



August 25, 2014

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Subject: Security Service Federal Credit Union Comments on Proposed Rule—Asset Securitization

Dear Mr. Poliquin:

Security Service Federal Credit Union ("SSFCU") has reviewed the Proposed Asset Securitization Rule ("Proposed Rule") published by the National Credit Union Administration ("NCUA") on June 26, 2014. Loan securitization is a valuable balance sheet management tool, and SSFCU is pleased to provide our comments.

Our sole concern involves Section (ii)(3) "*Securitization.*" The Proposed Rule provides that "an FCU may securitize and sell loans it has originated." The term "originate" is defined in the Proposed Rule as meaning "to make an extension of credit," however, the Proposed Rule further states that "the purchase and re-underwriting of a loan does not constitute origination," thus creating uncertainty regarding securitization of indirect automobile loans.

As currently worded, SSFCU understands this concept within the Proposed Rule to mean simply that an FCU can securitize loans it underwrites and originates with its members, but an FCU cannot securitize loans it holds as eligible obligations of its members that were purchased by the FCU post-origination.

The NCUA's position by Rule, Commentary, and Legal Opinion has historically been that (i) an indirect lender is the "true lender" or "originator" of an indirect loan, and, accordingly, that an indirect loan qualifies as a "direct loan" or a "loan to a member" under Section 701.21; and (ii) an indirect loan is not an eligible obligation.

Indirect loans, ultimately, are not eligible obligations because the FCU is the party that underwrites the loan and extends credit to the borrower by providing initial funding. More particularly, but for the FCU's underwriting and extension of credit to the borrower, the loan to the borrower would not be made. Whereas with eligible obligations, the loan has already been underwritten and funded to the borrower through another lender before the FCU acquires the loan. The FCU, in the case of eligible obligations, is not extending credit to the borrower: it is buying a loan originated by another lender.

Therefore, we believe that an indirect loan can be securitized by an FCU under the proposed rule; however, without clear authority on this matter, the Proposed Rule may inadvertently cloud an FCU's ability to securitize its indirect loans.

Additionally, the Proposed Asset Securitization Rule and the NCUA's Loan Participation Rule each define the term "originate" differently. Given the importance of both securitizations and participations as FCU balance sheet management tools, clarification within the Final Asset Securitization Rule of the significance, if any, between the two definitions may significantly aid an FCU, specifically an indirect lending FCU, in conducting securitization and participation activities.

In conclusion, Security Service Federal Credit Union respectfully suggests that the Final Asset Securitization Rule (1) clarify that indirect loans can be securitized, and (2) explain the significance, if any, between the differing definitions of the term "originate" in the Proposed Securitization Rule and the Loan Participation Rule.

Thank you for considering our comments. If you have any questions or would like to discuss these matters further, please contact me at your convenience.

Sincerely,



HOWARD N. BAKER, II
Executive Vice President, Chief Risk Officer

cc: Dan Berger, President & CEO
National Association of Federal Credit Unions

Bill Hampel, President & CEO
Credit Union National Association