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A core mission of this journal is to make complex financial topics clear and understandable. Two of the more complex topics in structured finance today are Islamic securitization and Basel II. Regardless of how much you have already read about these topics, you will benefit from another review of the fundamentals in articles by our frequent contributors Andreas Jobst and Anthony Nolan. Certainly net interest margin securities, known as NIMs, would also fit the definition of complex. These are higher-risk, higher-spread securities, most often associated with residential mortgage-backed securities, that require specialized knowledge by the investor. To make these securities understandable, we have a section of five articles by nine NIMble authors: Keith Krasney from the legal and structural point of view; Michael Wilberton and David Wells from the trader's perspective; Mark Zelmanovich, Quincy Tang, Sharon McGarvey, and Bernard Maas with a rating agency outlook; and You (Tracy) Chen with a fair value analysis. Mr. Wells comments that NIMs have evolved over the years to allow issuers of ABS, who retain residuals, to monetize a significant portion of those residuals. That has allowed many issuers to be cash-flow positive and required less capital and a lower cost of funds to finance the retained assets. NIMs are offered as 144a securities to qualified institutional buyers (QIBs) and require a lot of analysis, as residuals are in a first-loss position. Ratings for NIMs now range from AAA to BB. As that range has broadened, the investor base and the liquidity in the market for NIMs have expanded accordingly.

Then, more than five years after the Enron debacle, we have a summary of the final guidance on complex structured financial transactions from the bank and securities regulatory agencies, having published a critique of the federal regulatory agencies' earlier proposed statement on such transactions in our September 2004 issue. Things do take time! Stephen Ornstein, Matthew Yoon, David Tallman, and John Holahan explain the "self corrective" and "bona fide error" cure provisions in the Federal Truth-in-Lending Act as part of their continuing series to help those who underwrite, trade, and invest in securitized debt instruments understand the predatory lending and related legislation that applies to the underlying collateral securities. And finally, stalwart contributors Henry Fok and Terry Benzschawel show us the benefit of diversifying investments in CDO equity as part of their ongoing simulation and analysis, frequently shared with this journal, of how various types of CDOs, CDO tranches, CDO portfolios, and underlying collateral perform over time under various conditions. We'll be back in the summer with our second special section on life settlements as well as a variety of other articles.

HENRY A. DAVIS
Editor