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National Association of Federally-Insured Credit Unions

February 21, 2018

J. Owen Cole Jr.
Director, Division of Capital and Credit Markets
Office of Examination and Insurance
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Asset Securitization

Dear Mr. Cole:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I am writing in regard to the National Credit Union Administration's (NCUA) efforts related to credit unions' authority to issue and sell securities. NAFCU and representatives from some of its credit union members were very pleased to meet with you and other NCUA staff last fall to discuss suggestions and questions regarding the creation of an economically feasible securitization program. NAFCU requests an update on this issue in the hope that institutions may obtain authorization to begin securitizing.

In June 2017, the NCUA Board explained that a federal credit union has the requisite authority to issue and sell securities as part of its incidental powers under the *Federal Credit Union Act* (FCU Act). Currently, one of the largest impediments to beginning the securitization process is the lack of guidance from the NCUA. Even though credit unions have the authority to issue and sell securities, the NCUA's June 21, 2017 Legal Opinion Letter notes that before securitizing any assets, a credit union will have to complete and submit an application to engage in such activity because it is not preapproved under the agency's regulations. Without guidance, a credit union that wishes to engage in asset securitization does not have the tools to properly complete the application necessary to obtain approval to begin this activity.

NAFCU is pleased the NCUA concluded that the FCU Act authorizes credit unions to issue and sell securities and recognizes this has the potential to dramatically benefit the industry. In its guidance, the NCUA should incorporate or consider the following:

(1) Expanding the eligibility of loans beyond those originated by the securitizing credit union, in particular, by permitting the use of purchased loans needed to complete a pool as well as allowing the aggregation of loans by credit union service organizations (CUSOs);

(2) Providing flexibility in the levels of residual and retained interests in securitized assets that a credit union may hold;
(3) Authorizing credit unions to have special purpose vehicles with the authority to enter into derivative transactions; and
(4) Providing additional clarifications on the types of securitization transactions in which credit unions may engage.

As the NCUA continues to develop the asset securitization guidance, NAFCU encourages the agency to reach out to and collaborate with credit unions of all sizes to ensure it is considering the needs of the entire industry. In the guidance, NAFCU hopes to see some specific parameters balanced with considerable flexibility to provide credit unions with the greatest opportunities for success in pursuing securitization.

Conclusion

NAFCU strongly supports the NCUA's efforts regarding asset securitization and encourages the NCUA to act quickly to provide the credit union industry with guidance on securitization parameters. If you have any questions or concerns, please do not hesitate to contact me at akossachev@nafcu.org or (703) 842-2212.

Sincerely,

Ann C. Kossachev

Ann Kossachev
Regulatory Affairs Counsel