



American Automotive
Leasing Association

February 21, 2014

Department of the Treasury
Legislative and Regulatory Activities Division,
Office of the Comptroller of the Currency,
400 7th Street, SW,
Suite 3E-218, Mail Stop 9W-11,
Washington, DC 20219

Docket ID OCC-2013-0010

Federal Reserve System
Robert deV. Frierson, Secretary, Board of Governors
20th Street and Constitution Avenue, NW,
Washington, DC 20551

Docket No. R-1411

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

RIN 3064-AD74

Federal Housing Finance Agency
Alfred M. Pollard, General Counsel,
Attention: Comments/RIN 2590-AA43,
Constitution Center, (OGC) Eighth Floor,
400 7th Street SW, Washington, DC 20024

RIN 2590-AA43

Securities and Exchange Commission
Elizabeth M. Murphy, Secretary,
100 F Street, NE., Washington, DC 20549-1090

File Number S7-14-11

Department of Housing and Urban Development
Regulations Division, Office of General Counsel,
451 7th Street, SW, Room 10276,
Washington, DC 20410-0500.

via Federal Rulemaking Portal – “Regulations.gov”

Ladies and Gentlemen:

Re: Credit Risk Retention
Docket ID: OCC-2013-0010

American Automotive Leasing Association (“AALA”) submits this letter in response to the invitation of the Joint Regulators to comment on the re-proposed regulations governing risk retention requirements of issuers and sponsors in covered asset backed securities transactions. AALA appreciates the dedication and responsiveness of the Joint Regulators to the broad range of feedback provided on the proposed regulation. In particular, AALA is grateful that several observations made in its letter to the Joint Regulators dated June 1, 2011 have been addressed. In this letter, AALA would like to focus on one observation point that may appear to require further clarification.

AALA is comprised of the principal companies engaged in commercial vehicle fleet leasing which, as an industry, manages slightly more than three million vehicles in the United States. 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 includes 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 75 years ago, lenders’ and investors’ balance sheet and ABS in our industry’s debt have experienced negligible losses. The vehicle fleet industry has been a long standing and respected participant in the asset backed securities markets.

AALA requests the Joint Regulators consider the following suggestion to the re-proposed rules as they relate to Hedging, Transfer and Finance Restrictions. AALA notes the inclusion of Servicing Assets as a new term within the re-proposed regulation defined as “... rights or other assets designed to assure the timely distribution of proceeds to ABS interest holders and assets that are related or incidental to purchasing or otherwise acquiring and holding the issuing entity’s securitized assets. Servicing assets include amounts received by the issuing entity as proceeds of rights or other assets, whether as remittances by obligors or as other recoveries.”

AALA recommends for consideration by the Joint Regulators, a further permission under Permitted hedging activities. “Purchasing or selling a security or other financial instrument to protect or mitigate credit risk in servicing assets for the protection of all investors.” While the inclusion of the definition of servicing assets is positive, AALA believes the absence of the ability to protect receivables risk on behalf of all investors is not reflective of real business practices and is detrimental to all parties.

AALA members provide their clients with a number of vehicle related services: fuel, oil, tires, violation and toll management as well as repair and maintenance. These services are typically provided on a “pass through” basis: our members pay vendors and are reimbursed by their lessee clients for the products and services purchased together with a service fee. In orders of magnitude, these payments are large in a scale comparable to lease related revenues. Lessees are billed monthly for both lease payments and services they purchase creating a monthly receivable balance. Where lessee credit quality is weaker, AALA members require various forms of credit indemnity to help mitigate the risk inherent in the billing cycle. Protection may be sought at the inception or during the course of an ongoing business relationship, not directly tied to a specific or subset of leases. Protection may take various forms: 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). These protections reside outside the securitization SPV as they cover services not financed as well as vehicle leases that may or may not be in a specific securitization pool. Indemnity protection is established against a monthly aggregate billing level whose composition varies from month to month.

The AALA believes that the suggested modification will provide clarity for our members who act as servicers in covered ABS transactions. AALA thanks the Joint Regulators for providing it with the opportunity to comment on the Re-Proposed Risk Retention 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,

Daniel Frank

Vice President, Federal Government Affairs
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