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[REDACTED]

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June 26, 1998

Via Facsimile

Richard B. Smith, Esq.

600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: Ordinary Course of Business Exemption

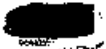
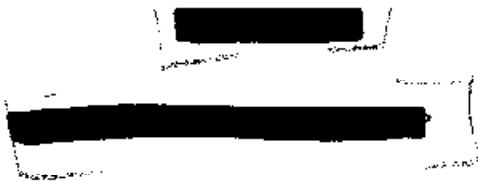
Dear Dick:

A client proposes to enter into the transaction described below, which I believe may be exempt from premerger notification requirements as a transaction in the ordinary course of business. After you have had an opportunity to review the description of the transaction and my comments, I would like to speak with you to confirm that the Staff agrees that the transaction is exempt.

The transaction involves the sale of rights to service residential first

[REDACTED]

Seller has made the decision that it no longer wants to service first mortgages on residential properties. In this transaction, Seller will transfer to Buyer all residential first mortgage servicing rights that Seller services



Richard B. Smith, Esq.
June 26, 1998
Page 2

on the effective date of the agreement. However, Seller will continue to

each type other than residential first mortgage loans.

Seller's decision to cease servicing residential first mortgages preceded a merger last summer with another financial institution. As part of that merger, the Seller acquired merged entity's commercial and residential mortgage servicing operations at a particular non-retail office location. Based upon its prior decision, Seller made arrangements to divest the residential first mortgage portfolio and consolidate its commercial mortgage servicing operations to a separate location. Seller also decided to sell the non-retail office location it had acquired through the merger, dispose of the real estate, and redeploy useable assets such as desks and computers.

Although Seller's mortgage servicing operations occur at multiple

into separate units based on the type of rights being serviced. The staff handling the rights being sold also handle other types of rights—commercial first mortgage servicing rights—which are not the subject of this transaction.

It is my understanding that the sale of mortgage servicing rights among financial institutions is generally considered to be a transaction eligible for treatment under the question seems to be whether (i) Seller's intention that it will no longer service residential first mortgage loans or (ii) the related abandonment of a non-retail office transaction. As to the first point, it is my understanding that the staff has previously

Richard B. Smith, Esq.
June 26, 1998
Page 3

taken the position that simply ceasing to service certain types of mortgage loans will not, by itself, make a transaction ineligible for the ordinary course exemption where the institution will continue to service other types of mortgage loans. In the language of Rule 802.1, the seller in such circumstances is not viewed as discontinuing a "business

course of business exemption.

For a combination of reasons, the fact that Seller will also cease operating at this

decided to continue its commercial first mortgage servicing functions there. Doing so would not have been efficient, however. Therefore, those operations will be transferred to another location. In the language of the Statement of Basis and Purpose, because the decisions about the location and the sale were made independently of one another, the location cannot be said to be closing "as a result of the sale." (Nor can the sale be said to

Based on this, I am hopeful that the Staff will agree that the transaction would be

like to call with any questions or comments, please feel free to do so.

Thank you very much for your attention.

Very truly yours,

[Redacted signature]

6/29 letter confirms that, in fact, no time on 6/29/98, Seller still holds the first mortgage servicing rights, especially being viewed by its agent as a contractual arrangement. He also confirmed that the abandonment of the former retail office location will not result in Seller's exiting from a specific geographic area in the servicing of other types of mortgages. I also noted that the lead is not viewed by the RMBS office as selling the operating unit. RBS Smith