

ALL-INCLUSIVE MORTGAGE BACKED INCOME REPORTING

The tax information reporting requirements for financial services firms have grown enormously in the last decade. Firms must now report to investors in ways that are computationally complex and incorporate information from outside their standard transaction history. This is further complicated by ever more onerous regulatory hurdles, new and sophisticated investment products, and a desire to add more customer-friendly features to the documents ultimately presented to the investors.

Reporting requirements for Widely Held Fixed Investment Trusts (WHFITs) and Real Estate Mortgage Investment Conduits (REMICs) are perhaps the most striking example. Nominees must supply investors with intricate statements that coordinate an investor's history of income earned with additional data that is sometimes accrual-based, incorporates investment expenses, and provides the basis for computation of market discount and acquisition premium.

To help firms ensure that they are compliant, SunGard's Wall Street Concepts tax reporting business has introduced the All-inclusive Mortgage Backed Income Reporting service (AMBIR), a transaction-based service that offers compliance with the reporting regulations governing WHFITs, REMICs and other collateralized debt obligations (CDOs).

This new offering identifies the appropriate securities and collects the required information from the issuers and trustees. Using transaction histories provided by the subscribing firm, SunGard computes the appropriate reportable income for each tax lot. Files are returned either as data for integration into the subscriber's 1099 reporting process or as complete "additional written statements" in PDF format, ready to deliver to the beneficial owner.

KEY FEATURES OF AMBIR:

- Identifies relevant securities monthly
- Complies with regulations governing WHFITs and REMICs
- Coordinates non-qualified stated interest payments (NQSI)
- Collects issuers' data on a quarterly basis for REMICs and on an annual basis for WHFITs
- Collects subscriber's transactions on a monthly basis
- Computes reportable income and secondary market adjustments such as premium and discount on an annual basis

Customers can run a variety of reports, including:

Processing statistics:

Volume, security type, total dollars reportable

Data availability:

Holder counts by issue

Combination class:

Security master requirements, new transactions

AMBIR consists of two modules:

Structured MBS

Based upon the former REMICs service, the Structured MBS module covers REMICs and incorporates WHFIT reporting for multi-class securities such as stripped MBS and combination classes. Going forward, it will also cover the small number of mortgage pools that were issued with Original Issue Discount (OID). The module will continue to compute accrual-based income and adjustments using transaction activity that affects positions (buy, sell, receive and deliver).

The Structured MBS Module covers WHFITs, MBS Pools with OID, Combination Classes, Multiclass Grantor Trusts, Stripped MBS, REMICs, Collateralized Mortgage Obligations and Taxable Mortgage Pools (not Grantor Trusts).

MBS Pass Through

In accordance with § 1.671-5, the Pass Through MBS module presents to the trust interest holder all items of income and expense, along with the market discount fraction, by applying issuer-supplied tax factors to the periodic payments of income and accrued interest bought and sold described by the customer's transaction data.

By using payments instead of trades, SunGard can ensure that all the adjustments do not introduce any change to the net payments that have been booked.

The required information regarding pass through securities is collected from Fannie Mae, Freddie Mac and Ginnie Mae. SunGard is in continuous contact with these data suppliers and is working to validate data that they have already supplied.

The MBS Pass Through Module covers MBS Pools issued without OID.

Service levels

Customers can choose from three levels of service to accommodate varying approaches to a firm's integration of the data into the overall 1099 process. Each level entitles the customer to a data file of the reportable amounts.

Data files

Data files are returned giving summary and detail of all data items.

Supplemental schedule print image

This service provides a print image showing the summary and detail for each holding. This is to be used as an additional schedule for client reporting and is integrated into an existing 1099 (or revision) process. A data file is also provided for completing reporting to the IRS.

Full statement and IRS filing

This option is for firms that are planning to treat WHFIT and REMIC reporting as a separate statement. It returns a complete print image of the statement to be delivered to the trust interest holder. Also, a 1099 filing is made with the IRS on behalf of the subscriber.

Interfaces

Several features for managing the process are available via the SunGard Website. Users may review both the submitted transactions and the resulting income to be reported and, where multiple transactions for the same security have been incorrectly booked, the Bulk Adjustment tool allows for them to be corrected (including allocation into different payment types) all at once. A statement view is available for those who subscribe to service levels in which a document is produced.

KEY BENEFITS OF AMBIR:

- Helps firms achieve regulatory compliance
- Offers comprehensive reporting to investors
- Features a range of service levels
- Provides easy access to information through the Web interface
- Leverages SunGard's experience, expertise and relationships with industry participants
- Allows firms to concentrate on managing client relationships

Widely used by brokerage firms, banks, trust companies, mutual funds and insurance companies, SunGard's Wall Street Concepts business is an authority on U.S. tax reporting issues.

NEED MORE INFORMATION?

Please contact your sales representative at + 1-800-825-2518 or visit us at <http://www.sungard.com/wallstreetconcepts>.