

Council of Infrastructure Financing Authorities
Education Finance Council
Government Finance Officers Association
National Association of Bond Lawyers
National Association of Counties
National Association of Health and Educational Facilities Authorities
National Association of Local Housing Finance Agencies
National Council of State Housing Agencies
National League of Cities
Regional Bond Dealers Association
Securities Industry and Financial Markets Association
U.S. Conference of Mayors

June 21, 2010

Dear Chairman Dodd and Chairman Frank:

We are writing to respectfully and urgently request that the *Restoring American Financial Stability Act of 2010* (Act) conferees amend the Conference Base Text (H.R. 4173 “BaseText”) to make explicit that municipal securities are **not** included under the definition of “asset-backed security” as defined in section 941. We believe that this can best be accomplished by amending the Base Text, as noted in the attachment.

We understand that Congress generally did not intend to sweep municipal securities into the definition, which is sound public policy and consistent with current definitions set forth by the SEC under Reg AB (See Release Nos. 33-8518 and 34-50905). While we appreciate that the current language sets forth a discretionary “total or partial exemption for municipal or not for profit issuers” with regard to the risk retention requirements of the Act, we respectfully suggest that any definition of asset-backed security that leaves the status of municipal securities ambiguous will create a perpetual cloud of uncertainty over the municipal markets that will have immediate and direct unintended consequences. Issuers and investors alike need certainty on this point.

The undersigned associations represent a wide array of governmental and not-for-profit issuers and market participants that access billions of dollars in funding from capital markets each year to fund the needs of state and local governments, necessary public infrastructure, higher education, health care facilities, housing and certain other nonprofit institutions and service agencies. On their behalf, we urge you to include a clear statutory exemption to the credit risk retention requirement.

Respectfully,

Council of Infrastructure Financing Authorities, Richard Farrell, 202-547-1866
Education Finance Council, Peter Warren, 202-955-5510
Government Finance Officers Association, Susan Gaffney, 202-393-8468
National Association of Bond Lawyers, Victoria P. Rostow, 202-682-1498
National Association of Counties, Stephen Traylor, 202-942-4254
National Association of Health and Educational Facilities Authorities, Chuck Samuels, 202-434-7311
National Association of Local Housing Finance Agencies, John Murphy, 202-367-1197
National Council of State Housing Agencies, Garth Riemen, 202-624-7710
National League of Cities, Lars Etzkorn, 202-626-3173
Regional Bond Dealers Association, Bill Daly, 202-509-9670
Securities Industry and Financial Markets Association, Michael Decker or Leslie Norwood, 202-962-7430
U.S. Conference of Mayors, Larry Jones, 202-861-6709

Attachment

Beginning on page 1209, line 23 through page 1201, line 12 strike the following:

“(iii) a total or partial exemption for any asset-backed security that is a security issued or guaranteed by any State of the United States, or by any political subdivision of a State or territory, or by any public instrumentality of a State or territory that is exempt from the registration requirements of the Securities Act of 1933 by reason of section 3(a)(2) of that Act (15 U.S.C. 77c(a)(2)), or a security defined as a qualified scholarship funding bond in section 150(d)(2) of the Internal Revenue Code of 1986, as may be appropriate in the public interest and for the protection of investors;

On page 1210, line 13 redesignate as follows:

“(iii)(iv) the allocation of risk retention obligations between a securitizer and an originator in the case of a securitizer that purchases assets from an originator, as the Federal banking agencies and the Commission jointly determine appropriate.

On Page 1221, add the following new section:

SEC. 946. MUNICIPAL SECURITIES EXEMPTED.

Any other provision of this Subtitle to the contrary notwithstanding, no provision of this Subtitle shall be applicable to, or shall expand the existing authority of the Commission or the Federal banking agencies to regulate, any municipal securities, as defined in Section 3(a) (29) of the Securities Exchange Act of 1934, or securities issued by a person described in Section 150(d) (2) of the Internal Revenue Code.