



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-55-2014**  
**November 19, 2014**

## Credit Risk Retention: Final Rule

**Summary:** The Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission, the Department of Housing and Urban Development, and the Federal Housing Finance Agency issued a final rule that implements the securitization risk retention requirements in the *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

**Statement of Applicability to Institutions with Total Assets Under \$1 Billion:** The final rule is applicable to depository institutions that sponsor securitizations, and certain provisions may apply to institutions that engage in other activities, such as those that originate, and sell to a securitizer, assets that collateralize asset-backed securities (ABS). Only a small number (less than 1 percent) of institutions with total assets under \$1 billion sponsor securitizations or originate and sell assets that collateralize ABS at the threshold required to permit the sponsor to allocate risk retention to the originator.

### Distribution:

FDIC-Supervised Banks (Commercial and Savings)

### Suggested Routing:

Chief Executive Officer  
Chief Financial Officer  
Chief Risk Officer

### Related Topics:

Credit Risk Retention, 12 CFR Part 373

### Attachment:

[Credit Risk Retention: Final Rule](#)

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### Highlights

The final rule:

- Generally requires a sponsor of an ABS issuance to retain an economic interest equal to at least 5 percent of the aggregate credit risk of the assets collateralizing such an issuance.
- Exempts various types of ABS, including ABS secured solely by qualified residential mortgages (which are defined as qualified mortgages by the Consumer Financial Protection Bureau).
- Reduces, in some situations to zero, the risk retention requirements for ABS collateralized by commercial, commercial real estate, or automobile loans that meet specified underwriting standards.
- Offers transaction-specific options for revolving pool securitizations, commercial mortgage-backed securities, and government-sponsored enterprises, among others.
- Permits a sponsor to allocate its risk retention obligation to the originator of the securitized assets if the originator contributed at least 20 percent of total assets in the securitization, subject to certain conditions, and if the originator agrees to do so. Other than this very narrow provision, institutions that merely originate or sell loans that are securitized and are not securitization sponsors do not have obligations related to this rule arising from such originations or sales.
- Prohibits the hedging and transfer of risk retention. Prohibitions expire based on specified periods or balances.
- Compliance is required for residential mortgage-backed securities issued one year after, and for all other ABS types issued two years after, the rule is published in the *Federal Register*.