

**REQUEST FOR PUBLIC COMMENT REGARDING THE PROJECT GROUP'S
PROPOSED AMENDMENT TO ADD CROSS REFERENCE SHEET STANDARDS FOR
NASAA GUIDELINES FOR REGISTRATION OF ASSET- BACKED SECURITIES.**

To: NASAA Members

From: NASAA Direct Participation Programs Policy Project Group

Date: September 21, 2011

The NASAA Board of Directors has authorized release for public comment the following amendment to add cross reference sheets in the NASAA Guidelines for the Registration of Asset Backed Securities. This is to aid the examiner and applicant for registration in complying with the NASAA Guidelines. The proposed cross reference sheets do not add or detract from existing Guideline provisions. Paraphrased terms for the cross reference sheets are not intended to interpret Guideline provisions or offer less compliance to the applicant. The public comment period will last for 30 days from the date of release listed above.

Most sets of NASAA Guidelines define the term "Cross Reference Sheet," require it to be filed and offer the format of a cross reference. Applicants often file cross-reference sheets voluntarily to expedite the review process. First time applicants that are unfamiliar with the examination of the offerings by NASAA jurisdictions may not have knowledge of the requirement to file a cross reference sheet or the format to use with the application. The proposal will assist issuers that may be filing applications for registration. The proposal will provide the Administrator with the authority to require the cross-reference sheet.

Comments on the proposed amendments in this proposal are invited. To facilitate consideration of comments, please send comments to each Project Group members and the NASAA Legal Department. An addressee roster is set forth below. We encourage, but do not require comments to be submitted by e-mail. We also welcome any general comments on cross reference sheets and the need to file them.

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A) Add new section I.B.12. Reorder existing I.B.12. through I.B.36. to I.B.13. through I.B.37. Add new section X. “Miscellaneous” and X.A. “Cross Reference Sheet Requirement and General Instructions.” Add new section ‘Asset Backed Guidelines Cross Reference Sheet’ for a sample cross reference sheet – Statements of Policy for the Registration of Asset Backed Securities and reorder

Add a new I.B.12.

12. CROSS REFERENCE SHEET: A compilation of the guideline sections, referenced to the page of the PROSPECTUS, TRUST AGREEMENT, or other exhibits, and justification of deviation from the guidelines.

Reorder existing I.B.12. through I.B.36. to I.B.13. through I.B.37.

13. ELIGIBLE ASSETS . . . ;
14. INVESTMENT GRADE . . .
15. ISSUER . . .
16. LIQUIDATION EXPENSES. . .
17. NET WORTH . . .
18. OBLIGOR . . .
19. OPERATING ACCOUNT . . .
20. ORIGINATION FEES . . .
21. ORIGINATOR . . .
22. ORGANIZATIONAL AND OFFERING EXPENSES. . .
23. PERSON . . .
24. PAYING AGENT . . .
25. PROSPECTUS . . .
26. RATING AGENCY . . .
27. SECURITY HOLDERS . . .
28. SERVICER . . .
29. SERVICING AGREEMENT . . .
30. SERVICING FEES . . .
31. SPECIAL PURPOSE ENTITY . . .
32. SPONSOR . . .
33. STATED RATE OF RETURN . . .
34. TRUST ACCOUNT . . .
35. TRUST AGREEMENT. . .
36. TRUSTEE . . .
37. TRUSTEE FEES

Add new section X. Miscellaneous and X.A. Cross Reference Sheet Requirement.

X. MISCELLANEOUS

A. Cross Reference Sheet Requirement and General Instructions.

1. The CROSS REFERENCE SHEET, as required by the ADMINISTRATOR, shall be included with the application for registration.
2. Sections which are not applicable should be noted as such and explained.
3. Provisions which vary from the Guidelines must be explained by footnote. Footnotes should be numbered sequentially in the column designated Footnotes and should be presented on a rider or presented as endnotes.
4. The last page of the Cross Reference Sheet should be signed by the person executing the Form U-1 or other registration application.

Add the new sample cross reference sheet after new section X. Miscellaneous.

ASSET-BACKED SECURITIES GUIDELINES CROSS REFERENCE SHEET

Name of Applicant _____

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
I.B. Definitions			
1. Acquisition Cost	_____	_____	_____
2. Acquisition Criteria	_____	_____	_____
3. Acquisition Expenses	_____	_____	_____
4. Administrator	_____	_____	_____
5. Affiliate	_____	_____	_____
6. Allowed Expenses	_____	_____	_____
7. Asset Backed Securities	_____	_____	_____
8. Cash Flow	_____	_____	_____
9. Collection Accounts	_____	_____	_____
10. Conversion Expenses	_____	_____	_____
11. Credit Enhancement	_____	_____	_____
12. Cross Reference Sheet	_____	_____	_____
13. Eligible Assets	_____	_____	_____
(a) Homogenous	_____	_____	_____
(b) Reasonable Valuation	_____	_____	_____
(c) Easily Liquidated	_____	_____	_____
(d) Predictable Cash Flow	_____	_____	_____
14. Investment Grade	_____	_____	_____
15. Issuer	_____	_____	_____
16. Liquidation Expenses	_____	_____	_____
17. Net Worth	_____	_____	_____
18. Obligor	_____	_____	_____
19. Operating Account	_____	_____	_____

<u>Guideline Section</u>	<u>Section Number Trust Agreement</u>	<u>Page Number Prospectus</u>	<u>Endnote</u>
20. Origination Fees			
21. Originator			
22. Organizational & Offering Expenses			
23. Person			
24. Paying Agent			
25. Prospectus			
26. Rating Agency			
27. Security Holders			
28. Servicer			
29. Servicing Agreement			
30. Servicing Fees			
31. Special Purpose Entity			
32. Sponsor			
33. Stated Rate of Return			
34. Trust Account			
35. Trust Agreement			
36. Trustee			
37. Trustee Fees			
II. Requirements of Sponsor			
A. Experience			
B. Financial Condition			
1. Solvency			
2. Financial Statements			
C. 1. Credit Enhancements			
(a) Exception-Investment Grade			
D. Portfolio Characteristics			
1. Sponsor Demonstrates Cash Flow Unless Investment Grade			
2. Liquidation Cash Flow Unless Investment Grade			
3. Eligible Asset Disclosure			
(a) Outstanding Balance			
(b) Outstanding Balance as a % of offering			
(c) Current Cash Flow as			

<u>Guideline Section</u>	<u>Section Number Trust Agreement</u>	<u>Page Number Prospectus</u>	<u>Endnote</u>
a % of offering			
(d) Default Description			
(e) Amount in Default			
(f) Amount in Default as a % of offering			
(g) Amount in Default as a % of Credit Enhancement			
E. Stated Rate of Return			
F. Asset Selection			
2. Random if from Sponsor unless reasonable			
G. Asset Repurchases & Substitutions			
1. Eligible Assets substituted as collateral			
2. Eligible Assets 15% or less of pool			
3. Fair Price			
4. Equal or Greater cash flow, liquidation, and term CPA verified			
5. Rating maintained			
6. Report to Trustee			
7. Repurchase obligation disclosed			
H. Reinvestment of Excess Cash Flow			
I. Distributions to Sponsor & Residual Owners			
1.(a) Circumstances Disclosed			
(b) No impairment of subsequent payments			
2. Credit Quality not impaired unless investment grade			
III. Requirements of Issuer			
A. Must be a Special Purpose			

<u>Guideline Section</u>	<u>Section Number Trust Agreement</u>	<u>Page Number Prospectus</u>	<u>Endnote</u>
Entity	_____	_____	_____
1. (a) No employees	_____	_____	_____
(b) No obligations other than specified expenses	_____	_____	_____
2. Single Offering unless Investment Grade	_____	_____	_____
3. Supplemental Trust Agreement and Trustee	_____	_____	_____
B. Interest in Eligible Assets	_____	_____	_____
C. Opinion of Counsel	_____	_____	_____
D. Minimum Offering	_____	_____	_____
E. Proceeds Escrow	_____	_____	_____
1. Offering & Investment Period-One year	_____	_____	_____
2. Proceeds invested in 2 months	_____	_____	_____
F. Investments Other Than in Eligible Assets	_____	_____	_____
G. Monitoring by Rating Agency	_____	_____	_____
I. Issuer Reports	_____	_____	_____
1. Performance reports	_____	_____	_____
2. Forecasts v. Actual	_____	_____	_____
3. Annual Audit	_____	_____	_____
IV. Requirements of Servicer			
A. Experience	_____	_____	_____
B. Financial Condition	_____	_____	_____
1. Solvent	_____	_____	_____
2. Ability to perform on Guarantees or advances	_____	_____	_____
3. Financial statements	_____	_____	_____
C. Independence	_____	_____	_____
D. Servicer Reports	_____	_____	_____
1. (a) Monthly Performance Reports	_____	_____	_____
(b) Monthly Credit Enhancement Status	_____	_____	_____
(c) Monthly Default	_____	_____	_____

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
Notices			
2. (a) Quarterly Originator Information			
(b) Percentage Acquired from Originator			
(c) Diversification of Eligible Assets from Originator			
E. Termination & Replacement			
V. Requirements of Trustee			
A. General Requirements			
B. Experience			
C. Independence			
1. Unaffiliated with Servicer, Sponsor or Issuer			
2. Not more the 5% of Total Revenue from Trustee Fee's with Sponsor and Servicer			
3. Not more than 5% of loan portfolio from Issuer, Sponsor or Servicer			
D. Withdrawal or Termination			
E. Duties			
1. Custodianship of Documentation evidencing title or perfected security interest			
2. Verify delivery of Reports pursuant to Trust Agreement and the Securities Exchange Act of 1934			
3. Examine all documents for violations of terms and conditions of Trust Agreement			

<u>Guideline Section</u>	<u>Section Number Trust Agreement</u>	<u>Page Number Prospectus</u>	<u>Endnote</u>
4. Notification and implementation of remedial actions upon default			
5. Trustee Authority to Replace Servicer			
F. Trustee Report			
VI. Suitability of Security			
B. Income & Net Worth Standards			
C. Determination that Sale is Suitable & Appropriate			
D. Subscription Agreements			
E. Confirmation			
VII. Fees, Compensation and Expenses			
A. Disclosure of Consideration, Subordination of Sponsor's Interest in Cash Flow and Eligible Assets			
B. Organizational & Offering Expenses			
C. Origination Fees & Acquisition Expenses			
D. Permitted Expenses- Allowed Expenses, no duplicate fees			
1. No rent, depreciation, salaries, administrative items of Sponsor or Servicer			
2. Table			
E. Servicing Fees			
VIII. Conflicts of Interest			
A. 1. Sales of Sponsor Eligible Assets to Issuer Unless Investment Grade or: (a) at closing of offering and disclosed;			

Guideline Section

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Trust Agreement

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Prospectus

Endnote

and (b) price is fair
market value

- 2. Temporary purchases
to facilitate transaction
unless Investment
Grade or: (a) price is
cost; and (b) no other
benefit

B. Sales of Eligible Assets to
Sponsor or Servicer

C. Commingling

D. Multiple Offerings

E. Other Affiliated
Transactions

IX. Disclosure & Marketing

B. Prospectus

- 1. Prohibited
Representation
forecasts

- 2. Prior Performance

<u>Guideline Section</u>	<u>Section Number</u> <u>Trust Agreement</u>	<u>Page Number</u> <u>Prospectus</u>	<u>Endnote</u>
and (b) price is fair market value			
2. Temporary purchases to facilitate transaction unless Investment Grade or: (a) price is cost; and (b) no other benefit			
B. Sales of Eligible Assets to Sponsor or Servicer			
C. Commingling			
D. Multiple Offerings			
E. Other Affiliated Transactions			
IX. Disclosure & Marketing			
B. Prospectus			
1. Prohibited Representation forecasts			
2. Prior Performance			

Additional Supplemental Cross References:

Name: _____

Title: _____

Signature _____

Reasons to make these changes and conclusion.

The asset backed guidelines do not offer a sample cross reference sheet and fail to define the term “Cross Reference Sheet.” The asset backed guidelines do not require the cross reference sheet with the application. A first time applicant may be unaware of the need to prepare and file a cross reference sheet. This may delay an offering from an initial review. The proposals will define the term cross reference sheet, require it to be filed upon the request of the Administrator and provide instructions. There are no new substantive changes to the Guidelines.

We encourage you to review the accompanying memorandum and submit your comments to the members of the project group.