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OFFICE OF THE CHAIRMAN
CORRESPONDENCE ASSIGNMENT

OC 11-0078

ASSIGNED TO:
FINANCIAL REFORM
COMMENTS

DATE: 02/08/2011

CORRESPONDENT: CHAD M. VOLKERT
CNH GLOBAL NV, DEERE & COMPANY
NAVISTAR FINANCIAL CORPORATION
VOLVO FINANCIAL SERVICES
CATERPILLAR FINANCIAL SERVICES
ONE JOHN DEERE PLACE
MOLINE, ILLINOIS 61265

MR. VOLKERT OF DEERE & COMPANY AND OTHERS PROVIDE COMMENTS CONCERNING SECTION 941, CAPTIVE COMMERCIAL EQUIPMENT EXCEPTION AND CREDIT RISK RETENTION..

THE ATTACHED CORRESPONDENCE HAS BEEN ASSIGNED TO FINANCIAL REFORM COMMENTS FOR INFORMATION.

IF YOU HAVE ANY QUESTIONS RELATING TO THIS ASSIGNMENT, PLEASE CONTACT THE CORRESPONDENCE UNIT OF THE OFFICE OF LEGISLATIVE AFFAIRS AT 898-7055.

DISTRIBUTION:
MR. VILLARREAL
FILE
TICKLER

OC 11-78

February 1, 2011

PRIVATE AND CONFIDENTIAL

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

Re: CCEQ Meeting December 14, 2010 to discuss 941 and 942 of Dodd-Frank Act

Ladies and Gentlemen:

During our meeting on December 14, 2010, we recommended that (i) Captive Commercial Equipment (CCEQ) companies be granted an exemption from the Credit Risk Retention requirements of Section 941 of the Dodd Frank legislation, and (ii) the Commission prescribe requirements for CCEQ ABS issuers under Section 942 of the legislation consistent with what is currently disclosed.

During the meeting, the Commission raised a number of questions and requested that we provide some additional information. You will find this information in the attached five exhibits, which address each question specifically. In the interest of providing a complete summary, we have also included a copy of our group's December 13, 2010 letter that we submitted prior to the December 14th meeting. This letter and the attached exhibits should be considered as part of the December 13, 2010 letter and read in conjunction with such letter. An overview of the exhibits is as follows:

<u>Exhibit 1: Definition of a Captive Commercial Equipment Finance Company</u> – During our discussion, you requested that we provide a working definition of a "Captive Commercial Equipment Finance Company" for the Commission's consideration as regulations are developed. The attached definition describes those unique finance companies whose businesses are directly tied to supporting the sale of commercial equipment manufactured by their parent or affiliate companies. This captive relationship naturally creates an inherent interest on the part of the captive in the ongoing performance of its loan or lease portfolio. This strong relationship eliminates the need for explicit risk retention requirements and creates significant risks to disclosing loan level detail. We have also included language to incorporate the proposed definition into the risk retention and disclosure requirements of Dodd-Frank.

<u>Exhibit 2: Loan Level Concerns</u> – We recommend disclosure requirements consistent with current industry practices (i.e. stratifications and other such data). In this Exhibit we outline the items from REG AB II which if disclosed would raise significant competitive and privacy concerns. Due to these concerns, if required to provide such information, some CCEQ issuers would be forced to

CNH Global NV
Deere & Company
Navistar Financial Corporation
Volvo Financial Services, a division of VFS US LLC
Caterpillar Financial Services Corporation

Per your instructions we have copied the other regulatory agencies as follows:

The Honorable Timothy F. Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

John E. Bowman
Acting Director
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue
Washington, DC 20551

John G. Walsh
Acting Comptroller of the Currency
250 E Street, SW
Washington, DC 20219-0001

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990

Exhibit 1: Definition of a Captive Commercial Equipment Finance Company (cont.)

Section 941 Risk Retention:

- Pursuant to Section 15G(e)(1), any securitizer and originator which is a Captive Commercial Equipment Finance Company shall be exempt from the risk retention requirements under 15G(b) and (c).

Section 942 Disclosure:

- Pursuant to Section 78o(d)(2), establish Captive Commercial Equipment Finance Company as a distinct class of issuers.
- Determine, pursuant to Section 77g(c)(2)(B) that asset-level and loan-level data are not necessary in connection with assets originated or securitized by Captive Commercial Equipment Finance Companies.

Exhibit 2: Loan Level Concerns (cont.)

Item 1(a)(7) Original Asset Term, Item 1(a)(5) Origination date & Item 1(a)(8) Asset maturity date: These fields, when combined with various other fields (e.g. original interest rate), would pose significant competitive concerns by enabling competitors to discern the CCEQ finance company's structuring and pricing practices.

Item 1(a)(10) Original interest rate, Item 1(a)(13) Original interest only term, Item 1(b)(3) Current interest rate: This field, when combined with various other fields (original asset amount as an example), would pose significant competitive concerns by enabling competitors to discern the CCEQ finance company's structuring and pricing practices.

Exhibit 3: List of Equipment Issuers (cont.)

Equipment Issuers (1995-Present) (TBD = to be determined, unknown at this time)			Affiliate of Manufacturer
SSB			
T&W Financial			
TAL			TBD
Terrapin Funding			
Textainer			
Textron			YES
Trinity Rail Leasing			YES
Triton Container			
UHAUL			YES
Unicapital			
United Capital Aviation			YES
Universal Funding			
USXL			
Volvo Financial			YES
Xerox			YES
		YES	20
		TBD	1
Total	**60**		**21**

Exhibit 5: Economic Impact Analysis of Proposed Requirements

One of the Commission's requests was an estimation of the economic cost of implementing the risk retention and loan-level disclosure requirements as proposed. As referenced in the cover letter, we could not arrive at a meaningful estimate due to the many assumptions that would be required concerning dealer, customer and competitor response to loan rate or pricing changes by one or more CCEQ finance companies. We can, however, describe impact on CCEQ finance companies and give indications of where there could be downstream impacts.

The most direct impact that reporting requirements could have on CCEQ ABS issuers is to force the discontinuance of their securitization programs in order to protect customers' privacy and the parent or affiliate company's competitive intelligence. Disbanding these programs would mean that the CCEQ finance companies would have fewer diversified sources of funding to support future originations, thereby increasing company exposure to disruptions in other funding markets. As the diversification of funding sources is one of the factors in determining credit ratings, the company would also be exposed to any corollary potential rating agency scrutiny.

The loss of a funding source would impact companies differently depending primarily on the credit rating and securitization program size of each respective company. Lower rated companies would face higher funding costs as they shift from cost effective ABS funding to higher cost unsecured debt; which would negatively impact their competitive position relative to higher rated companies or government sponsored entities. These companies would also be negatively impacted by increased risk retention since the retained securities would need to be financed with higher cost debt. For other companies, increased reliance on the unsecured debt markets may lead to higher funding costs due to increased requirements for unsecured debt. To the extent that the increased funding costs from either of these impacts are passed on to dealers and customers in the form of higher prices or loan rates, there would be additional downstream economic impacts that cannot be reliably estimated, but could be sizable.

December 13, 2010

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: CCEQ Meeting December 14, 2010 to discuss Sections 941 and 942 of Dodd-Frank Act

Ladies and Gentlemen:

The undersigned companies are submitting this letter in advance of our December 14th meeting to discuss the Dodd-Frank legislation (the "legislation") as it relates to asset-backed securities. We represent captive finance companies that primarily securitize loans the proceeds of which were used to purchase large, commercial equipment manufactured by the captive's parent or affiliated company through the manufacturer's dealer network ("CCEQ" = captive commercial equipment). Some of us also securitize loans to our dealers the proceeds of which were used by dealers to purchase CCEQ ("dealer floorplans"). As a distinct subset of the broader ABS market, we believe we possess characteristics that are unique among ABS issuers.

The purpose of this letter is to highlight for the Commission the distinctive nature of the CCEQ ABS market and address the specific implications of the risk retention and disclosure requirements contained in sections 941 and 942 of the legislation, which we plan to discuss in more detail at our meeting.

The CCEQ ABS issuer group consists of the finance subsidiaries of CNH, Deere, Caterpillar, the Volvo Group, and Navistar. We believe we represent the majority of the issuers in the CCEQ ABS market. Some of us have previously submitted letters to the SEC (commenting on RegABII) in support of our specific company concerns. Our upcoming meeting will address the topics on behalf of the CCEQ ABS market as a whole, including the opinions of some of our CCEQ ABS investors.

We conclude that CCEQ ABS issuers are uniquely incentivized to maintain a strategy of underwriting high-quality loans without the need for additional risk retention, and that the current data disclosures are suitable for both issuers and investors. If additional disclosures are required, we propose group level data as further discussed below.

RISK RETENTION

Section 941 of the Dodd-Frank legislation requires risk retention to improve the securitization process and protect investors from losses associated with poorly underwritten loans. The requirement is designed to align incentives between originators, securitizers and servicers toward a common goal of better underwriting and servicing practices.

The legislation allows the Commission to exempt certain asset classes and issuers and to tailor the risk retention requirements by asset class, based on criteria such as the quality of underwriting standards, the existence of appropriate risk management practices, and the effect on the availability of credit on reasonable terms for the actual borrower. We believe our current practices and the loans we provide such as a late harvest for weather-related reasons. We monitor the performance of these loans and have found their overall performance to be no worse (and in some cases, better) than non-extended loans. Consequently, the servicing strategy conflicts seen in the RMBS market and the need for "vertical" risk retention do not exist in the CCEQ ABS market. In addition, no CCEQ ABS issuer has experienced an investor or trustee demand for repurchase due to breach of representations or warranty.

A unique feature of CCEQ customers is that these customers exhibit a high level of brand loyalty, which results in a large number of repeat purchasers of the parent companies' equipment. Each of the CCEQ issuer's affiliated manufacturing companies has dedicated decades to building this loyal customer base. Each captive finance subsidiary was created with the primary purpose of assisting the manufacturing company in selling its equipment. Thus, the CCEQ ABS issuers are already incentivized not to lower underwriting standards, which would lead to more loan defaults, and would almost certainly lead to the defaulted customers switching brands. Hence, to avoid this possibility and maintain the bond between the customer and the manufacturer, we have a strong incentive to only originate loans which we believe will pay on time and in full. Lowering our underwriting standards would contradict the captive's purpose and ultimately, would be detrimental to the manufacturing company and its reputation.

We also offer financing to our affiliate companies' dealer networks, and in certain cases securitize these receivables as well. Again, lowering our underwriting standards with respect to dealer floorplans would produce higher dealer defaults and would impair the vital link that our dealers provide between our customers and the manufacturing companies. Given the small number of CCEQ dealers, compared to the extensive consumer dealer network for autos, and given the CCEQ dealers' close bond with the customer, the CCEQ dealer's viability is essential to strengthening the customer loyalty to the manufacturer. These dealerships are heavily scrutinized not only by the captive, but by the manufacturing company as well, and the results of this multi-layered analysis can be seen in the extremely low historical default rates.

Furthermore, if additional risk retention is required, any resulting increase in lending costs would necessarily have to be passed on to our customers and could negatively impact their various industries, such as construction, agriculture and transportation. For example, unlike many auto purchases, farmers would not consider the acquisition of a harvester a "discretionary purchase" as this equipment is vital to their agriculture production. Drops in agriculture production would not only affect particular farmers, but the agricultural sector as a whole. The reduced access to reasonably priced credit would flow through to many vital sectors of the US economy. The sectors that are represented by the CCEQ ABS issuers comprise an important base for economic growth in the US and international exports.

For these reasons and given the strong past performance of the CCEQ ABS sector through multiple economic cycles, we propose that no additional risk retention measures are needed to protect our investors. Specifically, we recommend that the CCEQ asset class be granted an exemption from the credit risk retention requirements of Section 941 of the legislation. If such an exemption is not available, we recommend that the regulations applicable to CCEQ ABS be drafted in a way that validates the existing practices and structures used in the CCEQ ABS market.

areas, it would be possible to identify a specific customer or dealer based on even limited loan-level detail. For example, in some zip codes there may be one large farmer and several smaller ones. Based on the loan size or type of equipment, it would be easy for others, including our competitors, to identify the borrower and their respective loan terms. Even in certain larger geographic groupings, borrowers or dealers could be easily identified. Revealing such information would not only breach the trust we have established and erode relationships that have been forged over many years, but, in some cases, could also violate our legal commitments.

If more specific disclosure is required, the risks to customer and dealer privacy as well as to competitive intelligence would lead some CCEQ ABS issuers to discontinue their securitization programs. In addition, CCEQ ABS issuers would experience significant operational costs to process, compile and distribute this new loan-level data. This, in turn, could negatively impact customers and dealers by causing higher financing costs or decreased availability of credit. Furthermore, a decrease in the level of CCEQ ABS issuance would negatively impact investors by reducing the supply of an investment alternative that has performed well for several years. Therefore, we recommend that the Commission prescribe requirements for CCEQ ABS issuers under Section 942 of the legislation that are limited to the current disclosure requirements.

Further, CCEQ ABS issuers suggest that if required to make additional disclosures, we provide a new set of detailed grouped data, which would preserve customer and dealer privacy and protect proprietary underwriting and marketing information from third parties. We would propose providing something similar to the following data at the time of a new transaction, as well as on a monthly basis concurrent with, but separate from any related 10-D filings.

RETAIL GROUPED DATA

Grouped combinations of:

1) Industry or Equipment Type
2) New/Used
3) Original Term
4) APR

For each grouping provide the following:

1) # of Contracts
2) Original Balance
3) Current Balance
4) Wtd Avg Remaining Term
5) Wtd Avg APR

WHOLESALE GROUPED DATA

Grouped combinations of:

1) Product Line (equipment, rental, parts, etc.)
2) New/Used

For each Grouping provide the following:

1) # of Dealers
2) Current Balance

As transactions age and the number of loans in any of these groupings decreases to a point that the issuer reasonably determines that continued disclosure could threaten a customer's or dealer's privacy, the grouping would be combined with an adjacent grouping.

Should the Commission implement any new data disclosure requirements, it is vitally important that issuers are given adequate time to implement the procedural and systems capabilities necessary to

Sincerely,

CNH Global NV

By: Richard Tobin
Title: Chief Financial Officer

Deere & Company

By: Chad M. Volkert
Title: Manager, Funding

Navistar Financial Corporation

By:
Title: WILLIAM V MCMENAMIN
V.P., CFO & TREASURER

Volvo Financial Services, a division of VFS US LLC

By: Teresa D. Davidson
Title: Vice President – Legal & General Counsel
Region The Americas

Caterpillar Financial Services Corporation

By:
Title: Treasurer