

**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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