From:	Jon Jeffreys
To:	_Regulatory Comments
Subject:	comment on asset securitization
Date:	Monday, August 25, 2014 5:41:12 PM

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

The following are my thoughts and concerns regarding the National Credit Union Administration's (the "NCUA") proposed rule on Asset Securitization issued for comment on June 19, 2014 (the "Proposed Rule".)

The Proposed Rule on its face is a welcomed clarification of a federal credit union's ability to securitize assets. Now more than ever credit unions and their members need access to credit at reasonable terms. Additionally, credit unions need as many tools as possible to manage credit and interest rate risk on their balance sheet. Having the ability to securitize assets is certainly a powerful tool. I am, however, concerned that this tool, as crafted in the Proposed Rule, will have little to no practical effect on the industry. Therefore this does not help the more than 100 million credit union members.

Due to the high professional costs in the securitization process, a large volume of loans is needed in order to make the process economically feasible. Based on our initial research, an issuing entity would need at least $120 to $150 million in assets with homogeneous terms and origination dates for a securitization package. This standard is demanded by the investors of securitized assets.

Under the Proposed Rule, a federal credit union can only securitize loans it has originated. Most credit unions do not produce anywhere near the necessary loan volume to originate $120 million in loans in a relatively short period of time. This limit will mean that credit unions will not be able to afford to utilize the Proposed Rule. Again this creates no member value and does not help the industry mitigate interest rate and credit risk.

Given some of the changes to the residential mortgage market put in place by the CFPB creating the new qualified mortgage program- credit unions may have thousands of borrowers who need non-QM loans. Utilizing a securitization vehicle where loans from multiple credit unions could be one cost effective way credit unions could serve their members, gain liquidity and mitigate interest rate risk on their balance sheet. This is especially disappointing as there is a present need and a practical solution has been essentially taken away from credit unions.

These issuing entities can be structured to allow more than one credit union to be involved- it happens all the time in other industries. While an issuing entity with more than one contributing lender may be uncharted waters for NCUA, this industry needs the ability to collaborate to drive down costs through innovation. Without collaboration and innovation, we are jeopardizing credit unions ability to serve members. I ask NCUA to revisit the risk analysis involved with allowing more than one credit union to collaborate and sponsor securitized assets. Again this seems like a natural way for credit unions of all sizes to serve members, provide liquidity from outside the industry, and mitigate interest rate risk. If NCUA does not permit collaboration in the securitization process, the potential benefits of the Proposed Rule to the credit union industry will never be fully realized and the draft rule should be withdrawn.

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