American Automotive Leasing Association

June 1, 2011

By E-mail: rule-comments@sec.gov

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
Attention: Elizabeth M. Murphy, Secretary

Re: Release No. 34-64148 (File No. S7-14-11)

By E-mail: regs.comments@occ.treas.gov

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, DC 20219

Re: Credit Risk Retention – Docket Number OCC-2010-0002

By E-mail: regs.comments@federalreserve.gov

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N. W.
Washington, DC 20551
Attention: Jennifer J. Johnson, Secretary

Re: Docket No R-1411

By E-mail: Comments@FDIC.gov

Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
Attention: Robert E. Feldman, Executive Secretary, Comments

Re: RIN 3064-AD74

675 North Washington Street / Suite 410 / Alexandria, VA 22314
(703) 548-0777 Tel / (703) 548-1925 Fax / www.aalafleet.com

Ladies and Gentlemen:

American Automotive Leasing Association ("AALA") submits this letter in response to the request for comments made by the Securities and Exchange Commission, the Office of the Controller of the Currency , the Board of Governors of the Federal Reserve and the Federal Deposit Corporation as "Joint Regulators" to proposed rule changes in section 15G of the Securities and Exchange Act of 1934 as implementation of the credit risk retention requirements mandated by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). AALA welcomes the effort of the Joint Regulators in the development of consistent and transparent rules governing the implementation of the risk retention requirements of the Dodd-Frank Act. Our purpose in writing is to identify specific areas of uncertainty and rigidity that negatively impact our members, without improving investor risk.

AALA is comprised of the principal companies engaged in commercial vehicle fleet leasing which as an industry manages slightly more than 3 million vehicles in the United States. In 2009, vehicles added to commercial and government fleets (673,013 vehicles) represented 6.7% of vehicle registrations*. These vehicles include trucks as well as automobiles with the vast majority being US domestic manufacture. Our members' client bases range from small and medium size businesses as well as municipalities with fleets of several vehicles to global corporations and large government agencies with leased fleets of well over 1,000 vehicles. In most cases, our clients do not bring their business to our members because they see us an alternative form of finance. Our members are focused on the highly efficient execution of millions of transactions daily in assisting these diverse clients by managing their vehicle fleets: maintenance, repair, collisions, violations, fuelling, titling, license renewal and ultimately disposal and replacement. The added value AALA members bring to their clients consists of their technological strength in vehicle logistics management, efficiency of buying power and constant driver and service coverage throughout the country.

AALA's members include publicly and privately owned companies. In scale, they are both middle market and mid corporate organizations with a significant equity and reputational "skin in the game". Since the industry's inception approximately 70 years ago, lenders and investors (balance sheet and ABS) in our industry's debt have experienced negligible losses in their exposure to this sector. The vehicle fleet industry has been a long standing and respected participant in the asset backed securities markets.

On behalf of its members, AALA requests the Joint Regulators consider the following suggestions to the proposed rules. We believe these modifications would enhance implementation and yet remain faithful to the expectations of the recent Dodd-Frank legislation.

* "Automotive Fleet" 2010 Statistics

675 North Washington Street / Suite 410 / Alexandria, VA 22314
(703) 548-0777 Tel / (703) 548-1925 Fax / www.aalafleet.com

Horizontal Risk Retention:

AALA believes the proposed rules on Horizontal Risk Retention should be simplified to allow for better operational and financing efficiency:

1. Blended Horizontal Risk Retention: The proposed regulations anticipate the use Eligible Horizontal Residual Interest, Horizontal Cash Reserves, Sellers' Interest and Representative Sample as discreet and mutually exclusive alternatives to meet the minimum 5% risk requirement. AALA proposes that in allowing for each of the alternatives to be acceptable forms of risk retention for ABS financings, the Joint Regulators should also accept that two or more alternatives: a) may be combined to comply with the aggregate risk retention requirement, b) each alternative have its own amortization schedule, always subject to the next point.

2. 5% Risk Retention Minimum to be maintained at all times. The 5% minimum should be required at all times as a percentage of outstanding funding held by third party investors.

3. Excess cash flows generated by the lease assets or cash reserves should continue to be available to the Securitizer provided that there is a minimum of 5% Risk Retention after having given effect to the prospective payments.

AALA believes streamlining the proposed rules would have benefits to issuers, investors and lenders as well as regulators:

a) The proposed rules govern ABS activity in the public, private and regulated depository market which is evolving in response to the Dodd Frank Act but also to other changes in each venue's respective regulatory and capital environment. By segregating each alternative, AALA believes that the regulators are adding rigidity at a time when the market place needs increased flexibility to establish new parameters to comply with changes in legislation and market operations.

b) The 5% Risk Retention Minimum is powerful in its clarity as an overall governor of exposure. AALA recommends the elimination of language on loss allocation, loan/lease prepayments or other forms of principal payments as these add procedure, but not substance to the investor protection. Both investors and issuers of fleet lease transactions have been comfortable with the clarity and effectiveness of current structures.

c) As currently proposed in the rules, excess cash flow retention during the duration of a financing has, as a principal impact, the increase of credit enhancement at a time when a financing is seasoned and diminishing in size. The retention results in higher levels of

675 North Washington Street / Suite 410 / Alexandria, VA 22314
(703) 548-0777 Tel / (703) 548-1925 Fax / www.aalafleet.com

percentage coverage than at inception and significantly above the 5% requirement. Such increased coverage is likely to render ABS financing uneconomic and unattractive.

d) The proposed rules on Horizontal Risk Retention fail to recognize an existing market reality. In our members' experience, ABS transactions typically include both cash reserves and a residual risk interest. A cash reserve of some level is necessary to provide ancillary liquidity, as well as often used as a balancing factor to achieve the desired level of transaction credit enhancement. The failure to allow for a combination of means to achieve the 5% minimum risk retention is likely to render some ABS financing structurally inefficient and economically unattractive without providing meaningful improvement in its investor risk complexion.

Revolving Asset Master Trusts:

AALA appreciates the recognition by the Joint Regulators of the specific needs of Revolving Asset Master Trusts. Some of our members have in place such trusts which since 2006, we believe have issued over $3.0 billion of relevant securities. In the vehicle fleet leasing context, such financings have typically involved three legal entities to provide enhanced investor protection: an origination trust that holds title to vehicles, leases and other associated rights; an intermediate entity that owns the beneficial interests (SUBI) in the origination trust; and an issuer who holds security over the SUBI and issues debt obligations.

AALA puts forward the following suggestions for consideration in drafting the regulations:

a) The proposed rules assume the (revolving asset master) trust is the issuer of debt obligations. It appears to be more appropriate to adopt the term "issuer" instead which would also have the effect of making the term consistent with "Issuing Entity" as already defined in the proposed rules.

b) As currently drafted in the proposed rules, the "sellers interest" needs to be held by the issuing entity that does not collateralize any other ABS interest issued by the entity. This seems unclear as the sellers interest generally has rights in the same pool of assets as that other ABS investors have so all ABS interest would be collateralized by the same pool of assets.

c) Within the definition of sellers interest, there appears to be a lack of clarity on the inclusion of cash as an acceptable part of the retained interest for computing pro rata risk in the securitized assets.

d) In keeping with AALA's overall point on "Blended Risk", we believe the final rules should also allow for the inclusion of different and multiple forms of risk retention within Revolving Asset Master Trust related financings. As specific wording, would recommend

675 North Washington Street / Suite 410 / Alexandria, VA 22314
(703) 548-0777 Tel / (703) 548-1925 Fax / www.aalafleet.com

for consideration: "ABS interest includes any type of interest or obligation issued, held or retained by an issuing entity…"

e) The rules would benefit from a more broad definition of "Master Trusts" to include as eligible issuers, entities:
   a. Created at the direction of the sponsor
   b. Owns or holds the pool of assets to be securitized or maintains a first priority security interest in or is the owner of SUBI's related to the underlying pool of assets
   c. In whose name the asset backed securities are issued

Hedging, Transfer and Financing Restrictions:

AALA believes the proposed rules on hedging create uncertainty for our members in the management of their overall business risk.

As mentioned earlier, the members of AALA provide their clients with a number of vehicle related services: fuel, oil, tires as well as repair and maintenance. These services are typically provided on a "pass through" basis: our members pay vendors and are reimbursed by our lessee clients for the products and services purchased together with a service fee. In orders of magnitude, especially with current levels of fuel prices, these payments are large and in scale compare closely to our members lease related revenues. In contrast to vehicle lease payments, these reimbursements are unsecured exposures to our lessee clients and subject to the lessee's general corporate credit quality.

Consequently, as part of sound credit practice expected by our lenders and investors, our members require of some of our clients at inception or during the course of our business relationship various forms of credit indemnity: letters of credit, bonds, cash deposits or other sureties. Our members may also protect themselves through insurance – credit protection (e.g. CDS) on the unsecured name or event focused coverage (e.g. excess liability).

When letters of credit and other indemnities are taken or credit protection purchased on the general creditworthiness of their lessee clients, our members do not, and as a practical matter, cannot apportion mitigation to "receivables risk", "bank and insurance company funding" or "ABS", but seek a general buffer against potential lessee credit deterioration and ultimate inability to pay their general obligations.

The AALA believes that the proposed regulations should clearly allow such general business protection for the avoidance of doubt and uncertainty. Embedded within the fleet lease ABS structures are multiple levels of cash flow and asset quality protections providing more immediate coverage to investors.

675 North Washington Street / Suite 410 / Alexandria, VA 22314
(703) 548-0777 Tel / (703) 548-1925 Fax / www.aalafleet.com

1. Under the terms of fleet lease securitizations, leases with delinquency in lease payments beyond a stipulated period lose their eligibility and immediately become part of the securitizer's "risk retention" within the financing.

2. As lessors, the AALA members have an asymmetrically higher credit exposure to a lessee client in relation to an investor in a specific ABS transaction. Unlike "retail" asset classes (e.g. auto, residential, credit card) where a specific risk occurs mostly once within a large cross section of population, the fleet lessors provide recurrent vehicle leases to largely the same customer bases. Our members' lessee credit risk is spread across multiple financings (bank, insurance company as well as ABS), and extends over time as new vehicle specific leases are written to replace vehicles retired. Consequently, our members accumulate multiple (sometimes in the thousands of leases) risk exposures to the same underlying lessee.

3. In any given ABS financing, lessee concentration is limited to approximately 3% of the collateral pool. For limited exceptions above this threshold, there is an additional overcollateralization requirement. ABS investors derive name specific credit risk mitigation through this limit.

4. Unlike retail auto collateral where vehicles may have inconsistent wear, maintenance and control characteristics, fleet leases offer meaningful hard asset coverage. In addition to ownership being vested in a third party trust, the vehicles associated with financed leases are under the consistent management and attention of the fleet lessors (i.e. AALA members) assuring a realistic and liquid vehicle asset value for the primary benefit of the ABS investor.

Under the proposed rules, AALA notes that in the adherence to 15G(a)(1)(A) the proposed regulations use terminology describing "particular ABS interests, assets or securitized assets", "particular securitized assets that collateralize the asset-backed securities" and propose to identify as inappropriate a hedge where "the particular interest or asset is the reference asset" as distinguished from one where the hedge is of "similar assets originated by other sponsors…would not be prohibited."

AALA appreciates the Joint Regulators attempt to provide increased guidance by differentiating acceptable hedges from those that would be prohibited. The illustrations in the proposed rules are pertinent to residential real estate, credit card, automobile and other retail oriented financing where the creation of a financial asset is the essence of the business done between the Originator/Securitizer and the obligors. AALA seeks from the Joint Regulators clarification in the proposed rules that there is no prohibition on the Originator's ability to obtain risk mitigation or protection referenced or attached to the general credit risk or credit quality of the corporate or governmental obligor.

675 North Washington Street / Suite 410 / Alexandria, VA 22314
(703) 548-0777 Tel / (703) 548-1925 Fax / www.aalafleet.com

AALA proposes to the Joint Regulators for their consideration the following wording as clarification to be included in Section __.14(d) (Permitted hedging activities):

"Credit protection provided generally by or on behalf of the obligor of assets to satisfy the sponsor's standard credit underwriting procedures and protocols so long as such credit protection is not designed primarily to reduce or limit the financial exposure of the retaining sponsor to the credit risk of one or more of the particular interests or assets that the sponsor is required to retain pursuant to subpart B of this part."

AALA thanks the Joint Regulators for providing it with the opportunity to comment on the Proposed Rules, and appreciates the effort by the regulators in making the proposed rules consistent and harmonious. Should you have any questions regarding these comments or would like to discuss them further please feel free to contact me.

Sincerely,

Dan Frank
Vice President, Government Affairs
Tel: 847-544-4189
Email: dfrank@wheels.com

675 North Washington Street / Suite 410 / Alexandria, VA 22314
(703) 548-0777 Tel / (703) 548-1925 Fax / www.aalafleet.com