NALHFA
National Association of Local Housing Finance Agencies

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June 1, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
U.S. Government
100 F Street, NE
Washington, DC 20549-1090

Re: Commission File No. S7-14-11
Credit Risk Retention

Dear Ms. Murphy:

The National Association of Local Housing Finance Agencies (NALHFA) is a non-profit, national association of city and county government agencies that finance affordable housing in the broader community development context. Among the tools that NALHFA members utilize are tax-exempt single-family and multifamily housing bonds. In the single-family context these bonds provide mortgage assistance for first-time homebuyers, while in the multifamily context they provide below-market financing for the acquisition, construction and preservation of rental housing for lower-income households. These bonds derive their public purpose as a result of the requirements and restrictions of the Internal Revenue Code and serve to expand affordable housing opportunities for the Nation's low-and-moderate income renters and homebuyer. As such, they stand in sharp contrast to corporate bonds.

NALHFA appreciates the opportunity to provide further comments on Commission File No. S7-14-11, credit risk retention requirements of Section 15G of the Securities Act of 1934 as added by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. NALHFA initially provided comments to the Securities and Exchange Commission on November 15, 2010 urging it to provide a full exemption for tax-exempt municipal securities Asset Backed Securities risk retention and disclosure requirements. NALHFA members are very pleased to see that the March 30, 2011 proposed rule does just that. The March 30th proposed rule asks for comments on several questions:

- Is the proposed exemption for ABS issued or guaranteed by a State or municipal entity appropriate?

NALHFA believes strongly that it is. As was indicated in NALHFA's November 25th letter, "…NALHFA strongly believes that the effect of classifying tax-exempt single-family and multifamily housing bonds as asset-backed securities in the same manner as corporate asset-backed bonds, and subject to the same … risk retention requirements in the proposed rules, violates the 1975 Tower Amendment to the Securities Exchange Act of 1934.

- Is it under or over-inclusive? Should it apply to a special purpose entity that is created at the direction of a municipal entity but whose bonds are not issued or guaranteed by the municipal entity?

NALHFA believes that the proposed exemption is neither under nor over-inclusive. It is merely an exercising by the Securities and Exchange Commission of the authority that Congress gave to completely exempt municipal securities from the risk retention requirements.

Issuers of tax-exempt single-family and multifamily private activity bonds are conduit entities created pursuant to state or local law. The mortgage or rent revenues that are derived from payment by those assisted from the proceeds of these bonds are pledged to retire the bonds over time. They are correctly covered by the proposed exemption.

NALHFA strongly urges the SEC to retain the proposed exemption from the risk retention requirements for municipal securities pursuant to the authority granted by Dodd – Frank.

NALHFA appreciates the Commission's favorable action on this recommendation.

Sincerely,

John C. Murphy
Executive Director