

SUPPORTING STATEMENT  
Credit Risk Retention  
(OMB No. 3064-0183)

**INTRODUCTION**

The FDIC is requesting approval from the OMB to establish a new information collection comprised of disclosure and recordkeeping requirements under the final credit risk retention rule (the “Rule,” FDIC RIN 3064-AD74) pursuant to section 15G of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78o-11), as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), Pub. L. No. 111-2-3, 124 Stat. 1376 (2010) (“section 941”). The Rule was jointly issued by the Federal Deposit Insurance Corporation (“FDIC”), the Office of the Comptroller of the Currency (“OCC”), the Federal Reserve Board (“Board”), the Securities and Exchange Commission (“Commission”) and, with respect to the portions of the Rule addressing the securitization of residential mortgages, the Federal Housing Finance Agency (“FHFA”) and the Department of Housing and Urban Development (“HUD”).

**JUSTIFICATION**

1. Circumstances and Need

Section 941 requires the Board, the FDIC, the OCC (collectively, the “Federal banking agencies”), the Commission and, in the case of the securitization of any “residential mortgage asset,” together with HUD and FHFA, to jointly prescribe regulations that (i) require a securitizer to retain not less than five percent of the credit risk of any asset that the securitizer, through the issuance of an asset-backed security (“ABS”), transfers, sells or conveys to a third party, and (ii) prohibit a securitizer from directly or indirectly hedging or otherwise transferring the credit risk that the securitizer is required to retain under section 941 and the agencies’ implementing rules. Exempted from the credit risk retention requirements of section 941 are certain types of securitization transactions, including ABS collateralized solely by qualified residential mortgages (“QRMs”), as that term is defined in the Rule. In addition, section 941 provides that the agencies must permit a securitizer to retain less than five percent of the credit risk of residential mortgage loans, commercial real estate (“CRE”) loans, commercial loans and automobile loans that are transferred, sold or conveyed through the issuance of ABS by the securitizer, if the loans meet underwriting standards established by the Federal banking agencies.

The Rule provides a menu of credit risk retention options from which securitizers can choose and sets out the standards, including disclosure and recordkeeping requirements, for each option; identifies the eligibility criteria, including certification and disclosure requirements, that must be met for ABS offerings to qualify for the QRM and other exemptions; specifies the underwriting standards for CRE loans, commercial loans and automobile loans, as well as disclosure, certification and recordkeeping requirements, that must be met for ABS issuances collateralized by such loans to qualify for reduced credit risk retention; and sets forth the circumstances under which retention obligations may be allocated by sponsors to originators, including disclosure and monitoring requirements.

## 2. Use of Information Collected

The information collection requirements are found in sections \_\_.4, \_\_.5, \_\_.6, \_\_.7, \_\_.8, \_\_.9, \_\_.10, \_\_.11, \_\_.13, \_\_.15, \_\_.16, \_\_.17, \_\_.18 and 19(g). The recordkeeping requirements relate primarily to (i) the adoption and maintenance of various policies and procedures to ensure and monitor compliance with regulatory requirements and (ii) certifications, including as to the effectiveness of internal supervisory controls. The required disclosures for each risk retention option are intended to provide investors with material information concerning the sponsor's retained interest in a securitization transaction (e.g., the amount, form and nature of the retained interest, material assumptions and methodology, representations and warranties). The agencies believe that the disclosure and recordkeeping requirements will enhance market discipline, help ensure the quality of the assets underlying a securitization, and assist investors in evaluating transactions. Compliance with the information collections is mandatory, responses to the information collections will not be kept confidential and, with the exception of the recordkeeping requirements in sections \_\_.4(d), \_\_.5(k)(3) and \_\_.15(d), the Rule does not specify a mandatory retention period for the collections information.

### Information Collected – Section-by-Section Analysis

**Standard Risk Retention.** Section \_\_.4 sets forth the conditions that must be met by sponsors electing to use the standard risk retention option, which may consist of an eligible vertical interest or an eligible horizontal residual interest, or any combination thereof. Sections \_\_.4(c)(1) and \_\_.4(c)(2) specify the disclosures required with respect to eligible horizontal residual interests and eligible vertical interests, respectively.

A sponsor retaining any eligible horizontal residual interest (or funding a horizontal cash reserve account) is required to disclose: the fair value (or a range of fair values and the method used to determine such range) of the eligible horizontal residual interest that the sponsor expects to retain at the closing of the securitization transaction (§\_\_4(c)(1)(i)(A)); the material terms of the eligible horizontal residual interest (§\_\_4(c)(1)(i)(B)); the methodology used to calculate the fair value (or range of fair values) of all classes of ABS interests (§\_\_4(c)(1)(i)(C)); the key inputs and assumptions used in measuring the estimated total fair value (or range of fair values) of all classes of ABS interests (§\_\_4(c)(1)(i)(D)); the reference data set or other historical information used to develop the key inputs and assumptions (§\_\_4(c)(1)(i)(G)); the fair value of the eligible horizontal residual interest retained by the sponsor (§\_\_4(c)(1)(ii)(A)); the fair value of the eligible horizontal residual interest required to be retained by the sponsor (§\_\_4(c)(1)(ii)(B)); a description of any material differences between the methodology used in calculating the fair value disclosed prior to sale and the methodology used to calculate the fair value at the time of closing (§\_\_4(c)(1)(ii)(C)); and the amount placed by the sponsor in the horizontal cash reserve account at closing, the fair value of the eligible horizontal residual interest that the sponsor is required to fund through such account, and a description of such account (§\_\_4(c)(1)(iii)).

For eligible vertical interests, the sponsor is required to disclose: the form of the eligible vertical interest (§\_\_4(c)(2)(i)(A)); the percentage that the sponsor is required to retain (§\_\_4(c)(2)(i)(B)); a description of the material terms of the vertical interest and the amount the sponsor

expects to retain at closing (§\_\_4(c)(2)(i)(C)); and the amount of vertical interest retained by the sponsor at closing ((§\_\_4(c)(2)(ii)).

Section \_\_.4(d) requires a sponsor to retain the certifications and disclosures required in paragraphs (a) and (c) of this section in its records and the sponsor must provide the disclosure upon request to the Commission and the sponsor's appropriate Federal banking agency, if any, until three years after no ABS interests are outstanding.

**Revolving Pool Securitizations.** Section \_\_.5 requires sponsors relying on the revolving pool securitization (or master trust) risk retention option to disclose: the material terms of the seller's interest and the percentage of the seller's interest that the sponsor expects to retain at the closing of the transaction (§\_\_5(k)(1)(i)); the percentage of the seller's interest that the sponsor retained at closing (§\_\_5(k)(1)(ii)); the material terms of any horizontal risk retention offsetting the seller's interest under §\_\_5(g), §\_\_5(h) and §\_\_5(i) (§\_\_5(k)(1)(iii)); and the fair value of any horizontal risk retention retained by the sponsor (§\_\_5(k)(1)(iv)). Additionally, a sponsor must retain the disclosures required by §\_\_5(k)(1) in its records and must provide the disclosures upon request to the Commission and the sponsor's appropriate Federal banking agency, if any, until three years after no ABS interests are outstanding (§\_\_5(k)(3)).

**Eligible ABCP Conduits.** Section \_\_.6 addresses the requirements for sponsors utilizing the eligible ABCP conduit risk retention option. The requirements for the eligible ABCP conduit risk retention option include disclosure to each purchaser of ABCP and periodically to each holder of ABCP issued by the ABCP conduit of the name and form of organization of the regulated liquidity provider that provides liquidity coverage to the eligible ABCP conduit, including a description of the material terms of such liquidity coverage, and notice of any failure to fund; and with respect to each ABS interest held by the ABCP conduit, the asset class or brief description of the underlying securitized assets, the standard industrial category code for each originator-seller that retains an interest in the securitization transaction, and a description of the percentage amount and form of interest retained by each originator-seller (§\_\_6(d)(1)). An ABCP conduit sponsor relying upon this section shall provide, upon request, to the Commission and the sponsor's appropriate Federal banking agency, if any, the information required under §\_\_6(d)(1), in addition to the name and form of organization of each originator-seller that retains an interest in the securitization transaction (§\_\_6(d)(2)).

A sponsor relying on the eligible ABCP conduit risk retention option shall maintain and adhere to policies and procedures to monitor compliance by each originator-seller (§\_\_6(f)(2)(i)). If the ABCP conduit sponsor determines that an originator-seller is no longer in compliance, the sponsor must promptly notify the holders of the ABCP and, upon request, the Commission and the sponsor's appropriate Federal banking agency, in writing of the name and form of organization of any originator-seller that fails to retain, and the amount of ABS interests issued by an intermediate SPV of such originator-seller and held by the ABCP conduit (§\_\_6(f)(2)(ii) (A)(1)); the name and form of organization of any originator-seller that hedges, directly or indirectly through an intermediate SPV, its risk retention in violation of the rule, and the amount of ABS interests issued by an intermediate SPV of such originator-seller and held by the ABCP

conduit (§\_\_6(f)(2)(ii)(A)(2)); and any remedial actions taken by the ABCP conduit sponsor or other party with respect to such ABS interests (§\_\_6(f)(2)(ii)(A)(3)).

**Commercial Mortgage-Backed Securities.** Section \_\_.7 sets forth the requirements for sponsors relying on the commercial mortgage-backed securities (“CMBS”) risk retention option, and includes disclosures of: the name and form of organization of each initial third-party purchaser (§\_\_7(b)(7)(i)); each initial third-party purchaser’s experience in investing in commercial mortgage-backed securities (§\_\_7(b)(7)(ii)); other material information (§\_\_7(b)(7)(iii)); the fair value and purchase price of the eligible horizontal residual interest retained by each third-party purchaser, and the fair value of the eligible horizontal residual interest that the sponsor would have retained if the sponsor had relied on retaining an eligible horizontal residual interest under the standard risk retention option (§\_\_7(b)(7)(iv) and (v)); a description of the material terms of the eligible horizontal residual interest retained by each initial third-party purchaser, including the same information as is required to be disclosed by sponsors retaining horizontal interests pursuant to §\_\_.4 (§\_\_7(b)(7)(vi)); the material terms of the applicable transaction documents with respect to the Operating Advisor (§\_\_7(b)(7)(vii)); and representations and warranties concerning the securitized assets, a schedule of any securitized assets that are determined not to comply with such representations and warranties, and the factors used to determine that such securitized assets should be included in the pool notwithstanding that they did not comply with the representations and warranties (§\_\_7(b)(7)(viii)). A sponsor relying on the CMBS risk retention option is also required to provide in the underlying securitization transaction documents certain provisions related to the Operating Advisor (§\_\_7(b)(6)), to maintain and adhere to policies and procedures to monitor compliance by third-party purchasers with regulatory requirements (§\_\_7(c)(2)(A)), and to notify the holders of the ABS interests in the event of noncompliance by a third-party purchaser with such regulatory requirements (§\_\_7(c)(2)(B)).

**Fannie Mae and Freddie Mac ABS.** Section \_\_.8 requires that a sponsor relying on the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation risk retention option must disclose a description of the manner in which it has met the credit risk retention requirements (§\_\_8(c)).

**Open-Market CLOs.** Section \_\_.9 sets forth the requirements for sponsors relying on the open market CLO risk retention option, and includes disclosures of a complete list of, and certain information related to, every asset held by an open market CLO (§\_\_9(d)(1)), and the full legal name and form of organization of the CLO manager (§\_\_9(d)(2)).

**Qualified Tender Option Bonds.** Section \_\_.10 sets forth the requirements for sponsors relying on the qualified tender option bond risk retention option, and includes disclosures of the name and form of organization of the qualified tender option bond entity, a description of the form and subordination features of the retained interest in accordance with the disclosure obligations in section \_\_.4(d), the fair value of any portion of the retained interest that is claimed by the sponsor as an eligible horizontal residual interest, and the percentage of ABS interests issued that is represented by any portion of the retained interest that is claimed by the sponsor as an eligible vertical interest (§\_\_10(e)(1)-(4)). In addition, to the extent any portion of the retained interest

claimed by the sponsor is a municipal security held outside of the qualified tender option bond entity, the sponsor must disclose the name and form of organization of the qualified tender option bond entity, the identity of the issuer of the municipal securities, the face value of the municipal securities deposited into the qualified tender option bond entity, and the face value of the municipal securities retained outside of the qualified tender option bond entity by the sponsor or its majority-owned affiliates (§\_\_.10(e)(5)).

***Allocation to Originator.*** Section \_\_.11 sets forth the conditions that apply when the sponsor of a securitization allocates to originators of securitized assets a portion of the credit risk the sponsor is required to retain, including disclosure of the name and form of organization of any originator that acquires and retains an interest in the transaction, a description of the form, amount and nature of such interest, and the method of payment for such interest (§\_\_.11(a)(2)). A sponsor relying on this section is required to maintain and adhere to policies and procedures that are reasonably designed to monitor originator compliance with retention amount and hedging, transferring and pledging requirements (§\_\_.11(b)(2)(A)), and to promptly notify the holders of the ABS interests in the transaction in the event of originator non-compliance with such regulatory requirements (§\_\_.11(b)(2)(B)).

***QRM and Exempt 3-4 Unit Residential Mortgage Loans.*** Sections \_\_.13 and \_\_.19(g) provide exemptions from the risk retention requirements for qualified residential mortgages and qualifying 3-to-4 unit residential mortgage loans that meet certain specified criteria, including that the depositor with respect to the securitization transaction certify that it has evaluated the effectiveness of its internal supervisory controls and concluded that the controls are effective (§§\_\_.13(b)(4)(i) and \_\_.19(g)(2)), and that the sponsor provide a copy of the certification to potential investors prior to sale of ABS in the issuing entity (§§\_\_.13(b)(4)(iii) and \_\_.19(g)(2)). In addition, §§\_\_.13(c)(3) and \_\_.19(g)(3) provide that a sponsor that has relied upon either exemption will not lose the exemption if, after closing of the transaction, it is determined that one or more of the residential mortgage loans does not meet all of the criteria; provided that the depositor complies with certain specified requirements, including prompt notice to the holders of the ABS of any loan that is required to be repurchased by the sponsor, the amount of such repurchased loan, and the cause for such repurchase.

***Reduced Risk Retention for Qualifying Commercial, CRE and Automobile Loans.*** Section \_\_.15 provides for zero percent risk retention for qualifying commercial loans that meet the criteria specified in Section \_\_.16, qualifying CRE loans that meet the criteria specified in Section \_\_.17, and qualifying automobile loans that meet the criteria specified in Section \_\_.18. Section \_\_.15 also requires the sponsor to disclose a description of the manner in which the sponsor determined the aggregate risk retention requirement for any securitization transaction that includes both qualifying commercial loans, qualifying CRE loans, or qualifying automobile loans (“qualifying assets”) that are allocated zero percent risk retention and non-qualifying assets for which five percent retention is required (§\_\_.15(a)(4)). In addition, the sponsor is required to disclose descriptions of the qualifying assets, and descriptions of the assets that are not qualifying assets, and the material differences between the group of qualifying assets and the group of assets that are not qualifying assets with respect to the composition of each group’s loan balances, loan terms, interest rates, borrower credit information, and characteristics of any loan

collateral (§\_\_.15(b)(3)). Additionally, a sponsor must retain the disclosures required in §§\_\_.15(a) and (b) in its records and must provide the disclosure upon request to the Commission and the sponsor's appropriate Federal banking agency, if any, until three years after no ABS interests are outstanding (§\_\_.15(d)).

***Underwriting Standards for Qualifying Commercial, CRE and Automobile Loans.*** Sections \_\_.16, \_\_.17 and \_\_.18 each require that: the depositor of the ABS certify that it has evaluated the effectiveness of its internal supervisory controls and concluded that its internal supervisory controls are effective (§§\_\_.16(a)(8)(i), \_\_.17(a)(10)(i), and \_\_.18(a)(8)(i)); the sponsor is required to provide a copy of the certification to potential investors prior to the sale of ABS in the issuing entity (§§\_\_.16(a)(8)(iii), \_\_.17(a)(10)(iii), and \_\_.18(a)(8)(iii)); and the sponsor must promptly notify the holders of the ABS of any loan included in the transaction that is required to be cured or repurchased by the sponsor, including the principal amount of such loan and the cause for such cure or repurchase (§§\_\_.16(b)(3), \_\_.17(b)(3), and \_\_.18(b)(3)). Additionally, a sponsor must retain the disclosures required in §§\_\_.16(a)(8), \_\_.17(a)(10) and \_\_.18(a)(8) in its records and must provide the disclosures upon request to the Commission and the sponsor's appropriate Federal banking agency, if any, until three years after no ABS interests are outstanding (§\_\_.15(d))

### 3. Use of Technology to Reduce Burden

Sponsors may use technology to the extent feasible and/or desirable or appropriate to make the required disclosures and to maintain the required records.

### 4. Efforts to Identify Duplication

The information collected is not duplicated elsewhere.

### 5. Minimizing the Burden on Small Banks

As of June 30, 2014, there were 3,573 small FDIC-supervised institutions, which include 3,267 state nonmember banks and 306 state-chartered savings institutions.<sup>1</sup> The FDIC is aware of only 22 small banking organizations that currently sponsor securitizations (three of which are national banks, eight of which are state member banks, eight of which are state nonmember banks, and three of which are savings associations, based on June 30, 2014 information). Therefore, the risk retention requirements of the Rule, as generally applicable to sponsors, will not have a significant economic impact on small banking organizations.

Under the Rule a sponsor may offset the risk retention requirement by the amount of any eligible vertical interest or eligible horizontal residual interest acquired by an originator of one or more securitized assets if certain requirements are satisfied, including, the originator must originate at least 20 percent of the securitized assets, as measured by the aggregate unpaid principal balance of the asset pool.<sup>2</sup> In determining whether the allocation to originator provisions of the Rule will have a significant economic impact on a substantial number of small banking organizations, the

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<sup>1</sup> In this context, "small" institutions are those with total assets of \$550 million or less.

FDIC reviewed June 30, 2014, consolidated reports of condition and income (“Call Report”) data to evaluate the securitization activity and approximate the number of small banking organizations that potentially could retain credit risk under allocation provisions of the Rule.<sup>3</sup> As of June 30, 2014, the Call Report data indicates that approximately 763 small banking organizations, 493 of which are state nonmember banks, originate loans for securitization which are largely ABS issuances collateralized by one-to-four family residential mortgages. Many of these originators sell their loans either to Fannie Mae or Freddie Mac, which retain credit risk through agency guarantees, and, therefore, will not be allocated credit risk under the Rule. Additionally, based on publicly available market data, it appears that most residential mortgage-backed securities offerings are collateralized by a pool of mortgages with an unpaid aggregate principal balance of at least \$500 million.<sup>4</sup> Accordingly, under the Rule a sponsor could potentially allocate a portion of the risk retention requirement to a small banking organization only if such organization originated at least 20 percent (\$100 million) of the securitized mortgages. As of June 30, 2014, only nine small banking organizations supervised by the FDIC reported an outstanding principal balance of assets sold and not securitized by the reporting bank of \$100 million or more.<sup>5</sup>

In light of the foregoing, the FDIC does not believe that the Rule will result in a significant economic impact on a substantial number of small banking organizations under its supervisory jurisdiction.

## 6. Consequences of Less Frequent Collection

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<sup>2</sup> Similarly, with respect to an open market CLO transaction, if the lead arranger risk retention option is being relied upon, the lead arranger must be allocated at least 20 percent of the aggregate principal balance at origination of a CLO-eligible loan tranche.

<sup>3</sup> Call Report Schedule RC–S provides information on the servicing, securitization, and asset sale activities of banking organizations. For purposes of the analysis, the agencies gathered and evaluated data regarding (1) the outstanding principal balance of assets sold and securitized by the reporting entity with servicing retained or with recourse or other seller-provided credit enhancements, and (2) assets sold with recourse or other seller-provided credit enhancements and not securitized by the reporting bank.

<sup>4</sup> Based on the data provided in Table 1, page 29 of the Board’s October 2010 Report covering 2002 through 2010 entitled, “Report to the Congress on Risk Retention,” it appears that the average residential mortgage-backed securitization (“RMBS”) issuance is collateralized by a pool of approximately \$620 million in mortgage loans (for prime RMBS issuances) or approximately \$690 million in mortgage loans (for subprime RMBS issuances). For purposes of the analysis, the agencies used an average asset pool size of \$500 million to account for reductions in mortgage securitization activity following 2007, and to add an element of conservatism to the analysis.

<sup>5</sup> The FDIC notes that this finding assumes that all assets originated by small banking organizations reported on RC-S as being sold, whether or not securitized by the reporting bank, would be subject to the five percent risk retention requirement (and would not qualify for an exemption from the risk retention requirements under the Rule).

The disclosure requirements are imposed on a per transaction basis as are the retention obligations. Less frequent disclosures would not be adequate to allow investors to evaluate the investment potential of each transaction. The requirement to develop policies and procedures to monitor compliance with regulatory requirements is a one-time burden, although the agencies expect that sponsors will review their policies and procedures as needed to reflect any changed conditions.

#### 7. Special Circumstances

There are no special circumstances.

#### 8. Consultation with Members of the Public

The information collection requirements were issued for comment with the notice of proposed rulemaking. 78 FR 71818 (November 29, 2013). No comments were received regarding the information collection.

#### 9. Payment or Gift to Respondents

No payments or gifts will be provided to respondents.

#### 10. Confidentiality

No assurances of confidentiality have been made in the Rule.

#### 11. Information of a Sensitive Nature

None of the information required to be disclosed or maintained is of a sensitive nature.

#### 12. Estimated Burden

To determine the total paperwork burden for the requirements contained in the Rule the agencies first estimated the universe of sponsors that would be required to comply with the disclosure and recordkeeping requirements. The agencies estimated that approximately 270 unique sponsors conduct ABS offerings each year. This estimate was based on the average number of ABS offerings from 2004 through 2013 reported by the ABS database Asset-Backed Alert for all non-CMBS transactions and by Commercial Mortgage Alert for all CMBS transactions. Of the 270 sponsors, the agencies assigned 8 percent of these sponsors to the Board, 12 percent to the FDIC, 13 percent to the OCC, and 67 percent to the Commission.<sup>6</sup>

Next, the agencies estimated the burden per response that is associated with each disclosure and recordkeeping requirement, and then estimated how frequently the entities would make the

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<sup>6</sup> The allocation percentages among the agencies were based on the agencies' latest assessment of data, including the securitization activity reported by FDIC-insured depository institutions in the June 30, 2014 Consolidated Reports of Condition.



required disclosure by estimating the proportionate amount of offerings per year for each agency. In making this determination, the estimate was based on the average number of ABS offerings from 2004 through 2013. Based on this, the agencies estimated the total number of annual offerings per year to be 1,275.<sup>7</sup> The agencies also made the following additional estimates:

- 12 offerings per year will be subject to disclosure and recordkeeping requirements under §\_\_.11, which are divided equally among the four agencies (i.e., three offerings per year per agency);
- 100 offerings per year will be subject to disclosure and recordkeeping requirements under §§\_\_.13 and \_\_.19(g), which are divided proportionately among the agencies based on the entity percentages described above (i.e., eight offerings per year subject to §§\_\_.13 and \_\_.19(g) for the Board; 12 offerings per year subject to §§\_\_.13 and \_\_.19(g) for the FDIC; 13 offerings per year subject to §§\_\_.13 and \_\_.19(g) for the OCC; and 67 offerings per year subject to §§\_\_.13 and \_\_.19(g) for the Commission); and
- 120 offerings per year will be subject to the disclosure requirements under §\_\_.15, which are divided proportionately among the agencies based on the entity percentages described above (i.e., 10 offerings per year subject to §\_\_.15 for the Board, 14 offerings per year subject to §\_\_.15 for the FDIC; 16 offerings per year subject to §\_\_.15 for the OCC, and 80 offerings per year subject to §\_\_.15 for the Commission. Of these 120 offerings per year, 40 offerings per year will be subject to disclosure and recordkeeping requirements under §§\_\_.16, \_\_.17, and \_\_.18, respectively, which are divided proportionately among the agencies based on the entity percentages described above (i.e., three offerings per year subject to each section for the Board, five offerings per year subject to each section for the FDIC; five offerings per year subject to each section for the OCC, and 27 offerings per year subject to each section for the Commission).

To obtain the estimated number of responses (equal to the number of offerings) for each option in subpart B of the rule, the agencies multiplied the number of offerings estimated to be subject to the base risk retention requirements (i.e., 1,055)<sup>8</sup> by the sponsor percentages described above. The result was the number of base risk retention offerings per year per agency. For the FDIC, this was calculated by multiplying 1,055 offerings per year by 12 percent, which equals 127 offerings per year. This number was then divided by the number of base risk retention options under subpart B of the rule (i.e., nine)<sup>9</sup> to arrive at the estimate of the number of offerings per year per agency per base risk retention option. For the FDIC, this was calculated by dividing 127 offerings per year by nine options, resulting in 14 offerings per year per base risk retention

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<sup>7</sup> Based on ABS issuance data from Asset-Backed Alert on the initial terms of offerings, supplemented with information from Commercial Mortgage Alert. This estimate includes registered offerings, offerings made under Securities Act Rule 144A, and traditional private placements. This estimate is for offerings that are not exempted under §§ \_\_.19(a)-(f) and \_\_.20 of the Rule.

<sup>8</sup> Estimate of 1,275 offerings per year, minus the estimate of the number of offerings qualifying for an exemption under §§\_\_.13, \_\_.15, and 19(g) (220 total).

<sup>9</sup> For purposes of this calculation, the horizontal, vertical, and combined horizontal and vertical risk retention methods under the standard risk retention option are each counted as a separate option under subpart B of the rule.

option.

The total estimated annual burden for each agency was then calculated by multiplying the number of offerings per year per section for such agency by the number of burden hours estimated for the respective section, then adding these subtotals together. For example, under §\_\_.10, the FDIC multiplied the estimated number of offerings per year for §\_\_.10 (*i.e.*, 14 offerings per year) by the estimated annual frequency of the response for §\_\_.10 of one response, and then by the disclosure burden hour estimate for §\_\_.10 of 6.0 hours. Thus, the estimated annual burden hours for respondents to which the FDIC accounts for the burden hours under §\_\_.10 is 84 hours (14 \* 1 \* 6.0 hours = 84 hours).

For disclosures made at the time of the securitization transaction,<sup>10</sup> the FDIC allocates 25 percent of these hours (337.56 hours) to internal burden for all sponsors. For the remaining 75 percent of these hours, (1,102.69 hours), the FDIC uses an estimate of \$400 per hour for external costs for retaining outside professionals totaling \$405,076. For disclosures made after the time of sale in a securitization transaction,<sup>11</sup> the FDIC allocated 75 percent of the total estimated burden hours (723.94 hours) to internal burden for all sponsors. For the remaining 25 percent of these hours (241.31 hours), the FDIC uses an estimate of \$400 per hour for external costs for retaining outside professionals totaling \$96,525.

#### Estimated Burden Per Response:

§\_\_.4 – Standard risk retention: horizontal interests: recordkeeping – 0.5 hours, disclosures – 5.5 hours; vertical interests: recordkeeping – 0.5 hours, disclosures – 2.0 hours; combined horizontal and vertical interests: recordkeeping – 0.5 hours, disclosures – 7.5 hours.

§\_\_.5 – Revolving pool securitizations: recordkeeping – 0.5 hours; disclosures – 7.0 hours.

§\_\_.6 – Eligible ABCP conduits: recordkeeping – 20.0 hours; disclosures – 3.0 hours.

§\_\_.7 – Commercial mortgage-backed securities: recordkeeping – 30.0 hours; disclosures – 20.75 hours.

§\_\_.8 – Federal National Mortgage Association and Federal Home Loan Mortgage Corporation ABS: disclosures - 1.5 hours.

§\_\_.9 – Open market CLOs: disclosures – 20.25 hours.

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<sup>10</sup> These are the disclosures required by §§\_.4 (c)(1)(i) and (iii), and (c)(2)(i) (as applicable to horizontal interests, vertical interests, or any combination of horizontal and vertical interests); §§\_.5(k)(1)(i), (iii) and (iv) ; \_.6(d); \_.7(b) (7)(i) through (viii); \_.8(c); \_.9(d); 10(e); \_.11(a)(2); \_.13(b)(4)(iii); \_.15(a)(4) and (b)(3); \_.16(a)(8)(iii); \_.17(a)(10) (iii); \_.18(a)(8)(iii); and \_\_.19(g)(2).

<sup>11</sup> These are the disclosures required by §§\_.4 (c)(1)(ii) and (c)(2)(ii) (as applicable to horizontal interests, vertical interests, or any combination of horizontal and vertical interests); §§\_.5(k)(1)(ii); \_.6(f)(2)(ii); \_.7(c)(2)(B); \_.9(d) (1); \_.11(b)(2)(B); \_13(c)(3); \_.16(b)(3); \_17(b)(3); \_.18(b)(3); and \_\_.19(g)(3).

§\_\_.10 – Qualified tender option bonds: disclosures – 6.0 hours.

§\_\_.11 – Allocation of risk retention to an originator: recordkeeping 20.0 hours; disclosures 2.5 hours.

§§\_\_.13 and \_\_.19(g) – Exemption for qualified residential mortgages and qualifying 3-to-4 unit residential mortgage loans: recordkeeping – 40.0 hours; disclosures 1.25 hours.

§\_\_.15 – Exemption for qualifying commercial loans, commercial real estate loans, and automobile loans: disclosure – 20.0 hours; recordkeeping – 0.5 hour.

§\_\_.16 – Underwriting standards for qualifying commercial loans: recordkeeping – 40.5 hours; disclosures – 1.25 hours.

§\_\_.17– Underwriting standards for qualifying CRE loans: recordkeeping – 40.5 hours; disclosures – 1.25 hours.

§\_\_.18 – Underwriting standards for qualifying automobile loans: recordkeeping – 40.5 hours; disclosures – 1.25 hours.

Based upon this analysis, for the FDIC, the estimated number of respondents is 32 sponsors in connection with 153 offerings per year, with a total estimated annual burden of 3,225 hours.<sup>12</sup>

The following chart depicts the estimated total annual burden for FDIC allocated sponsors.

**Recordkeeping and Disclosure Requirements Associated with  
Regulation RR (Credit Risk Retention) (Reg RR; OMB No. 3064-0183)**

	<i>Estimated number of offerings</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>§__.4, Standard Risk Retention</b>				
<b>Horizontal Interest</b>				
Recordkeeping	14	1	0.5	7
Disclosures	14	1	5.5	77
<b>Vertical Interest</b>				
Recordkeeping	14	1	0.5	7
Disclosures	14	1	2.0	28
<b>Combined Horizontal and Vertical Interests</b>				
Recordkeeping	14	1	0.5	7
Disclosures	14	1	7.5	105
<b>§__.5, Revolving Pool</b>				

<sup>12</sup> The hourly burden in the preamble was miscalculated and overstated the total burden by 10 hours.

<b>Securitizedizations</b>				
Recordkeeping	14	1	0.5	7
Disclosures	14	1	7.0	98
<b>§__.6, Eligible ABCP Conduits</b>				
Recordkeeping	14	1	20.0	280
Disclosures	14	1	3.0	42
<b>§__.7, Commercial MBS</b>				
Recordkeeping	14	1	30.0	420
Disclosures	14	1	20.75	290.5
<b>§__.8, FNMA and FHLMC</b>				
Disclosures	14	1	1.5	21
<b>§__.9, Open Market CLOs</b>				
Disclosures	14	1	20.25	283.5
<b>§__.10, Qualified Tender Option Bonds</b>				
Disclosures	14	1	6.0	84
<b>§__.11, Allocation of Risk Retention to an Originator</b>				
Recordkeeping	3	1	20.0	60
Disclosures	3	1	2.5	7.5
<b>§__.13, 19(g), Exemption for Certain Residential Mortgages</b>				
Recordkeeping	12	1	40.0	480
Disclosures	12	1	1.25	15
<b>§__.15, Exemptions for Qualifying Commercial Loans, Commercial Real Estate Loans, and Automobile Loans</b>				
Recordkeeping	14	1	.5	7
Disclosures	14	1	20.0	2800
<b>§__.16, Underwriting Standards for Qualifying Commercial Loans</b>				
Recordkeeping	5	1	40.0	200
Disclosures	5	1	1.25	0
<b>§__.17, Underwriting Standards for Qualifying CRE Loans</b>				
Recordkeeping	5	1	40.0	200
Disclosures	5	1	1.25	06.25
<b>§__.18, Underwriting Standards for Qualifying Automobile Loans</b>				
Recordkeeping	5	1	40.0	200

Disclosures	5	1	1.25	06.25
<b>Total</b>				3,225.25

13. Estimate of Total Annual Cost Burden

There are no capital or start-up costs associated with this collection. In addition, there are no system and technology acquisition or operation and maintenance costs.

14. Estimate of Total Annual Cost to the Federal Government

None.

15. Reason for Change in Burden

This is a new information collection.

16. Publication

The information collected will not be published by the FDIC.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.