

**Meeting Between Federal Reserve Bank of New York Staff (FRBNY)
and Representatives of Redwood
May 11, 2011**

Participants: Adam Ashcraft, Rita Csejtey, Akash Kanojia, Diane Maurice, and Josh Wright (FRBNY)

Marty Hugles and Fred Matera (Redwood)

Summary: FRBNY staff met with representatives of Redwood to discuss the Federal Reserve Board's proposed rule relating to risk retention under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Representatives of Redwood recommended replacing "par value of ABS interests" with "fair value of ABS interests" in the final rule. Redwood's representatives recommended treating structures that use principal only as credit support differently from those that use both principal and interest as credit support, effectively removing premium capture on senior/sub structures. Finally, Redwood's representatives recommended permitting subordinate classes of senior/sub structures to be receiving portions of prepayments only after a lock-out period and only if quality tests are met, and limiting subordinate classes to receiving no more than their pro-rata share of principal and interest.