COMMENTS OF THE
STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
REGARDING
SECURITIES AND EXCHANGE COMMISSION

Release Nos. 33-9148; 34-63029
File No. S7-24-10
AND
Release Nos. 33-9150; 34-63091
File No. S7-26-10

The following comments are submitted to the Securities and Exchange Commission ("SEC") on behalf of the State of Connecticut Health and Educational Facilities Authority ("CHEFA") relating to SEC Release Nos. 33-9148; 34-63029, dated October 4, 2010 (the "Disclosure Release") and SEC Release Nos 33-9150; 34-63091 dated October 13, 2010 (the "Issuer Review Release").

CHEFA is a Connecticut quasi-public agency providing access to tax-exempt financing and other financial assistance to institutions of higher education, healthcare institutions, childcare providers and nonprofit organizations qualified under Section 501(c)(3) of the Internal Revenue Code.

In a typical financing by CHEFA, CHEFA as a conduit issuer issues revenue bonds and loans the proceeds of the bond issue to a hospital, educational institution or other qualifying not-for-profit entity pursuant to a loan agreement. The loan agreement and collateral documentation is assigned to a trustee as collateral for the benefit of the bondholders. Payment of the holders of the CHEFA revenue bonds depends on the receipt of payments from the borrower under the loan agreement. Full disclosure concerning the borrower, the structure of the transaction, the provisions of the loan agreement and related documentation is provided in the Official Statement and related Preliminary Official Statement.

The vast majority of CHEFA bond issues involve only a single borrower and a single underlying loan agreement. A small number of CHEFA's bond issues have involved a pool of loans, for example small pools of loans to childcare facilities. In the case of a pooled financing, the structure is similar to that for the single-borrower bond issues, except that full disclosure is provided with respect to multiple underlying borrowers rather than a single borrower. The CHEFA pooled loan transactions have ranged from two to seven borrowers (loans) per pool.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") amended Section 3(a) of the Securities Exchange of 1934 (15 U.S.C. 78c(a)) by adding the following at the end:
"(77) Asset-Backed Security. The term 'asset-backed security' (A) means a fixed-income or other security collateralized by any type of self-liquidating financial asset (including a loan, a lease, a mortgage, or a secured or unsecured receivable) that allows the holder of the security to

receive payments that depend primarily on cash flow from the asset, including— (i) a collateralized mortgage obligation; (ii) a collateralized debt obligation; (iii) a collateralized bond obligation; (iv) a collateralized debt obligation of asset-backed securities; (v) a collateralized debt obligation of collateralized debt obligations; and (vi) a security that the Commission, by rule, determines to be an asset-backed security for purposes of this section; and (B) does not include a security issued by a finance subsidiary held by the parent company or a company controlled by the parent company, if none of the securities issued by the finance subsidiary are held by an entity that is not controlled by the parent company."

This definition is broad enough to encompass not only our limited number of bonds secured by small pools of loans, such as our childcare facility loans, but also all of our revenue bonds issued on behalf of a single borrower. Although our bonds are not registered, as noted above, in each transaction full disclosure is provided in an Official Statement and Preliminary Official Statement with respect to the borrower or borrowers, the transaction structure and the transaction documents.

We do not believe any public good is served by lumping revenue bonds issued by conduit issuers, such as ourselves, into a catchall definition of "asset backed securities". Our securities clearly are not what the market has understood to constitute "asset backed securities." The abuses meant to be addressed by the Act simply are not an issue in light of the very different nature and structure of our offerings. However, notwithstanding the lack of any identifiable public policy being advanced, substantial uncertainty, confusion and potential cost to our not-for-profit borrowers is being created by the SEC's failure to utilize the authority given to it in the Act to clearly exempt municipal securities, such as those we issue, from the definition of asset backed securities.

DISCLOSURE RELEASE

None of our transactions include a covenant to repurchase or replace an asset. Consequently, it is our understanding that the disclosure requirements proposed in Release Nos. 33-9148 and 34-63029 would not apply to our transactions. However, it appears, that notwithstanding the absence of any repurchase covenant in our documents, our not-for-profit clients may still be required to pay the costs of compliance by NRSROs with proposed Rule 17g-7. (To the extent this requires additional analysis and reporting by the NRSROs, it will undoubtedly be reflected in the fees charged to our not-for-profit borrowers.) As pointed out above, full disclosure concerning our transaction documents is already included in our Official Statements and Preliminary Official Statements. It is unclear to us what value is added by repeating that information in the rating agency report.

ISSUER REVIEW RELEASE

Since our offerings are not registered, it is our understanding that the proposed rule requiring an

issuer of asset backed securities to perform a review of assets does not apply to us. However, it is our understanding that proposed Rule 15Ga-2 would apply to exempted securities. As indicated above, since our securities have little if anything in common with what the market typically considers asset backed securities, this requirement appears to be misguided and confusing. For example, is it the intent of the SEC that an environmental report or a title report received by a conduit issuer in connection with a single loan agreement with a single borrower that is included as collateral for revenue bonds would fall within this requirement? Presumably that is not the intent, but the proposed language is certainly broad enough and vague enough to raise (and leave unanswered) that question.

RISK RETENTION REQUIREMENTS

CHEFA recognizes that the risk retention requirements of the Act are not the subject of either the Disclosure Release or the Issuer Review Release. However, in light of the potentially cataclysmic impact of this provision on conduit issuers, we would like to take this opportunity to urge the SEC to use the authority given to it under the Act to clarify at the earliest possible time that the risk retention requirements do not apply to conduit issuers such as CHEFA by exempting the securities of such issuers from the definition of asset backed securities. In the absence of such a clarification, we quite simply will be unable to continue to serve the financing needs of the hospitals, educational institutions and other not-for-profits of the State of Connecticut.

Thank you for this opportunity to provide our comments.

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