

**Supporting Statement
Credit Risk Retention
OMB Control No. 1557-NEW**

A. Justification.

1. Circumstances that make the collection necessary:

Section 941(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, 124 Stat. 1376 (July 21, 2010)) requires the OCC, FRB, FDIC, SEC, and, in the case of the securitization of any residential mortgage asset, the FHFA and HUD to issue rules that, subject to certain exemptions: (a) require a securitizer to retain not less than 5% of the credit risk of any asset that the securitizer, through the issuance of an asset-backed security, transfers, sells, or conveys to a third party; and (b) prohibit a securitizer from directly or indirectly hedging or otherwise transferring the credit risk that the securitizer is required to retain under the statute and implementing regulations. The proposed rule sets forth permissible forms of risk retention for securitizations that involve issuance of asset-backed securities. The disclosure and recordkeeping requirements associated with the various forms of risk retention will enhance market discipline, help ensure the quality of the assets underlying a securitization transaction, and provide the information necessary for investors to adequately evaluate transactions.

2. Use of the information:

The information collection requirements in the proposed rule are found in §§ __.4, __.5, __.6, __.7, __.8, __.9, __.10, __.12, __.13, __.15, __.18, __.19, and __.20. The OCC proposes to codify these new rules in new part 43.

Section __.4 sets forth the conditions that must be met by sponsors electing to use the vertical risk retention option. Section __.4(b)(1) requires disclosure of the amount of each class of ABS interests retained and required to be retained by the sponsor and § __.4(b)(2) requires disclosure of material assumptions used to determine the aggregate dollar amount of ABS interests issued in the transaction.

Section __.5 specifies the conditions that must be met by sponsors using the horizontal risk retention option, including disclosure of the amount of the eligible horizontal residual interest retained by the sponsor and the amount required to be retained (§ __.5(c)(1)(i)); disclosure of the material terms of the eligible horizontal residual interest (§ __.5(c)(1)(ii)); disclosure of the dollar amount to be placed in a cash reserve account and the amount required to be placed in the account (§ __.5(c)(2)(i)), if applicable; disclosure of the material terms governing the cash reserve account (§ __.5(c)(2)(ii)), if applicable; and disclosure of material assumptions and methodology used in determining the aggregate dollar amount of ABS interests issued in the transaction (§ __.5(c)(3)).

Section __.6 identifies the requirements for sponsors opting to use the hybrid L-shaped

risk retention method, including disclosures in compliance with those set forth for the vertical and horizontal risk retention methods (§___.6(b)).

Section __.7 requires sponsors using a revolving master trust structure for securitizations to disclose the amount of seller's interest retained by the sponsor and the amount the sponsor is required to retain (§___.7(b)(1)); the material terms of the seller's interest retained by the sponsor (§___.7(b)(2)); and the material assumptions and methodology used in determining the aggregate dollar amount of ABS issued in the transaction (§___.7(b)(3)).

Section __.8 discusses the representative sample method of risk retention and requires that the sponsor adopt and adhere to policies and procedures to, among other things, document the material characteristics used to identify the designated pool and randomly select assets using a process that does not take account of any asset characteristic other than the unpaid balance (§___.8(c)); maintain, until all ABS interests are paid in full, documentation that clearly identifies the assets included in the representative sample (§___.8(c)); obtain an agreed upon procedures report from an independent public accounting firm (§___.8(d)(1)); disclose the amount of assets included in the representative sample and retained by the sponsor and the amount of assets required to be retained by the sponsor (§___.8(g)(1)(i)); disclose prior to sale a description of the material characteristics of the designated pool (§___.8(g)(1)(ii)); disclose prior to sale a description of the policies and procedures used by the sponsor to ensure compliance with random selection and equivalent risk determination requirements (§___.8(g)(1)(iii)); confirm prior to sale that the required agreed upon procedures report was obtained (§___.8(g)(1)(iv)); disclose the material assumptions and methodology used in determining the aggregate dollar amount of ABS interests issued in the transaction (§___.8(g)(1)(v)); disclose after sale the performance of the pool of assets in the securitization transaction as compared to performance of assets in the representative sample (§___.8(g)(2)); and disclose to holders of the asset-backed securities information concerning the assets in the representative sample (§___.8(g)(3)).

Section __.9 addresses the requirements for sponsors utilizing the ABCP conduit risk retention approach. The requirements for ABCP conduits include disclosure of each originator-seller with a retained eligible horizontal residual interest and the form, amount, and nature of the interest (§___.9(b)(1)); disclosure of each regulated liquidity provider providing liquidity support to the ABCP conduit and the form, amount, and nature of the support (§___.9(b)(2)); maintenance of policies and procedures that are reasonably designed to monitor regulatory compliance by each originator-seller of the eligible ABCP conduit (§___.9(c)(2)(i)); and notice to holders of the ABS interests issued in the transaction in the event of originator-seller regulatory non-compliance (§___.9(c)(2)(ii)).

Section __.10 sets forth the requirements for commercial mortgage-backed securities, including disclosure of the name and form of organization of the third-party purchaser (§___.10(a)(5)(i)), the third-party purchaser's experience (§___.10(a)(5)(ii)), other material information (§___.10(a)(5)(iii)), the amount and purchase price of eligible horizontal residual interest retained by the third-party purchaser and the amount that the sponsor would have been required to retain (§___.10(a)(5)(iv) and (v)), a description of the material terms of the eligible residual horizontal interest retained by the third-party purchaser (§___.10(a)(5)(vi)), the material assumptions and

methodology used to determine the aggregate amount of ABS interests issued by the issuing entity (§__.10(a)(5)(vii)), representations and warranties concerning the securitized assets and factors used to determine the assets should be included in the pool (§__.10(a)(5)(viii)); sponsor maintenance of policies and procedures to monitor third-party compliance with regulatory requirements (§__.10(b)(2)(A)); and sponsor notice to holders of ABS interests in the event of third-party non-compliance with regulatory requirements (§__.10(b)(2)(B)).

Section __.12 requires the establishment of a premium cash reserve account, in addition to the sponsor's base risk retention requirement, in instances where the sponsor structures a securitization to monetize excess spread on the underlying assets. The premium cash reserve account would be used to "capture" the premium received on sale of such tranches for purposes of covering losses on the underlying assets and would require the sponsor to make disclosures regarding the dollar amount required by regulation to be placed in the account and any other amounts placed in the account by the sponsor (§__.12(d)(1)) and the material assumptions and methodology used in determining fair value of any ABS interest that does not have a par value and that was used in calculating the amount required for the premium capture cash reserve account (§__.12(d)(2)).

Section __.13 sets forth the conditions that apply when the sponsor of a securitization allocates to originators of securitized assets a portion of the credit risk it is required to retain, including disclosure of the name and form of organization of any originator with an acquired and retained interest (§__.13(a)(2)); maintenance of policies and procedures that are reasonably designed to monitor originator compliance with retention amount and hedging, transferring and pledging requirements (§__.13(b)(2)(A)); and notice to holders of ABS interests in the transaction in the event of originator non-compliance with regulatory requirements (§__.13(b)(2)(B)).

Section __.15 provides an exemption from the risk retention requirements for qualified residential mortgages that meet certain specified criteria including certification by the depositor of the asset-backed security that it has evaluated the effectiveness of its internal supervisory controls and concluded that the controls are effective (§__.15(b)(4)(i)), and sponsor disclosure prior to sale of asset-backed securities in the issuing entity of a copy of the certification to potential investors (§__.15(b)(4)(iii)). Section __.15(d)(13) imposes additional information collection requirements on the mortgage originator to include terms in the mortgage transaction documents under which the creditor commits to having servicing policies and procedures and to provide disclosure of the foregoing default mitigation commitments to the borrower at or prior to the closing of the mortgage transaction. In addition §__.15(e)(3) provides that a sponsor that has relied upon the exemption shall not lose the exemption if it complies with certain specified requirements, including prompt notice to the holders of the asset-backed securities of any loan repurchased by the sponsor.

Sections __.18, __.19, and __.20 provide exemptions from the risk retention requirements for qualifying commercial real estate loans, commercial mortgages, and auto loans that meet specified criteria. Each section requires that the depositor of the asset-backed security certify that it has evaluated the effectiveness of its internal supervisory controls and concluded

that its controls are effective (§§ __.18(b)(7)(i), __.19(b)(10)(i), and __.20(b)(9)(i)); that the sponsor provide a copy of the certification to potential investors prior to the sale of asset-backed securities (§§ __.18(b)(7)(iii), __.19(b)(10)(iii), and __.20(b)(9)(iii)); and that the sponsor promptly notify the holders of the securities of any loan included in the transaction that is required to be repurchased by the sponsor (§§ __.18(c)(3), __.19(c)(3), and __.20(c)(3)).

3. Consideration of the use of improved information technology:

National banks may use any information technology that permits review by OCC examiners.

4. Efforts to identify duplication:

The information required is unique. It is not duplicated elsewhere.

5. Methods used to minimize burden if the collection has an impact on a substantial number of small entities:

Not applicable.

6. Consequences to the Federal program if the collection were conducted less frequently:

Conducting the collection less frequently would present safety and soundness risks.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

None. The information collection is conducted in accordance with OMB guidelines in 5 CFR part 1320.

8. Efforts to consult with persons outside the agency:

The agencies published a notice of proposed rulemaking in the *Federal Register* for comment. 76 FR 24090 (April 29, 2011).

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

There is no assurance of confidentiality.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

Number of respondents: 30 sponsors; 1,650 creditors.

Total Burden: 20,482.5

Sections Containing Paperwork Burden	No. of Respondents	Hours Per Response	Frequency Of Response	Total Burden Hours
Section B.4 – Vertical Risk Retention B.4(b)(1) – disclosure of amount of each Class of ABS interests retained by sponsor		0.5		
B.4(b)(2) – disclosure of material assumptions and methodology		1.5		
Total disclosure burden sect B.4	26	2.0 hours	1	52
Section B.5 – Horizontal Risk Retention B.5(c)(1)(i) – disclosure of amount of residual interest retained by sponsor and amount required to be retained by sponsor		0.5		
B.5(c)(1)(ii) – disclosure of material terms		0.5		
B.5(c)(2)(i) – disclosure of dollar amount to be placed in cash reserve account and amount required to be placed in account		0.5		
B.5(c)(2)(ii) – disclosure of material terms governing cash reserve account		0.5		
B.5(c)(3) – disclosure of material assumptions and methodology		1.5		
Total disclosure burden sect B.5	26	3.5 hours	1	91
Section B.6 – L-shaped Risk Retention B.6(b) – disclosure in compliance with requirements for vertical & horizontal risk retention		3.0		
Total disclosure burden sect B.6	26	3.0 hours	1	78
Section B.7 – Revolving Master Trusts B.7(b)(1) – disclosure of amount of seller’s interest retained by sponsor and		0.5 Accounts for providing		

amount sponsor required to retain		to agencies only		
B.7(b)(2) – disclosure of form and nature of seller’s interest retained by sponsor		0.5 Accounts for providing to agencies only		
B.7(b)(3) – disclosure of material assumptions and methodology		1.5		
Total disclosure burden sect B.7	26	2.5 hours	1	65
Section B.8 – Representative Sample		80		
B.8(c) – development of and adherence to documented and auditable policies and procedures				
B.8(d)(2) – procedures report by independent public accounting firm		40		
B.8(g)(1)(i) – disclosure of amount of assets included in representative and retained by sponsor and amount required to be included and retained		0.5		
B.8(g)(1)(ii) – disclosure prior to sale of material characteristics of Designated Pool		10		
B.8(g)(1)(iii) – disclosure prior to sale of policies and procedures used by sponsor to ensure compliance with (b) (2) and (b)(3)		2.0		
B.8(g)(1)(iv) – disclosure prior to sale confirming that procedures report was obtained		0.25		
B.8(g)(2) – disclosure after sale of comparison of performance of pool of assets in securitization transaction and assets in representative sample		10		
B.8(g)(3) – disclosure concerning assets in representative sample		0.5		
Total disclosure burden sect B.8	26	23.25 hours	1	604.5
Total recordkeeping burden sect B.8	30	120 hours	1	3,600
Section B.9 – Eligible ABCP Conduits		1.5		
B.9(b)(1) – disclosure of each				

originator-seller w/retained eligible horizontal				
B.9(b)(2) -- disclosure of each regulated liquidity provider providing liquidity support to the ABCP conduit and the form, amount, and nature of the support		0.5		
B.9(c)(2)(i) – policies and procedures to monitor compliance by each originator-seller		20		
B.9(c)(2)(ii) – notice to holders of ABS interests that originator-seller is non-compliant with (a)(1)		1.0		
Total disclosure burden sect B.9	26	3.0 hours	1	78
Total recordkeeping burden sect B.9	26	20 hours	1	520
Section B.10 – Commercial Mortgage-Backed Securities		0.25		
B.10(a)(5)(i) – disclosure of name and form of organization of third-party purchaser				
B.10(a)(5)(ii) – disclosure of third-party purchaser’s experience		5.0		
B.10(a)(5)(iii) – disclosure of other material information		1.0		
B.10(a)(5)(iv) and (v) – disclosure of amount of eligible horizontal residual interest retained by third-party purchaser and amount that sponsor would have been required to retain		0.5		
B.10(a)(5)(vi) – disclosure of material terms of eligible residual horizontal interest retained by third-party purchaser		0.5		
B.10(a)(5)(vii) – disclosure of material assumptions and methodology		1.5		
B.10(a)(5)(viii) – disclosure of representations and warranties concerning assets and factors used to determine assets should be included in pool		10		
B.10(b)(2)(A) – policies and procedures to monitor third-party purchaser compliance		20		

B.10(b)(2)(B) – notice to holders of ABS interests of third-party purchaser non-compliance		1.0		
Total disclosure burden sect B.10	26	19.75 hours	1	513.5
Total recordkeeping burden sect B.10	26	20 hours	1	520
Section B.12 – Premium Cash Reserve Account		0.25		
B.12(d)(1) – disclosure of dollar amount				
B.12(d)(2) and (3) – disclosure of material assumptions and methodology used in determining fair value and aggregate amount of ABS interest		1.5		
Total disclosure burden sect B.12	3	1.75 hours	1	5.25
Section C.13 – Allocation of Risk Retention		1.5		
C.13(a)(2) – disclosure of name and form of organization of any originator w/acquired and retained interest				
C.13(b)(2)(A) – policies and procedures to monitor originator compliance		20		
C.13(b)(2)(B) – notice to holders of ABS interests of originator non-compliance		1.0		
Total disclosure burden sect C.13	3	2.5 hours	1	7.5
Total recordkeeping burden sect C.13	3	20 hours	1	60
Section D.15 – Exemption for qualified residential mortgages		40		
D.15(b)(4)(i) – depositor certifies that it has evaluated the effectiveness of its internal supervisory controls				
D.15(b)(4)(iii) – sponsor provides a copy of the certification		0.25		
D.15(d)(13)(i) and (ii) – disclosure by creditor – one time update to mortgage transaction documents		8.0		
D.15(e)(3) – disclosure of amount of repurchased loan(s) and the cause for repurchase		1.0		
Total disclosure burden sect D.15	12	1.25 hours	1	15
Total recordkeeping burden sect D.15	12	40 hours	1	480
One-time disclosure burden sect D.15(d)(13)(i) and (ii)	1,650	8.0 hours	1	13,200

Section D.18 – Underwriting standards for qualified commercial loans D.18(b)(7)(i) – depositor certifies that it has evaluated the effectiveness of its internal supervisory controls		40		
D.18(b)(7)(iii) – sponsor provides a copy of the certification		0.25		
D.18(c)(3) – disclosure of buy-back requirement		1.0		
Total disclosure burden sect D.18	5	1.25 hours	1	6.25
Total recordkeeping burden sect D.18	5	40 hours	1	200
Section D.19 – Underwriting standards for qualified CRE loans D.19(b)(10)(i) – depositor certifies that it has evaluated the effectiveness of its internal supervisory controls		40		
D.19(b)(10)(iii) – sponsor provides a copy of the certification		0.25		
D.19(c)(3) – disclosure of buy-back requirement		1.0		
Total disclosure burden sect D.19	5	1.25 hours	25	6.25
Total recordkeeping burden sect D.19	5	40 hours	1	200
Section D.20 – Underwriting standards for qualified auto loans D.20(b)(9)(i) – depositor certifies that it has evaluated the effectiveness of its internal supervisory controls		40		
D.20(b)(9)(iii) – sponsor provides a copy of the certification		0.25		
D.20(c)(3) – disclosure of buy-back requirement		1.0		
Total disclosure burden sect D.20	5	1.25 hours	1	6.25
Total recordkeeping burden sect D.20	5	40 hours	1	200
Total burden for DFA section 941				20,508.5

13. Estimate of annualized costs to respondents (excluding cost of hour burden in Item #12):

None.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

Former: 0 respondents; 0 hours
New: 1,650 respondents; 20,482.5 hours
Difference: + 1,650 respondents; + 20,482.5 hours

16. Information regarding collections whose results are planned to be published for statistical use:

No publication for statistical use is contemplated.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

Not applicable.

B. Collections of Information Employing Statistical Methods.

Not applicable.