

US

Morrison & Foerster LLP

US Covered bonds: A bigger idea

Covered bond legislation in the US appears to be working its way through the legislative process. The House Financial Services Committee has passed a covered bonds bill and discussion has once again been taken up in the Senate. Although the private sector has successfully kept this dialogue active and focused, a large segment of our financial services industry has not yet focused on the role that covered bonds may eventually play in financing residential mortgage loan origination by regional and community banks. A robust covered bond market in the US will assuredly be led by our largest financial institutions. But once this development is underway, the market should expand to include smaller issuers that could execute covered bond offerings in the public and private markets. Developments in the European covered bond market and our own history of on-balance sheet mortgage-backed bond financings confirms this prospect. Up to this point, regional banks and regional banking associations have not been active participants in the discussion of US covered bonds legislation. As covered bonds may well end up as one of the more important components of their suite of funding alternatives, now is the time to take a seat at the legislative table.

Contacts:

1290 Avenue of the Americas
New York, NY 10104-0050
United States

Tel: +1 212 468 8000
Fax: +1 212 468 7900
Web: www.mofo.com