August 25, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin,

The following are our 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".)

CU Revest, LLC is a CUSO providing capital and member recovery services to credit unions. The principals of CU Revest, LLC have extensive experience in the loan securitization process. The Proposed Rule is a welcomed clarification of a federal credit union's ability to securitize assets. We agree that in the face of ever increasing competition, that credit unions need as many means possible to manage credit and interest rate risk on their balance sheet and increase efficiencies—the ability to securitize assets is certainly a positive step in this direction. We do, however, feel that there are some small changes to the rule that better serve these intended purposes. The changes, while individual subtle, will ultimately allow credit unions to better leverage this new financial tool explicitly at their disposal.

Under the Proposed Rule, a federal credit union can only securitize loans it has originated. While we understand the underlying rationale for such a rule, the ends may be better served by limited the assets (by percentage perhaps) of third-party originated assets. It may also prove helpful to include the caveat that assets originated through a CUSO controlled by a credit union are considered, for purposes of this rule, originated by the credit union. There are also a number of activities in which seller/servicers of asset-backed securities customarily engage that include, among others, making servicer advances, substituting collateral, managing pre-funding accounts, and exercising clean-up calls. For avoidance of doubt, we suggest the rule state that a servicing credit union may engage in all activities that are usual and customary to service the securitized asset class. This clarification of general authority will provide servicing credit unions the required authority to service the loans to industry standards and be flexible to adapt as norms change.

One limitation to the Safe Harbor Rules that should be re-evaluated is the limitation of asset securitizations to six tranches of securities. It is not unusual for securitizations to exceed this simply by virtue of issuing a money market tranch, time-tranching the Class A securities, and credit tranching below the Class A to maximize leverage. We understand that the aim is to limit the complexity of the transactions, but the true complexity comes from the legal isolation of the assets and the creation of the special purpose vehicle. The limitation on the number of tranches will only serve to decrease the financial efficiency of the transaction (especially in an interest rate environment characterized by a steep yield curve) and will, inadvertently, create greater risk for the credit union due to an increased bond coupon. This will also decrease excess spread and potentially require greater overcollateralization—the portion of the aggregate asset balance retained by the credit union which constitutes its residual interest and its risk.

Thank you for the opportunity to comment on the Proposed Rule.

Very truly yours,

Michael A. Joplin
President/CEO