

## Loan Securitization Servicing Assets

4. Are the “rights or other assets” described in § 351.10(c)(8)(i)(B) (“servicing assets”) limited to “permitted securities,” or can other assets be servicing assets for purposes of the loan securitization exclusion?

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The exclusion from the definition of covered fund for loan securitizations provides that, in addition to loans, a loan securitization may hold rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities and rights or other assets that are related or incidental to purchasing or otherwise acquiring and holding the loans, provided that each asset meets the requirements of § 351.10(c)(8)(iii) of the final rule.

Under the final rule, servicing assets may be any type of asset. However, any servicing asset that is a security must be a permitted security under § 351.10(c)(8)(iii). Permitted securities under this section include cash equivalents and securities received in lieu of debts previously contracted as set forth in § 351.10(c)(8)(iii). The preamble to the final rule provides additional detail on the meaning of cash equivalents, noting that the Agencies interpret “cash equivalents” to mean high quality, highly liquid short term investments whose maturity corresponds to the securitization’s expected or potential need for funds and whose currency corresponds to either the underlying loans or the asset-backed securities.