October 30, 2013

Office of the Comptroller of the Currency
Legislative and Regulatory Activities Division
400 7th Street, SW
Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219
Docket Number OCC-2013-0010

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attn.: Elizabeth M. Murphy, Secretary
File Number S7-14-11

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attn.: Robert deV. Frierson, Secretary
Docket No. R-1411

Federal Housing Finance Agency
Constitution Center, (OGC) Eighth Floor
400 7th Street, SW
Washington, DC 20024
Attn.: Alfred M. Pollard, General Counsel
Comments/RIN 2590-AA43

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attn.: Comments, Robert E. Feldman, Executive Secretary
RIN 3064-AD74

Department of Housing and Urban Development
Office of General Counsel
Regulations Division
451 7th Street, SW
Room 10276
Washington, DC 20410-0500
RIN 2501-AD53

Re: Credit Risk Retention Re-Proposal

Dear Regulators:

I would like to thank you for the opportunity to comment on the Notice of Proposed Rulemaking published in the Federal Register on September 20, 2013 (Re-Proposal) regarding credit risk retention. My concerns with the Re-Proposal are centered on the Cost of Credit section and the assumptions therein.

As stated in the Introduction, Background section, securitization provides economic benefits that can lower the cost of credit to households and businesses, when properly structured. Historically, the greatest benefit has been derived from sponsors that are lower rated but have high-performing assets to securitize. This is due to the large gap between the sponsor's higher funding costs (due to the company's lower rating) and the lower securitization rates (due to the ABS higher rating). These "savings" can then be passed on to households and businesses. This is the exact situation that asset-backed securitization was developed to address back in the mid-1980s with Chrysler Auto ABS. These types of sponsors (and their end-use borrowers) are also the ones that will suffer the most in terms of increased costs from the proposed risk retention.

The Re-Proposal Appendix: The Impact of Required Risk Retention on Cost of Credit states that the estimated range of the cost of risk retention is between zero and 30 basis points. It goes on to conclude that the incremental risk retention by the sponsor is unlikely to have a significant impact on the cost of credit. I do not agree that up to 30 basis points in increased cost is insignificant.

One of the assumptions utilized to calculate these numbers was that "if capital markets are efficient, the cost of funding an ABS interest directly in capital markets should be no different than funding the same ABS interest on the balance sheet of the sponsor". This is not a valid assumption. Funding on the balance sheet (or through the use of term debt) of a sponsor is a function of the credit rating of the sponsor, while the capital market's pricing of the ABS interest is a function of the risk of the underlying assets. To assume these are the same is incorrect.

Some sponsors hold less than 5% because the high quality of the assets does not require this amount of credit enhancement. For example, a high quality ABS (non-mortgage related) may require 2.5% credit enhancement ("risk retention") in order to be rated investment grade. If this sponsor is now required to retain 5%, that would more than double the sponsor's current cost. These types of sponsors are different from certain residential mortgage sponsors who sold off the retention and thus were holding less than 5%. The sponsors with the high quality assets are actually the ones getting hurt the most from these proposals, which is not in the spirit of the rule and is not addressing the problem that the regulators are trying to fix. I do not believe that any asset type, other than residential mortgages, should be subject to the risk retention rules.

Sincerely,

Jennifer Raymond
Investor