



CAPITAL

Corporate Office:
25 St. James's Street
London, SW1A 1HA
United Kingdom

Via email: rule-comments@sec.gov

August 7, 2015

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Outstanding Proposed Rules under Regulation AB II (File No. S7-08-10)

Dear Mr. Fields:

In 2011, the Securities and Exchange Commission (the "Commission" or "SEC") issued an ABS Re-Proposing Release requesting additional comment regarding the data disclosure requirements of Section 942(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank") as they relate to equipment ABS. In particular, the Commission requested information about the impact of asset-level and group-level disclosure for equipment loan, equipment lease and equipment dealer floorplan ABS and solicited suggestions for implementing Dodd-Frank Section 942(b) in a way that addresses issuers' privacy and competitive concerns while providing investors with data sufficient to perform due diligence.

On August 27, 2014, the SEC adopted final rules under Regulation AB for certain asset types, but deferred taking action on equipment ABS. The SEC has encouraged market participants to provide supplemental comment on equipment ABS proposed rulemaking. Over the past five years, CNH Industrial N.V. ("CNHI") has been actively involved in commenting on the equipment ABS disclosure proposal through equipment issuer groups, ABS industry groups and direct responses from CNHI. Our analysis of the proposal has been extensive, including many discussions with investors and industry groups. On June 22, 2015, members of CNHI and the National Association of Manufacturers met with the SEC to discuss our comments and concerns on the subject of loan-level and group-level disclosure. This letter summarizes our position and provides additional information regarding questions raised by the SEC.

CNH Industrial Capital LLC
5729 Washington Avenue, Racine, WI,
USA
Ph. +011 262 636 6105;
Fax +011 262 636-6284



CNHI is a global capital goods manufacturing company with a history of predecessor companies going back to 1842. We are a leader in providing agricultural and construction equipment and commercial vehicles in approximately 190 countries and globally have nearly 70,000 employees. Our global 2014 sales were \$31.2 billion. CNHI, through our captive finance unit, CNH Industrial Capital LLC ("CNHI Cap"), provides important financing to our agricultural and construction equipment end-use customers and independent dealers in North America. At the end of 2014, CNHI Cap had a portfolio of approximately \$14.3 billion. To finance a significant portion of this lending, we and our predecessor companies have been active issuers in the public ABS market since 1992 and have issued nearly \$38 billion in U.S. retail ABS since the beginning of 2000. Last year, CNHI Cap represented approximately 17% of the public U.S. retail equipment ABS market.

Because the majority of CNHI Cap's retail borrowers are farmers, we will focus our discussion on the agricultural sector throughout this letter. However, it is important to note that similar issues exist for the construction sector as well.

The number of U.S. farmers is very limited and has been declining for many years through consolidations and urban development of farm land. The USDA reported that in 2013 the number of U.S. farms in operation was roughly 2.1 million (850,000, excluding part-time hobby farms). Almost all farms in the U.S. are considered "family" farms, which are defined as farms where the majority of the business is owned by the operator and/or relatives of the operator. According to the United States Department of Agriculture, the vast majority of farms (94%) are Small to Midsize Family Farms

Type of US Farms ¹	Percent based on Number of Farms	Percent based on Value of production	Percent based on Farm Assets
Small Family Farms	83.5%	12.4%	48.7%
Midsize Family Farms	10.5%	29.5%	24.2%
Large-Scale Family Farms	3.5%	45.7%	21.2%
Non-Family Farms	2.4%	12.4%	6.0%

¹Small family farms have gross cash farm income (GCFI) <\$350,000. Midsize family farms have GCFI of \$350,000-\$999,999. Large-scales family farms have GCFI of \$1,000,000 or more. Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2013 Agricultural Resource Management Survey.

Our agricultural equipment sales in the U.S. are focused on these 2.1 million farms. As such, we rely very heavily on repeat business from our customers and thus, have developed close, long-term relationships with them and high brand loyalty. Because farm ownership generally stays within the same family for generations, damage to the manufacturer/farmer relationship will have lasting repercussions.

The dynamics of the agricultural market are very different from other ABS asset types. For example, in 2014, there were approximately 17 million new autos/light trucks sold in the U.S. compared to the industry-wide North America sales of 253,155 new tractors and combines (less than 1.5% of the number of autos), of which sales by CNHI were only a portion. In addition to the overall relatively small amount of annual sales, the timing of agricultural equipment sales during the year is highly seasonal, resulting in certain months with very low sales volumes. Another major difference is the per unit purchase price. Tractors and combines range from \$15,000 up to \$600,000 or more. Geographically, the type of equipment sold in a region generally reflects the type of agricultural products from that region. For example, a large combine is a common purchase in states such as Illinois where corn and soy bean production is prevalent, but not in certain other states.

Given these differences, the SEC proposed data disclosure requirements for equipment ABS give rise to several serious issues. These issues include privacy, competitive concerns and increased costs.

Privacy Concerns:

As a result of the relative large dollar size of our loans, limited number of borrowers and geographic mix, we have found that it is possible to identify specific borrowers by comparing individual loan characteristics as proposed by the SEC to publicly filed UCC financing statements. Disclosing the names and addresses of our borrowers would violate the privacy expected by our borrowers. In addition, the disclosure of their proprietary information (such as payment performance, credit score, loan terms, etc.) could damage our long-term relationship and brand loyalty, which is key to the repeat sales strategy necessary in our industry.

In order to quantify the extent of our privacy concerns, we performed a statistical analysis on the uniqueness of our loans, which we discussed at our meeting. While specific details cannot be restated here due to competitive concerns, the results indicate that the uniqueness of our loans (based on month of issuance and loan size, but without including any geographic breakdown) was in the mid-90 percent range. This result compares to the residential mortgage analysis prepared by

the SEC that resulted in a uniqueness of less than two percent given the same criteria. We believe that because of this high level of uniqueness, the public release of loan-level or group-level data would allow investors, analytical data providers, our competitors and third-parties to identify specific obligors.

In the recently submitted SFIG (Structured Finance Industry Group, June 23, 2015) comment letter to the SEC, it was stated that certain investors who have advocated for loan-level disclosure understand our privacy concerns, and have proposed a form of group-level disclosure for any individual data field that would result in specific obligor identification.

"Investors understand and appreciate that privacy laws and similar considerations intended to avoid specific obligor identification may prevent an issuer from disclosing certain fields of loan-level data in certain cases, and investors are not seeking information that may cause an issuer to contravene such laws or that would result in specific obligor identification...if any of these loan-level fields contravene privacy laws or would result in specific obligor identification ("Sensitive Fields"), the investors would support those Sensitive Fields being provided on a monthly group-representation-line basis."

However, given the very high uniqueness of our loans, several of our loan-level fields would be considered sensitive, even under the proposed group-representation-line format. The most sensitive fields include loan amount, any geographic location, origination date, or any other field that could be used to approximate the loan amount (such as purchase price, LTV, equipment value or size ranges) or the origination date (such as term, first or next payment date, maturity date or seasoning).

Without these key fields, analysis of loan-level or grouped-level data would not be considered statistically sufficient by many investors to build a model to evaluate risks (such as prepay, default, gross loss and loss severity risks). For example, no form of geographic breakdown could be provided under the loan- or grouped-level approach without the risk of obligor identification. Thus, we do not believe that disclosure of loan- or grouped-level data, once those fields are removed that cause privacy concerns, would provide any additional benefit over our recommended pool-level data when attempting to compare across issuers.

Unlike the loan-level models utilized to evaluate residential or commercial mortgage ABS, there is no single loan-level model that will fit all equipment types and issuers within the equipment ABS sector. Building individual equipment ABS models for each asset type (over 40 different asset types), for each issuer and for each industry would be too onerous to expect from most investors

and given the size of the equipment ABS sector (around 6-7% of the non-mortgage U.S. ABS market), would be too costly for a third-party provider to develop (or for an investor to purchase if one existed). In addition, no historical loan-level data is currently publically available and would need to be gathered over a long period of time.

According to the SFIG Letter,

"Some loan-level investors... do not believe that the large amounts of data produced would be overwhelming to investors. They note that loan-level data is produced in other sectors of the market, such as RMBS and, more recently, marketplace lending, and that the amount of ongoing loan-level data provided demonstrates that large amounts of ongoing data can be provided by loan originators and accepted by retail and institutional investors."

The asset types noted by these investors (RMBS and marketplace lending) are each homogeneous and each would require only one risk model that could be utilized across all issuers. That is not the case for equipment ABS, as previously explained.

For certain asset types, such as commercial mortgage-backed securities ("CMBS"), loan-level disclosure has become an industry standard through the use of the CRE Finance Council Investor Reporting Package and as required under RegAB. However, the data requirements focus on the cash flows generated from the asset/property and not on the borrower entity. In fact, the identity of the borrower is not a required SEC field. There are also no SEC required CMBS fields on the credit quality of the borrower, their location, etc. The disclosure concerns raised by CMBS issuers were primarily focused on the privacy of the asset/tenants and not the ultimate borrower. This is very different from our concerns about the SEC equipment ABS proposal, which readily allows for identification of the specific borrower.

In the 2011 ABS Re-Proposing Release, the SEC specifically noted the lack of investor comments received in support of pool-level data ("*...we did not receive any comment letters from investors that supported this position.*"). Since 2010, CNH has been speaking with investors about their views on equipment ABS disclosure and what they need to make investment decisions. We provided a comment letter to the SEC in late 2011 with feedback from a group of investors. Over 90% of these investors believed that pool-level disclosure was sufficient to independently perform due diligence for equipment ABS. Direct investor feedback via public comment letters in support of less than full loan-level disclosure is unlikely due to perceived legal and reputational risks. However, based on our ongoing discussions with investors (individually or through industry

groups), we continue to believe that many investors support our view that pool-level disclosure is adequate for them to make a prudent buy or sell decision on equipment ABS.

Based on our privacy issues, we believe that providing additional details in the form of monthly pool-level disclosure would provide investors with the necessary data while addressing issuers' concerns. This would balance the needs of both parties and allow for the continuation of efficient and growing equipment ABS market.

Competitive Concerns:

Once a loan customer has been identified, several valuable insights would then be available for the first time to our industry competitors, such as strategic pricing and targeted marketing tactics, lending strategies or any weaknesses/strengths in geographic areas or sales of certain equipment types.

Competitors could then utilize this commercially valuable information to the detriment of our company and our dealers. For example, currently, only estimated equipment prices are publically available, usually via list prices on manufacturer websites. Disclosure of actual negotiated prices tied to specific borrowers, equipment and location could be utilized by competitors to undercut specific prices. This would present a significant hazard to price competition in the agricultural equipment market, which consists of a limited number of large equipment manufacturers and limited customer choice.

Competitors who do not utilize the ABS market may try to promote the fact that we disclose borrower information, in order to create borrower uneasiness and thus gain a potential sales advantage. As more actual pricing data becomes available through our disclosure, the negotiating position of our dealers and their opportunity for profit may suffer.

Many of our largest and most profitable customers have loans with annual payments. The timing of these payments is a key factor in our marketing strategy for repeat sales. Disclosure of the "next payment date" (or an estimate based on origination date or maturity date) would allow competitors to increase marketing efforts during the critical time just prior to the payment date. Disclosure of interest rates, loan terms or credit scores could be utilized by competitors to determine strengths and weaknesses of our proprietary lending practices and cause us to suffer a competitive disadvantage.

While we realize the need to balance the interest of investors in favor of disclosure against the right of companies to protect sensitive information, we believe that requiring loan- or grouped-level

disclosure for the equipment ABS industry could lead to substantial competitive injury. While the proposed rules were designed to improve investor protections and promote a more efficient asset-backed market, Section 23(a)(2) of the Exchange Act prohibits the Commission from adopting any rule that would impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. We believe that requiring loan- or grouped-level disclosure would not promote efficiency, competition, or capital formation.

Investors have not questioned the quality or value of our ABS underlying assets. Pool level data and historical performance data have allowed investors to independently distinguish our high quality assets from those of other issuers. We believe that any loan- or grouped-level disclosure would not lower our cost of capital or increase the number of participating investors.

Given the differences in the types of assets and industries represented within the equipment ABS sector, we further believe that pool-level data is the only way to normalize these differences and facilitate comparison of data across issuers. Comparison of loan- or grouped-level data would be a less efficient and possibly erroneous method.

Based on these reasons, we believe that loan- or grouped-level disclosure is not necessary or appropriate and would not promote efficiency, competition or capital formation.

Cost Concerns:

Currently, we do not have computer systems in place to report all the data necessary under the proposed SEC loan-level or SFIG group-level disclosures. Thus, the costs to implement such reporting would include extensive IT expenses, both upfront in terms of systems development and data gathering, and ongoing in terms of monitoring and auditing. Most pool-level information is available through our current systems. The costs for ongoing reviews and auditing of output reports will depend of the extent of the reported data, with pool-level requiring the lowest expense and loan-level the highest.

In addition to the one-time set up costs for loan-level reporting, CNHI has identified at least 12 proposed fields (out of the approximate 81 proposed fields for upfront and ongoing reporting for both general items and equipment loan specific) that would necessitate extensive modifications to our existing computer systems in order to capture and track the data in the format required. These extensive modifications would require more than the SEC estimated 10 hours per adjustment and would require more outside software consulting (versus internal) than the SEC estimated 75%. This does not include any costs for first-time or ongoing reporting, XML conversion, filing fees, etc.

Summary:

All equipment ABS issuers have some level of reservation about loan-level disclosure and some have expressed the possibility of not utilizing the ABS market if required to do so. Loan-level investors stated in the recent SFIG letter that they

"...question whether loan-level data requirements would cause a significant reduction in the volume of Equipment Loan/Lease ABS issuance..."

The public equipment ABS market is dominated by a few large issuers and an exit from the market by only one issuer could have a significant impact. An exit from the equipment ABS market of a large issuer could harm investors through less supply of a very beneficial type of investment, less secondary trading and liquidity, and an overall less-resilient equipment ABS market.

The benefits to investors of purchasing equipment ABS are the advantageous diversification away from consumer-related assets and their corresponding risks, the simple securitization structures utilized by equipment ABS issuers and the income-producing nature of the equipment, which supports the high quality of the underlying loans. According to the "Report to the Congress on Risk Retention, October 2010" issued by the Board of Governors of the Federal Reserve System, the equipment sector was one of the best ABS performers, as measured in terms of changes in credit ratings before and after the crisis, and was described as having displayed "strong performance throughout the financial crisis." It is also important to note that the major rating agencies, who have been evaluating equipment loans for over 25 years, do not consider it necessary to utilize a loan-level or grouped-level approach to determine credit risk.

CNHI believes that the best solution for both investors and issuers within the equipment ABS market is disclosure on a pool-level basis. Monthly updating of pool-level statistics would provide substantially more data than currently provided and would allow sufficient data for investors to perform independent due diligence, closely monitor any changes in the characteristics of the underlying assets and make prudent investment decisions.

We appreciate the opportunity to comment on this issue, which is of high importance to CNHI.

Sincerely,

