



August 25, 2014

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

**Re: Comments on Proposed Rule: Asset Securitization**

Dear Mr. Poliquin:

Please accept this letter as Desert Schools Federal Credit Union's ("Desert Schools") formal comment on the National Credit Union Administration's ("NCUA") recent proposed rule, Asset Securitization issued on June 19, 2014 ("Proposed Rule"). Desert Schools appreciates the opportunity to share with the NCUA its comments and recommendations regarding the Proposed Rule. Desert Schools is based in Phoenix, Arizona and has 308,000 members, \$3.9 billion in assets and 48 branches.

The Proposed Rule clarifies a federal credit union's ability to securitize assets. Given the heightened credit and interest rate risk facing the industry, securitization of assets would be another tool for federal credit unions to use to manage their risk. However, as written, the rule limits the ability to securitize assets of virtually all credit unions besides the very large in size and scale. Due to the high costs of the securitization process, considerable volume is necessary to make this option a reality.

Under the Proposed Rule, a federal credit union can only securitize loans it has originated. A large majority of credit unions do not produce anywhere near enough loan volume in a short period of time that would meet the criteria for securitization in the secondary market. Speaking closer to home, even with Desert Schools' size and ability to generate loan volume, Desert Schools could not produce enough loan volume on a consistent basis to justify the cost associated with a securitization program.

Similar to banks, issuing entities can be structured to allow more than one credit union to be involved. While an issuing entity with more than one contributing lender may be uncharted territory for the NCUA, the industry needs the ability to collaborate to make the Proposed Rule financially feasible for more than just a few very large federal credit unions. Desert Schools requests that the NCUA revisit the risk analysis involved with allowing more than one credit union to collaborate and sponsor securitized assets.

Desert Schools is also concerned by the mention of credit union service organizations ("CUSOs") in footnote 7. Desert Schools appreciates the foresight to acknowledge that issuing entities are not subject to the NCUA CUSO regulation; however, the comment should be stated more clearly that the

issuing entities are not CUSOs and the formation of such entities will not affect a federal credit union's investment and lending limits to CUSOs.

Furthermore, Desert Schools is concerned with the declaration in footnote 7 regarding what is and is not a preapproved CUSO activity. This seems unnecessary. It is already stated that the issuing entity is not a CUSO. Our concern is that any statement about CUSO approved activities in the NCUA Regulations should be confined to the CUSO Regulations, Part 712.5.

Thank you for the opportunity to comment on the Proposed Rule and for considering Desert Schools' opinions and recommendations on asset securitization.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan C. Frank", written in a cursive style.

Susan C. Frank  
Chief Executive Officer  
Desert Schools Federal Credit Union

cc: Mary Dunn, SVP, Regulatory Advocacy & Deputy General Counsel, CUNA  
Carrie Hunt, SVP, Government Affairs & General Counsel, NAFCU  
Mark Robey, SVP, Regulatory Affairs, Mountain West Credit Union Association