Joint Release

Board of Governors of the Federal Reserve System
Department of Housing and Urban Development
Federal Deposit Insurance Corporation
Federal Housing Finance Agency
Office of Comptroller of the Currency
Securities and Exchange Commission

For Immediate Release August 28, 2013

Agencies Request Comment on Proposed Risk Retention Rule

Six federal agencies on Wednesday issued a notice revising a proposed rule requiring sponsors of securitization transactions to retain risk in those transactions. The new proposal revises a proposed rule the agencies issued in 2011 to implement the risk retention requirement in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

This proposal is being issued jointly by the Board of Governors of the Federal Reserve System, the Department of Housing and Urban Development, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission. As provided under the statute, the Secretary of the Treasury, as Chairperson of the Financial Stability Oversight Council, played a coordinating role in the rulemaking. The rule would provide asset-backed securities (ABS) sponsors with several options to satisfy the risk retention requirements. The original proposal generally measured compliance with the risk retention requirements based on the par value of securities issued in a securitization transaction and included a so-called premium capture provision. The agencies are now proposing that risk retention generally be based on fair value measurements without a premium capture provision.

As required by the Dodd-Frank Act, the proposal would define "qualified residential mortgage" (QRM) and exempt securitizations of QRMs from risk retention. The new proposal would define QRMs to have the same meaning as the term qualified mortgages as defined by the Consumer Financial Protection Bureau. The new proposal also requests comment on an alternative definition of QRM that would include certain underwriting standards in addition to the qualified mortgage criteria.

Similar to the original proposal, under the new proposal, securitizations of commercial loans, commercial mortgages, or automobile loans of low credit risk would not be subject to risk retention. Further, the rule would recognize the full guarantee on payments of principal and interest provided by Fannie Mae and Freddie Mac for their residential mortgage-backed securities as meeting the risk retention requirements while Fannie Mae and Freddie Mac are in conservatorship or receivership and have capital support from the U.S. government. This provision also is unchanged from the original proposal. The agencies are requesting comment on the revised proposed rule by October 30, 2013.

Attachment:
Credit Risk Retention - PDF (PDF Help)

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Media Contacts:

Federal Reserve	Eric Kollig	202-452-2955
FDIC	Andrew Gray	202-898-7192
FHFA	Stefanie Johnson	202-649-3030
HUD	Brian Sullivan	202-402-7527
OCC	Stephanie Collins	202-649-6870
SEC	Office of Public Affairs	202-551-4120

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