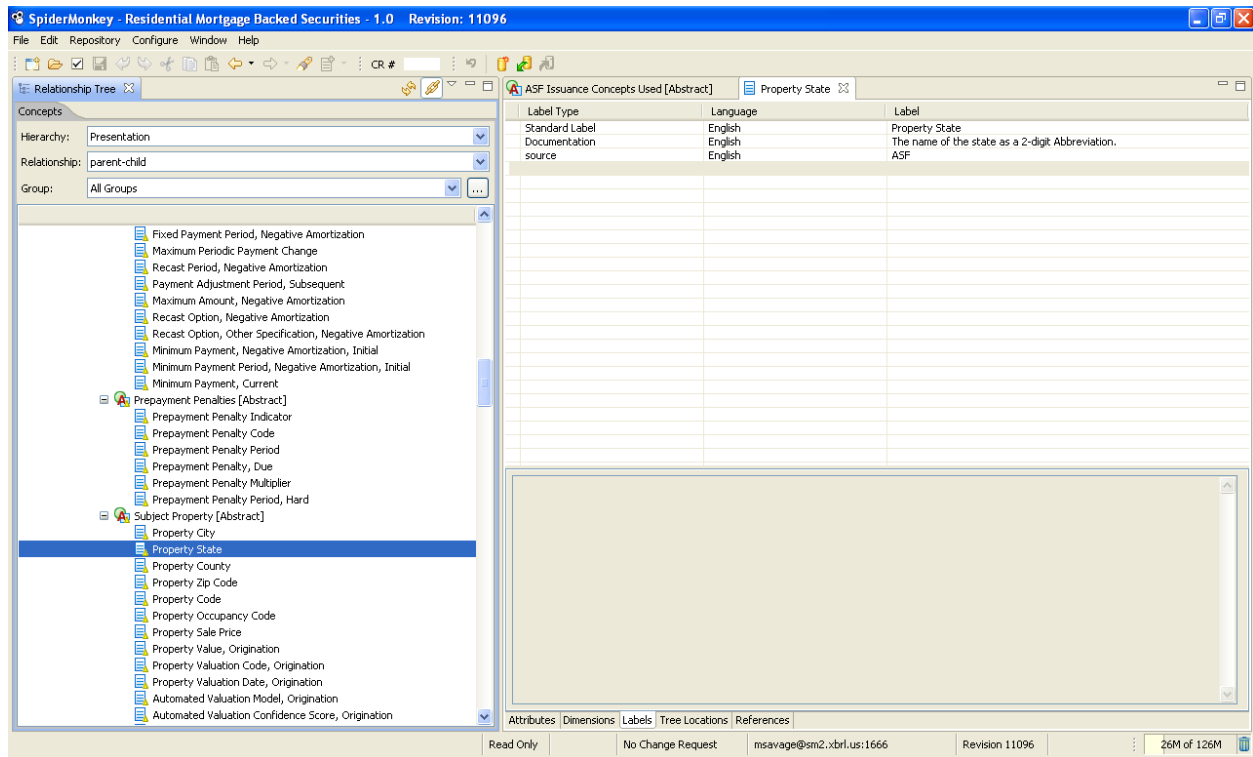
Surveillance data includes information about events happening over time such as changes in loan balance, current payment amount and status. These elements are used to monitor the securities.

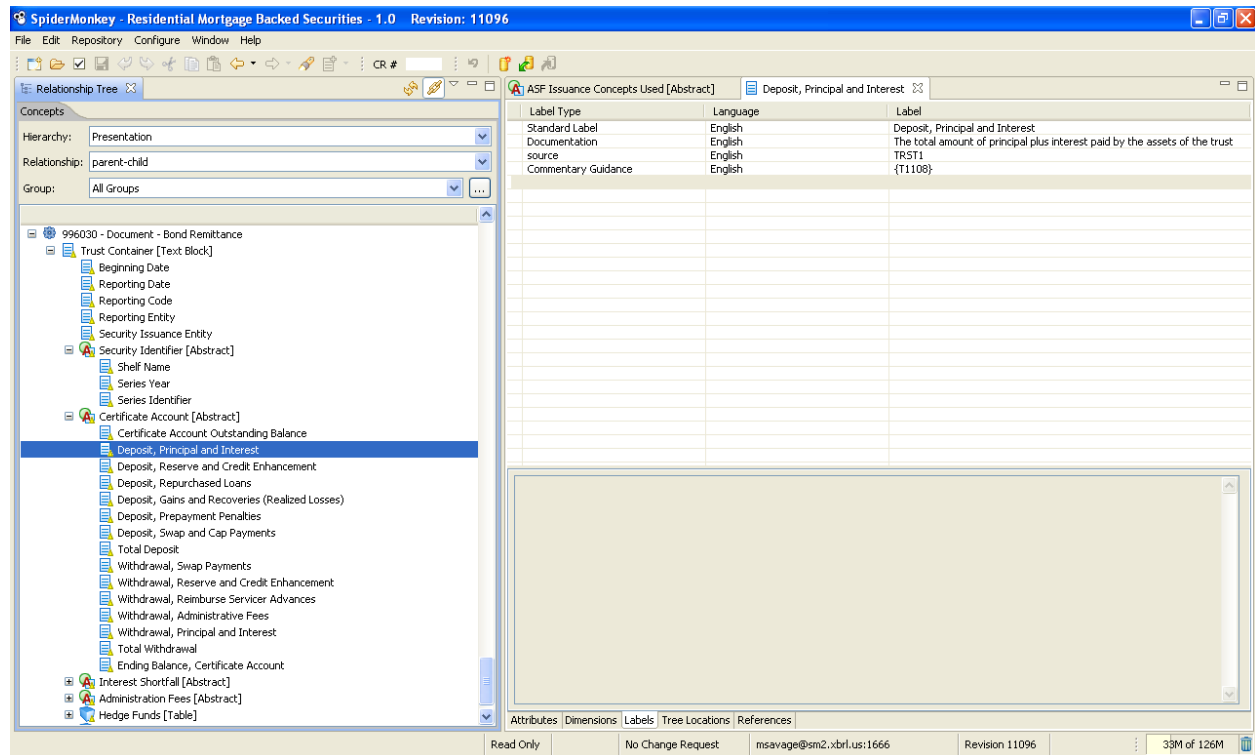*Surveillance Data Elements in the RMBS Taxonomy Prototype*

Bond remittance data is information that goes to the investor for settlement and clearance, e.g., security identification, reporting data.

Bond Remittance Data Elements in the RMBS Taxonomy Prototype

The elements included in the RMBS taxonomy could be used to create reliable data on the underlying pool of loans in a RMBS that can be easily extracted and analyzed by investors. That data would provide some of the elements needed to properly evaluate the investment.

Data formatted in XBRL can be extracted and manipulated using software tools already available. The market for creation and analytical tools has been growing for years because of the increasing momentum behind XBRL applications, e.g., public company reporting, mutual fund reporting, etc. The same tools used for those needs can be used for RMBS data in XBRL format, making data that previously had been difficult if not impossible to extract and analyze, dramatically simpler to report.

XBRL and Mortgage Backed Securities
The mortgage-backed securities industry is in its worst downturn ever. This crisis has proven that lack of transparency ultimately destroys a market.

At the same time, it is important to understand that market forces do work when there is good information, and in retrospect that good Information in the hands of investors and regulators could have helped the market avoid the current crisis. Since 1934, it has been recognized that consistent centralized financial reporting is critical to the functioning of public markets. There are many data issues

in the MBS market, from a lack of information to downright fraudulent information. The simple step to require consistent periodic reporting in XBRL will be a giant leap forward for the industry and the investors. The initial set of data elements will not be perfect or complete and the MBS industry will need to refine the information that needs to be reported across the supply chain over time. However, if the industry is not committed to providing consistency in reporting, then risk will continue to be obscured, analysis by investors made unachievable, and fear will continue to dominate this market.

Conclusion

XBRL brings 21st century technology to solve transparency problems that investors have faced for decades. We need high-quality information that is consistently validated and comparably presented, and that is computer-readable to level the playing field for today's savvy investors.

In a market that is frozen by lack of transparency, the MBS industry and the federal regulators overseeing the TARP fund would be well advised to leverage XBRL. It is the digital sunshine that can help to thaw the fears of investors and reveal the great cash flows that exist inside these assets. It can cast a very bright light on what is wrong and, more importantly, what is right with the re-securitization market.

Combining a recognized technology standard like XBRL with an equally strong data standard, e.g., US GAAP or even a newly established data standard for asset-backed securities, can restore investor confidence and provide a viable solution for government valuation of securities.

XBRL US stands ready to help build the appropriate dictionaries of reporting terms and bring together key industry players to make this initiative work.

Appendix

About XBRL US

XBRL US is the non-profit consortium for XML business reporting standards in the United States and is a jurisdiction of XBRL International. It represents the business information supply chain, including accounting firms, software companies, financial databases, financial printers and government agencies. Its mission is to support the implementation of XML business reporting standards through the development of taxonomies relevant for use by US public and private sectors, working with a goal of interoperability between sectors, and by promoting adoption of these taxonomies through the collaboration of all business reporting supply chain participants. XBRL US has developed taxonomies to support U.S. GAAP and common reporting practices under a contract with the Securities and Exchange Commission.

XBRL US, the national consortium for XML business reporting standards, and US jurisdiction of XBRL International, was formally established as a non-profit 501c6 in December 2006. Today, XBRL US has a staff of eight. XBRL US focuses on building out the dictionary of terms for US-specific reporting applications, including US GAAP for public companies (completed under a contract with the SEC), mutual fund prospectus Risk Return Summary and credit rating agency database for ratings information, corporate actions, proxy, and mortgage-backed securities.

For more information, visit http://xbrl.us

XBRL US Management Team

Mark Bolgiano, President and CEO
Mark Bolgiano joined XBRL US as its first President and CEO in December of 2006. Previously, he led the technology and online communications operations of the Council on Foundations as Vice President and Chief Information Officer. Mr. Bolgiano has provided strategic, operational, and program leadership for membership organizations over a twenty-year career distinguished by success in defining and achieving goals using a collaborative, data-driven and member-focused approach. That career, based on undergraduate and graduate studies in statistics and analysis, and ten years at The Washington Board of Trade, has focused on practical application of transformational technologies as an executive, writer, and public speaker.

Campbell Pryde, Chief Standards Officer
Campbell Pryde leads the development and maintenance of taxonomies for XML-based business reporting applications in the US. This position plays an integral part of the executive team of XBRL US in determining the strategy for taxonomy development and maintenance. Campbell joins XBRL US from Morgan Stanley, where as Executive Director in the Institutional Securities Group, he managed the equity research XBRL-based valuation framework. He has been involved with XBRL since 2001, and most

recently served as Chairman of the XBRL US Domain Steering Committee which is responsible for setting the strategic direction for development of the XBRL US GAAP taxonomies. Prior to joining Morgan Stanley, Mr. Pryde was a Partner in the Risk and Advisory Practice of KPMG LLP. He is a member of the New Zealand Institute of Chartered Accountants.

David Tauriello, Vice President, Member Services
David Tauriello directs community-building and knowledge-sharing efforts for the organization through online infrastructure and face-to-face events. Prior to joining XBRL US from the Council on Foundations, he led online services delivery and communications functions for the nation's philanthropy community. Mr. Tauriello's non-profit and association online production and management experiences also include positions with the American Speech-Language-Hearing Association and Maryland Public Television. In each of these settings, Mr. Tauriello was focused on creating and using Internet technologies to improve member service. Among his professional accomplishments, Mr. Tauriello was part of a team winning a Webby Award (considered the "Oscar" of the Internet) in 2005. Mr. Tauriello was recognized as a Fulbright Teacher Scholar Award recipient in 1999, by the Japan - U. S. Education Commission.

Michelle Savage, Vice President, Communication
Michelle Savage manages education, marketing, communication and outreach efforts. Ms. Savage joins XBRL from PR Newswire where she focused on developing services to help companies communicate their key messages and information to shareholders and potential investors. During her tenure at PR Newswire, Ms. Savage oversaw the introduction and sales of new services to corporate and agency investor relations executives. Previously, she held positions as an equity analyst at Shearson Lehman Hutton and a marketing executive at Pepsi Cola. Ms. Savage is on the Board of the NY chapter of the National Investor Relations Institute.

XBRL US Board of Directors

- Alfred R. Berkeley, Chairman and CEO, Pipeline Trading Systems (**CHAIR)**
- Barry Melancon, President and CEO, AICPA **(VICE CHAIR)**
- Charles Callan, Senior Vice President of Broadridge Financial Solutions
- Donald Donahue, Chairman and CEO, The Depository Trust and Clearing Corporation
- Randy Fletchall, Vice Chair, AABS Professional Practice & Risk Management, Ernst & Young LLP
- Taylor Hawes, GM and CFO, Intellectual Property and Licensing, Microsoft Corporation
- Mohamoud Jibrell, Chief Technology Officer, The Ford Foundation
- Sunir Kapoor, President and CEO, UBmatrix
- Ray Lewis, Partner, Deloitte
- Philip Moyer, President and CEO, Edgar Online
- Sam Ranzilla, Partner-in-Charge, Professional Practice, KPMG
- Michael Schlanger, Vice President, Business Development and Strategy, Merrill Corporation
- David Sharpe, Partner, National Professional Services Group, PricewaterhouseCoopers
- Mike Starr, Chief Operating Officer, Grant Thornton International

About XBRL International

XBRL International is a non-profit consortium of approximately 550 organizations worldwide working together to build the XBRL language and promote and support its adoption. XBRL International is responsible for the technical XBRL specification and each country-specific jurisdiction works to facilitate the development and adoption of local XBRL taxonomies, or dictionaries, consistent with accounting, regulatory, and market standards and practices.

About XBRL

The XBRL concept was funded and incubated by the AICPA (American Association of Certified Public Accountants) and eventually spun off into a global nonprofit organization called XBRL International, which today is comprised of 27 country-specific jurisdictions. The international consortium is tasked with establishing the specification for the XBRL standard and each country jurisdiction is responsible for developing the reporting applications in XBRL format for their own business information needs.

Milestones for XBRL US and Regulatory Activity

March 2005	SEC launched XBRL Voluntary Filing Program
October 2005	FFIEC launched global repository for bank call reports
September 2006	XBRL US spins off from AICPA to become separate non-profit 501C6
December 2006	XBRL US hires President and CEO
March 2007	XBRL US finalizes contract with SEC for creation of US GAAP dictionary of terms (taxonomy)
September 2007	XBRL US completes first draft US GAAP Taxonomies, Preparers Guide and Technical Documentation
October 2007	SEC establishes Office of Interactive Disclosure
December 2007	XBRL US initiates Public Review of US GAAP Taxonomies
January 2008	XBRL US seats 12 new Board Members for 2008, chaired by Alfred R. Berkeley, CEO and Chairman, Pipeline Trading LLC, former head of NASDAQ Stock Market
April 2008	XBRL US delivers final US GAAP Taxonomies to SEC
May 2008	SEC releases draft rule proposal for public company filing in XBRL
June 2008	SEC releases draft rule proposal on XBRL for mutual fund risk/return summaries, credit rating agencies and oil and gas disclosures
September 2008	XBRL US issues Request for Proposal to develop Consistency Check System
December 2008	SEC approves rules mandating XBRL for public company reporting, credit rating agencies, oil and gas disclosures and risk return summary portion of mutual fund prospectus
February 2009	XBRL US completes 2009 Release of US GAAP Taxonomies, awaits SEC approval

Articleѕ of Interest

Wall Street Journal, February 17, 2009

Let's Use Technology to Help Value Toxic Assets

Perhaps the market would have preferred Treasury Secretary Timothy Geithner's plan announced Feb. 10 if it incorporated insight from Gordon Crovitz's "Time to Reinvent the Web (and Save Wall Street)" (Information Age, Feb. 9). Mr. Crovitz presciently reports how a combination of structured data and Internet technology could advance Mr. Geithner's goal to "mobilize and leverage private capital." Mr. Crovitz describes the application of "semantic Web" technology to streamline access to information about bad debts.

A semantic industry standard computer language to make investments transparent and Internet friendly already exists. Last year, the U.S. Securities and Exchange Commission mandated its use for disclosure about public company financials, mutual fund risk and return, and credit ratings. A crowd-sourced project by the non-profit extensible business reporting language software (XBRL) U.S. consortium produced more than 10,000 data tags for U.S. Generally Accepted Accounting Principles at the cost of a TARP rounding error. Software already exists to detect and explain nonstandard reporting. Finalizing data tags for the relative handful of facts required to price mortgage backed securities, other asset backed securities, and their derivatives -- at least standard derivatives -- would be easy compared to the work required to create tags for the vast universe of GAAP.

If the troubled assets are as poor as feared, those who hold them might fear the effect of industry computer standards making them transparent. It wouldn't be the first time standards hurt some incumbents. For the economy as a whole, however, prices based on accurate information and subject to competition are far superior to today's "values."

Digitizing mortgage-backed securities information should be vastly easier than it was to digitize financial disclosure for thousands of public companies with diverse business models. A few service providers handle the great majority of mortgages. Other debt issuance and maintenance is similarly concentrated. Making small-cap, asset-backed securities more comparable, transparent, marketable and potentially combinable into larger, more liquid securities would be a particular bargain if it meant fewer subsidies billed to taxpayers.

The market wants to know the specifics of Mr. Geithner's plan. XBRL could be one of them, giving the market specific data to help choose investments and discover prices.

Paul Wilkinson