

MEMO# 7641

February 16, 1996

DRAFT STRIPPED MORTGAGE BACKED SECURITIES WHITE PAPER

February 16, 1996 TO: ACCOUNTING/TREASURERS COMMITTEE No. 9-96 INDEPENDENT
ACCOUNTANTS ADV. GROUP No. 3-96 RE: DRAFT STRIPPED MORTGAGE BACKED
SECURITIES WHITE PAPER

Enclosed is a draft copy of the Stripped Mortgage-Backed Securities white paper prepared by the Institutes Accounting Policy Subcommittee. The paper describes accounting and financial statement reporting for stripped mortgage-backed securities, which are more commonly referred to as interest only ("IO") and principal only ("PO") securities. The paper also describes the operational, pricing, tax and SEC yield treatment of IO and PO securities. Please review the draft paper and be prepared to provide the Accounting Policy Subcommittee with any comments you may have at the upcoming March 7 meeting of the Accounting/Treasurers Committee. If no substantive comments are received, you may be asked to vote to approve this document for distribution to the industry as recommended guidance. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting
Enclosure

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