



Christina Crooks
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August 19, 2015

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
Via email: (rule-comments@sec.gov)
Attention: Ms. Elizabeth M. Murphy, Secretary

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

Dear Ms. Murphy:

The National Association of Manufacturers (NAM)—the largest manufacturing association in the United States, representing small and large manufacturers in every industrial sector and in all 50 states—appreciates the opportunity to provide comments to the Securities and Exchange Commission (SEC) on the proposed and re-proposed rulemaking regarding the loan-level data disclosure requirements of Section 942(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 as they relate to equipment Asset-Backed Securities (“ABS”). The SEC’s proposed data disclosure requirements for equipment ABS raise privacy and competitive concerns and would increase the cost of doing business for manufacturers.

Introduction

Many manufacturers have captive financing arms that utilize the ABS market as a cost-effective source of financing equipment for their dealers and customers, many of which are in the agricultural and construction industries. These equipment manufacturers are concerned that the SEC may soon finalize regulations that could unnecessarily raise the cost of securitization and even prevent them from issuing equipment ABS in the future, negatively impacting both the manufacturers and the industries that rely on the equipment for their businesses.

The SEC first issued proposed rules regulating ABS transactions in 2010, including a proposal to require asset-level disclosures for ABS backed by residential mortgages, commercial mortgages, automobile loans or leases, equipment loans or leases, student loans, floorplan financings, corporate debt; and resecuritizations. After receiving feedback on the proposal and after the Dodd-Frank Act added additional requirements on ABS, the SEC re-proposed ABS rules in 2011. As part of this rulemaking, the SEC requested more information on possible data points for equipment ABS and equipment floorplan ABS, noting privacy and other concerns raised by commentators, and signaling a recognition that loan-level data disclosure poses unique challenges to these types of assets. The SEC in August 2014 adopted final rules for certain asset classes but not for equipment ABS and equipment floorplan ABS.

The NAM believes that loan-level data disclosure requirements should not apply to ABS backed by equipment financing loans because of the unique privacy and competitive issues and the additional costs impacting both equipment manufacturers and their customers, hindering competitiveness and growth of these important economic sectors.

Privacy Concerns

The NAM is concerned that regular disclosure of loan-level data of ABS backed by equipment loans could violate the privacy of the customers purchasing the equipment. The equipment ABS market is much smaller than the market for other types of assets since there are fewer equipment borrowers than there are borrowers for mortgages and automobiles. For example, less than 10,000 combines are sold each year, compared to millions of vehicles sold annually. In addition, many of these transactions are limited to specific geographic regions where farming is prominent. With a much smaller asset pool, it becomes much easier to identify specific borrowers by simply comparing individual loan characteristics to public Uniform Commercial Code (UCC) filing statements. By regularly providing data points that could be easily linked to personal or sensitive information of the borrower, including the borrower's name and address, manufacturers would be forced to violate the privacy that borrowers expect when purchasing their equipment.

Competitive Concerns

Under the rules being considered by the SEC, industry competitors would have access to valuable information about equipment loan borrowers. After using the data provided to identify an equipment loan borrower, an industry competitor may seek to gain a competitive advantage by offering the borrower lower pricing or targeting them with strategic marketing tactics to highlight strengths or weaknesses in the equipment. Competitors that do not utilize the ABS market may exploit the fact that borrowers' information is being disclosed to gain a competitive advantage over those businesses that rely on the ABS market to finance equipment loans.

Furthermore, as more actual pricing data becomes available through disclosure, the negotiating position of companies and dealers, and the opportunity to grow their businesses, would suffer. In addition, requiring loan-level, or even grouped-level disclosure for securities backed by equipment loans would further weaken manufacturers' ability to participate in the ABS market.

Cost and Administrative Burden

Many manufacturers do not currently have the systems in place to regularly track the granular data the SEC rulemaking may require. The costs to implement such reporting would include extensive upfront and on-going IT expenses, including systems development, data gathering, monitoring and auditing.

For many companies, the ABS market currently provides an efficient, relatively low-cost mechanism for financing equipment loans. If the final equipment ABS rules require loan-level

disclosure, and the resulting privacy and competitive concerns, manufacturers may be forced to look at much more expensive financing options, increasing costs for equipment customers and leaving investors with less options for investments in the ABS market.

Alternative Approach

The NAM recommends that any final SEC rules on equipment ABS take an approach that recognizes the unique nature of equipment ABS and the privacy and competitive concerns outlined above and require monthly pool-level disclosure rather than regular disclosure of loan-level data. Monthly pool-level statistics would provide substantially more data than currently available and allow investors to perform independent due diligence, closely monitor any changes in the characteristics of the underlying assets and make prudent investment decisions. This approach would also alleviate the concerns of issuers.

Conclusion

The NAM appreciates the opportunity to comment on the equipment ABS rules proposed by the SEC. Manufacturers that utilize securitization to finance equipment loans for their dealers and customers cannot regularly disclose loan-level data without facing privacy and competitive issues and incurring a tremendous cost burden. Instead, the NAM urges the SEC to consider a monthly pool-level data disclosure approach that would strike an appropriate balance between the needs of both investors and issuers without unnecessarily hampering the equipment ABS market, or the industries that rely on efficiency in the market. On behalf of the NAM, and the 12 million men and women that work in manufacturing, thank you in advance for considering our request.

Sincerely,

A handwritten signature in black ink that reads "Christina Crooks". The signature is written in a cursive, flowing style.

Christina Crooks
Director, Tax Policy