

MEMORANDUM

To: Commission File No. S7-08-10

From: Katherine Hsu
Senior Special Counsel
Office of Rulemaking
Division of Corporation Finance
U.S. Securities and Exchange Commission

Date: July 22, 2010

Re: Proposing Release on Asset-Backed Securities (Release Nos. 33-9117; 34-61858)

On July 15, 2010, Paula Dubberly, Katherine Hsu, Rolaine Bancroft, and Jay Knight of the Division of Corporation Finance met with representatives from the American Resort Development Association. Among the topics discussed was the Commission's April 7, 2010 proposing release regarding asset-backed securities. Handouts are attached to this memorandum.

Attachment

Timeshare Industry Meeting – Proposed Revisions to Regulation AB – Privately Issued Structured Finance Products



Overview of Timeshare Loan Securitization Market

Summary Overview

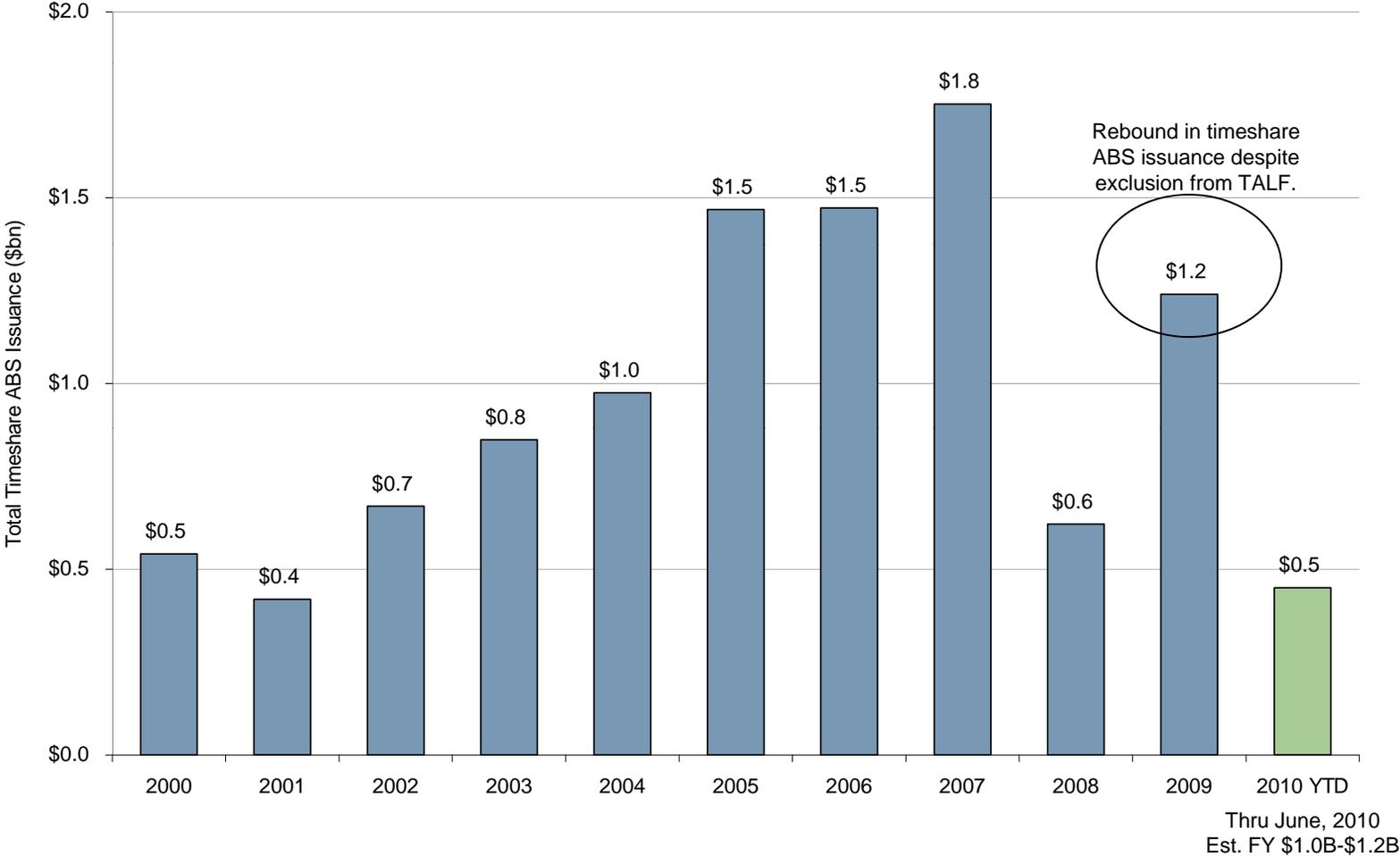
- Since 2000, there has been over \$10.1 billion⁽¹⁾ of timeshare loan ABS issuance in the Rule 144A term securitization market, issued by both public and private timeshare developers.
- Notable issuers of Rule 144A timeshare ABS transactions include:
 - Wyndham Vacation Ownership
 - Marriott Vacation Club
 - Starwood Vacation Ownership
 - Diamond Resorts (Sunterra)
 - Bluegreen Resorts
 - Silverleaf Resorts
- Investor understanding of, and interest in, timeshare ABS continues (particularly for large, public developers), as the securities provide them with a return premium relative to commodity assets being securitized in the ABS market, as well as increased diversity within their investment portfolio

(1) Does not include private transactions or conduit financings

Overview of Timeshare Loan Securitization Market

Size of Market

- Annual Timeshare ABS Issuance in the 144A Term Securitization Market Since 2000⁽¹⁾

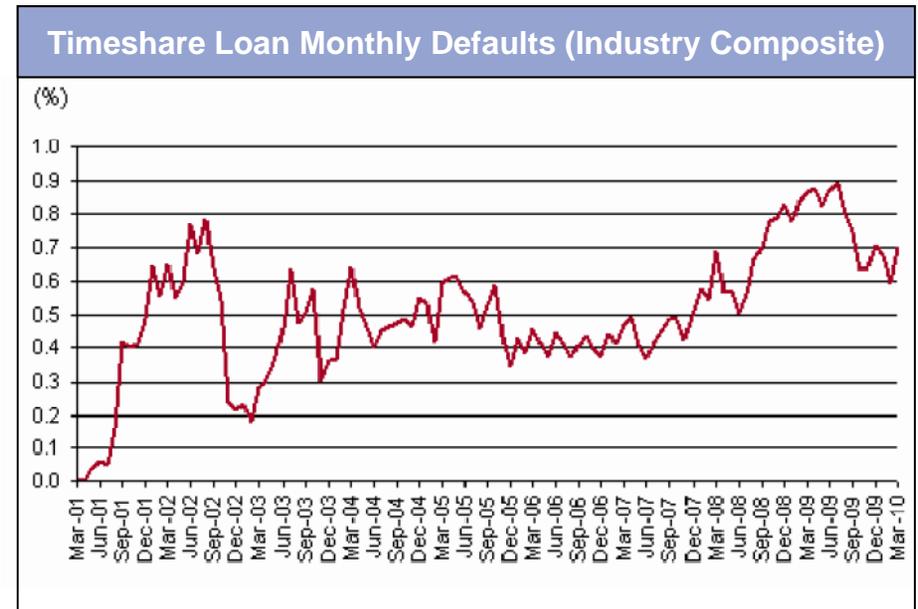
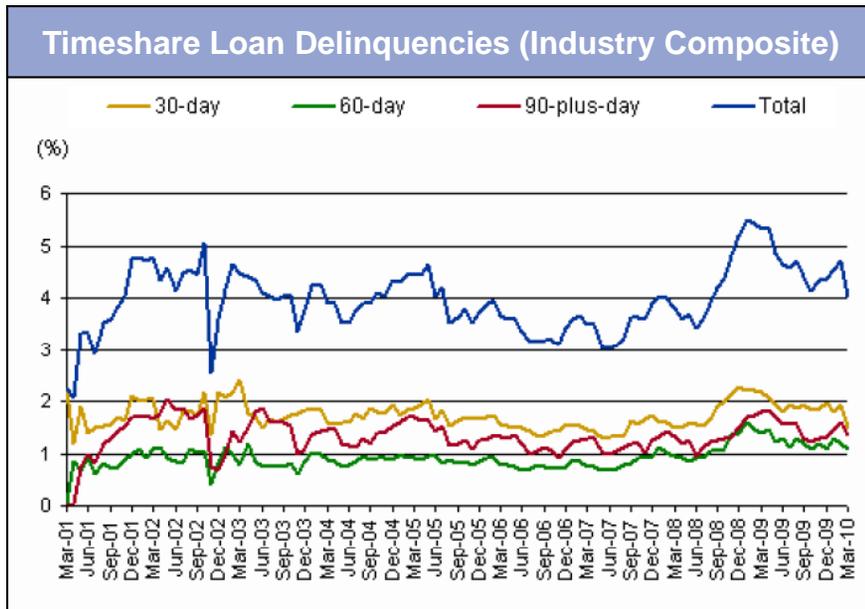


(1) Does not include private transactions or conduit financings

Overview of Timeshare Loan Securitization Market

Performance Information

- Timeshare loans have performed in a relatively stable manner, especially when compared to other forms of consumer debt
 - Over the past three years, delinquencies and defaults have increased somewhat, but are still relatively within historical norms
 - Investors view timeshare ABS as one of the better performing asset classes and have continued to invest in timeshare securitizations in 2009 and 2010



Source: Standard & Poor's U.S. Timeshare Securitization Performance Index, June 2010

Overview of Timeshare Loan Securitization Market

Well established documentation & lead generation and underwriting criteria

- Documentation:
 - Loan Assets
 - Deed, Mortgage, Promissory Note (largely based in real estate law)
 - Asset-Backed Issuance Deal Structures
 - Consistency deal to deal in general provisions of major agreements; Servicing Agreement, Trust Agreement, Indenture Agreement, and Issuer Representations and Warranties, and other pertinent governing documents.
- Lead Generation and Underwriting Criteria
 - Issuers primarily extend from their brand awareness and affinity in marketing to prospective owners. There is significant brand equity to be preserved and delivered for timeshare operators that are owned by hospitality companies.
 - Owner demographics by issuer are consistent over time

Overview of Timeshare Loan Securitization Market

Exclusively sold in private transactions to small number of investors

- Most investors in Timeshare ABS paper:
 1. Are large institutional investors (e.g., insurance companies, pension funds, general investment funds) with maturity needs that line up well with timeshare loans
 2. Are repeated investors in timeshare assets
 3. Conduct 1-2 meetings per year with issuers to engage in business outlook and performance updates
 4. Will conduct resort visits, sales operational tours or servicing operational diligence visits in any given year or prior to first investment

Proposed Rules Impact on Existing Timeshare ABS Market

Issuer impact

- Burden of increased reporting creates undue hardship on the timeshare ABS issuer by imposing significant, disproportionate compliance costs, both initially and ongoing
- Infrequent and small size of offerings by timeshare ABS issuers results in
- No ability to spread increased costs over public and private offerings as with more frequent issuers
- Increased disclosure also raises concerns around privacy and proprietary business considerations (despite efforts to mask unique borrower information, etc. using “coding “ or other methods)

Proposed Rules Impact on Existing Timeshare ABS Market

Investor Impact

- Specifically mandated disclosures of Proposed Rules may act as a ceiling on information available to investors – resulting in less information for investors
- Deviation from well established investor-driven asset information disclosures and procedures may impair investor interest in asset class

ABS market is crucial to industry

- Private ABS market provides predictable and reliable source of funding
- Cost-effective way to fund capital intensive business operations of the industry
- Increased compliance costs resulting from Proposed Rules will impose an undue burden on timeshare industry
- May impact recovery of timeshare industry from jobs and economic standpoint

Timeshare Market Works Well

Issuers have been able to access the ABS market, despite the recent disruption in the securitization market, without support of government programs (e.g., TALF).

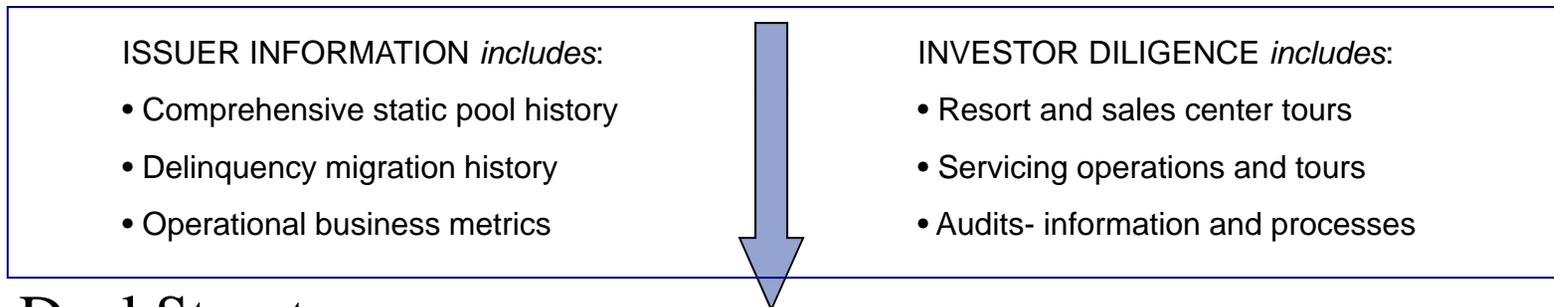
YEAR	DEAL POOL, BOND SIZE
2010	■ Wyndham 2010-1 (\$300M), Silverleaf 2010-A (\$151M)
2009	■ Marriott 2009-2 (\$317M), Wyndham 2009-1 (\$225M), Diamond Resorts 2009-1 (\$182M), Wyndham 2009-2 (\$175M), Wyndham 2009-3 (\$175M), Starwood 2009-A (\$166M),
2008	■ Marriott 2008-1 (\$246M), Wyndham 2008-1 (\$200M), Silverleaf 2008-A (\$115M), Bluegreen 2008-A (\$60M)
2007	■ Wyndham 2007-1 (\$600M), Wyndham 2007-2 (\$455M), Marriott 2007-1 (\$270M), Marriott 2007-2 (\$250M), Bluegreen 2007-A (\$177M), Westgate Resorts 2007-1 (\$135M)
2006	■ Wyndham 2006-1 (\$550M), Marriott 2006-2 (\$280M), Marriott 2006-1 (\$250M), Bluegreen 2006-B (\$139M), Silverleaf 2006-A (\$128M), Starwood 2006-A (\$125M),
2005	■ Wyndham 2005-1 (\$525M), Marriott 2005-2 (\$230M), Starwood 2005-A (\$205M), Bluegreen 2005-A (\$204M), Marriott 2005-1 (\$196M), Silverleaf 2005-A (\$109M),
2004	■ Wyndham 2004-1 (\$336M), Marriott 2004-2 (\$181M), Bluegreen 2004-A (\$157M), Sunterra 2004-1 (\$158M), Marriott 2004-1 (\$150M),
2003	■ Wyndham 2003-2 (\$375M), Wyndham 2003-1 (\$303M), Starwood 2003-A (\$171M)
2002	■ Marriott 2002-1 (\$500M), Bluegreen 2002-A (\$170M)
2001	■ Starwood 2001-A (\$202M), Westgate Resorts 2001-1 (\$201M), Tempus Resorts 2001-A (\$40M)
2000	■ Marriott 2000-1 (\$378M)

Note: Does not include private transactions or conduit financings

Timeshare Loans are Simple Assets

Timeshare loans are simple assets, which are well understood by a knowledgeable and sophisticated group of consistent investors.

- Collateral
 - Fixed rate, constant payment, fully amortizing loan. (Typical term – 10 years)
 - Loans backed by interests in deeded real estate. (Some exceptions may apply based primarily on jurisdiction of resort).
 - Loan pools from year-to-year tend to be consistent with regard to resort composition and composition of purchaser demographics and residency.
 - Loans pre-payable anytime without penalties.
 - Issuer retains servicing; brand delivery with a purchaser/owner for life.



- Deal Structures
 - Interest and principal pass-through tranches, with residual enhancement (equity interests) held by issuers.
 - Typical ratings by senior to subordinate interests
 - S&P, Fitch: AAA – BBB
 - Moody's: Aaa – Baa2

Timeshare Market Works Well

Investors in timeshare ABS have been sufficiently protected by current investor-driven disclosure requirements both in the offering materials and on an ongoing basis.

- Static pool default information is typically provided in a private placement memorandum for a Rule 144A-issued timeshare ABS transaction (as exemplified below)

STATIC POOL CUMULATIVE GROSS DEFAULTS

Quarter of Origination	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006
Loans Originated													
Original Loan Amount (\$)													
Balance as of 6/30/09 (\$)													
Pool Factor													
Months													
1													
2													
3													
4													
5													
6													
7													
8													
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[Issuer Data]

Timeshare Market Works Well

Typical Investor-Driven Disclosure Requirements in Offering Materials

- Delinquency information is also typically provided in a private placement memorandum for a Rule 144A-issued timeshare ABS transaction (as exemplified below)

DELINQUENCIES

Aggregate Loan Balance of
Delinquent Loans¹

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	7/31/2009
Outstanding Balance									
Current									
31 – 60 Days Delinquent									
61 – 90 Days Delinquent									
91 – 120 Days Delinquent									
121 – 150 Days Delinquent									
151 – 180 Days Delinquent									
Total Delinquent (61-180 Days)									

[Issuer Data]

Percentage of Total
Outstanding Balance

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	7/31/2009
Current									
31 – 60 Days Delinquent									
61 – 90 Days Delinquent									
91 – 120 Days Delinquent									
121 – 150 Days Delinquent									
151 – 180 Days Delinquent									
Total Delinquent (61-180 Days)									

[Issuer Data]

Timeshare Market Works Well

Typical Investor-Driven Disclosure Requirements in Offering Materials

- Detailed information on the timeshare collateral pool is customarily provided in a private placement memorandum for a Rule 144A-issued timeshare ABS transaction (as exemplified below)

Aggregate Loan Balance.....
 Range of Loan Balances
 Average Loan Balance.....
 Range of Coupon Rates
 Weighted Average Coupon Rate
 Range of Original Terms
 Weighted Average Original Term
 Range of Obligor Equity at Closing
 Weighted Average Obligor Equity at Closing.....
 Range of Remaining Months to Maturity¹.....
 Weighted Average Remaining Months to Maturity¹.....
 Range of Seasoning
 Weighted Average Seasoning.....
 Range of Credit Scores².....
 Weighted Average Credit Score².....
 Mortgage Loans
 Points-Based Loans
 Domestic Obligor³
 Foreign Obligor⁴

[Issuer Data]

- The details behind each of the collateral characteristics listed above are usually broken into stratification tables (as exemplified below), providing investors with ample detail on the collateral pool

Range of Credit Score	Number of Timeshare Loans	Percentage of Statistical Cut-Off Date Loans (%)	Statistical Cut-Off Date Loan Balance (\$)	Percentage of Statistical Cut-Off Date Aggregate Loan Balance (%)
Not Available				
600 - 649.....				
650 - 699.....				
700 - 749.....				
750 - 799.....				
800 - 850.....				
Total	=			

[Issuer Data]

Timeshare Market Works Well

Typical Investor-Driven Disclosure/Surveillance Requirements On Ongoing Basis

- Monthly servicing report, including distribution summary of waterfall, ongoing expenses for the transaction, interest paid/principal, portfolio statistics comparing beginning of month and end of month, collection account application, delinquency data, defaults for the month and life to date, summary of substitution/repurchases for the month, reserve account summary and a certification that all data is accurate
- Annual external servicing audit which includes review of servicing reports and confirming accuracy of report
- Trustee has the right to annual audit (more frequently after default)
- Annual surveillance on transaction performance by rating agency

Timeshare Summary and Request

Summary:

- Current regulations and practices related to exempt timeshare loan ABS issuances are working well and are sufficient to adequately protect the investors. The issuance of \$1.2B in 144A eligible ABS securities in 2009 without the support of governmental programs demonstrates investor confidence in these securities.
- As an asset class, timeshare loans are unique. The originator/servicer's ongoing relationship with the obligors continues well beyond the payment of the timeshare loan. They are owners/customers for life. This long-term view held by the issuers carries over to their relationship with private investors in the timeshare loan ABS market.
- Timeshare loan securitizations are well understood by private investors who have participated in these programs on a consistent basis throughout the years. These investors perform annual due diligence through face-to-face meetings with issuers as well as visits to actual sales offices and servicing operations.
- The structure of timeshare loan securitizations has been consistent over a long period of time.
- The information provided to investors in offering memoranda for exempt private issuances of timeshare ABS is very detailed and is based on investor-driven requirements, demonstrating that current practices are meeting investor needs and offering sufficient protections.
- The additional requirements set forth in the Proposed Rules would impact the current private market for these securities by increasing issuer costs while providing minimal, if any, benefits to either issuers in terms of better pricing or investors in terms of better information.