

From: [Suzanne Yashewski](#)
To: [Regulatory Comments](#)
Cc: [Dick Ensweller](#)
Subject: Cornerstone comments on RIN 3133-AE29 and RIN 3133-AE41
Date: Monday, August 25, 2014 5:48:57 PM

August 25, 2014

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

Sent via E-mail to: regcomments@ncua.gov

Re: Cornerstone Credit Union League Comments on Proposed Rule—Asset
Securitization and Proposed Rule—Safe Harbor

Dear Mr. Poliquin:

This letter represents the views of the Cornerstone Credit Union League [“Cornerstone”] regarding the NCUA’s proposal on Proposed Rule—Asset Securitization (RIN 3133–AE29) and Proposed Rule—Safe Harbor (RIN 3133–AE41). Cornerstone is the official trade association serving 557 federal and state credit unions in Arkansas, Oklahoma, and Texas combined, and more than 8.5 million credit union members. Cornerstone appreciates the opportunity to comment on this very important issue.

Cornerstone is submitting one letter for both of these proposals due to the interrelation between the underlying issues. These proposals represent a forward looking approach to several issues in the industry, especially interest rate risk, and provide additional ways for credit unions to remain competitive. We support the objectives of these proposals, and believe they will create additional flexibility and opportunities for credit unions.

Asset Securitization

Although not specifically authorized under the Federal Credit Union Act, the ability to securitize loans is a reasonable extension of a credit union’s power to make and sell loans and is a reasonable exercise of a credit unions incidental powers. Securitization authority will provide flexibility to credit unions in regards to both interest rate risk and an ability to manage its own portfolio. Securitization is used by other participants in the marketplace, and we appreciate the same opportunity for credit unions.

Although we support the concept of the proposal, Cornerstone recommends several changes to better develop the rule. First, the proposal only allows for an FCU to securitize loans it has originated. We see no justification to warrant such a limitation on credit unions when others in the market place are not restricted in such a manner.

Permitting FCUs to securitize loans it has not originated will increase FCU access to the market. The ability to include acquired loans, including those of low-risk, such as loans re-underwritten under the credit union's own standards, would pose little risk comparatively to those originated by the FCU. This change would invite greater participation and more options for credit unions.

In addition, we recommend that the final rule include a clear definition of "originator" to avoid confusion. We encourage NCUA to clarify the definition of originator, with sensitivity to the needs of credit unions and their CUSO affiliates.

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Safe Harbor

Cornerstone supports the proposed safe harbor rule. Investors require sufficient assurance that they will have recourse should the credit union undergo conservatorship, liquidation, or default. NCUA has identified several areas of risk for investors as a result of the 2009 changes to generally accepted accounting principles (GAAP), and the proposed rule returns the safe harbor protections to the same level that existed prior to the changes. The safe harbor allows expedited access to underlying assets by investors, or compensation in other circumstances. Absent this safe harbor, it is unlikely securitization pools will be viable.

Conclusion

Cornerstone appreciates the opportunity to comment on both of these proposals. We feel that the proposed rule represents a welcome change and an opportunity for our credit unions. We support both proposals, with hopes that NCUA will consider the above mentioned suggested improvements to the proposal. If you have any questions regarding our comments, please feel free to contact me at (512) 853-8516 or syashewski@cornerstoneleague.coop.

Sincerely,

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