

H.R. 4173 as passed by the House	H.R. 4173 as passed by the Senate (S. 3217 as amended)	Notes
<p align="center">Subtitle F--Improvements to the Asset-backed Securitization Process</p>	<p align="center"><i>TITLE IX--INVESTOR PROTECTIONS AND IMPROVEMENTS TO THE REGULATION OF SECURITIES</i></p>	
<p>SEC. 1501. SHORT TITLE.</p> <p>This subtitle may be cited as the 'Credit Risk Retention Act of 2009'.</p>	<p align="center"><i>Subtitle D--Improvements to the Asset-Backed Securitization Process</i> <i>SEC. 941. REGULATION OF CREDIT RISK RETENTION.</i></p>	
<p>SEC. 1502. CREDIT RISK RETENTION.</p> <p>(a) Amendment- The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by inserting after section 28 the following new section:</p> <p>SEC. 29. CREDIT RISK RETENTION.</p> <p>(a) In General-</p> <p>(1) INTEREST IN LOANS MADE BY CREDITORS- Within 180 days of the date of the enactment of this section, the appropriate agencies shall prescribe regulations to require any creditor that makes a loan to retain an economic interest in a material portion of the credit risk of any such loan that the creditor transfers, sells, or conveys to a third party, including for the purpose of including such loan in a pool of loans backing an issuance of asset-backed securities.</p> <p>(2) INTEREST IN ASSETS BACKING ASSET-BACKED SECURITIES- The appropriate agencies shall prescribe regulations to require any securitizer of asset-backed securities that are backed by assets not described in paragraph (1) to retain an economic interest in a material portion of any such asset used to back an issuance of securities.</p>	<p><i>SEC. 941. REGULATION OF CREDIT RISK RETENTION</i></p> <p>(b)</p> <p><i>(b) In General- Not later than 270 days after the date of enactment of this section, the Federal banking agencies and the Commission shall jointly prescribe regulations to require any securitizer to retain an economic interest in a portion of the credit risk for any asset that the securitizer, through the issuance of an asset-backed security, transfers, sells, or conveys to a third party.</i></p>	<p>Note: Amending Section 15 G (b) of the Securities Exchange Act of 1934</p>
<p>(b) Alternative Risk Retention for Credit Securitizers- The appropriate agencies may apply the risk retention requirements of this section to securitizers of loans or particular types of loans in addition to or in substitution for any or all of the requirements that apply to creditors that make such loans or types of loans, if the agencies determine that applying the requirements to such securitizers would--</p> <p>(1) be consistent with helping to ensure high quality underwriting standards for creditors, taking into account other applicable laws, regulations, and standards; and</p>	<p><i>SEC. 941. REGULATION OF CREDIT RISK RETENTION</i></p> <p><i>(d) Originators- In determining how to allocate risk retention obligations between a securitizer and an originator under subsection (c)(1)(E)(ii), the Federal banking agencies and the Commission shall--</i></p> <p><i>(1) reduce the percentage of risk retention obligations required of the securitizer by the percentage of risk retention obligations required of the originator; and</i></p> <p><i>(2) consider--</i></p>	<p>Note: Amending Section 15 G (d) of the Securities Exchange Act of 1934</p>

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<p>“(2) facilitate appropriate risk management practices by such creditors, improve access of consumers to credit on reasonable terms, or otherwise serve the public interest.</p>	<p>“(A) whether the assets sold to the securitizer have terms, conditions, and characteristics that reflect reduced credit risk; “(B) whether the form or volume of transactions in securitization markets creates incentives for imprudent origination of the type of loan or asset to be sold to the securitizer; and “(C) the potential impact of the risk retention obligations on the access of consumers and businesses to credit on reasonable terms, which may not include the transfer of credit risk to a third party.</p>	
<p>“(c) Standards for Regulation- Regulations prescribed under subsections (a) and (b) shall-- “(1) prohibit a creditor or securitizer from directly or indirectly hedging or otherwise transferring the credit risk such creditor or securitizer is required to retain under the regulations;</p>	<p>SEC. 941. REGULATION OF CREDIT RISK RETENTION “(c) Standards for Regulations- “(1) STANDARDS- The regulations prescribed under subsection (b) shall-- “(A) prohibit a securitizer from directly or indirectly hedging or otherwise transferring the credit risk that the securitizer is required to retain with respect to an asset;</p>	<p>Note: Amending Section 15 G (c) (1) (A) of the Securities Exchange Act of 1934</p>
<p>“(2) require a creditor or securitizer to retain 5 percent of the credit risk on any loan that is transferred, sold, or conveyed by such creditor or securitized by such securitizer except-- “(A) an appropriate agency may specify that the percentage of risk may be less than 5 percent of the credit risk, or exempt such creditor or securitizer from the risk retention requirement, if-- “(i) the credit underwriting by the creditor or the due diligence by the securitizer meets such standards as an appropriate agency prescribes; and “(ii) the loan that is transferred, sold, or conveyed by such creditor or securitized by such securitizer meets terms, conditions, and characteristics that are determined by an appropriate agency to reflect loans with reduced credit risk, such as loans that meet certain interest rate thresholds, loans that are fully amortizing, and loans that are included in a securitization in which a third-party purchaser specifically negotiates for the purchase of the first-loss position and provides due diligence on all individual loans in the</p>	<p>“(B) require a securitizer to retain-- “(i) not less than 5 percent of the credit risk for any asset-- “(I) that is not a qualified residential mortgage that is transferred, sold, or conveyed through the issuance of an asset-backed security by the securitizer; or “(II) that is a qualified residential mortgage that is transferred, sold, or conveyed through the issuance of an asset-backed security by the securitizer, if 1 or more of the assets that collateralize the asset-backed security are not qualified residential mortgages; or “(ii) less than 5 percent of the credit risk for an asset that is not a qualified residential mortgage that is transferred, sold, or conveyed through the issuance of an asset-backed security by the securitizer, if the originator of the asset meets the underwriting standards prescribed under paragraph (2)(B); “(C) specify--</p>	<p>Note: Amending Section 15 G (c) (1) (B) of the Securities Exchange Act of 1934</p>

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<p>pool prior to the issuance of the asset-backed securities, and retains a first-loss position; and</p> <p>(B) an appropriate agency may specify that the percentage of risk may be more than 5 percent of the credit risk if the underwriting by the creditor or due diligence by the securitizer is insufficient;</p> <p>(3) specify that the credit risk retained must be no less at risk for loss than the average of the credit risk not so retained; and</p> <p>(4) set the minimum duration of the required risk retention.</p>	<p>(i) the permissible forms of risk retention for purposes of this section;</p> <p>(ii) the minimum duration of the risk retention required under this section; and</p> <p>(iii) that a securitizer is not required to retain any part of the credit risk for an asset that is transferred, sold or conveyed through the issuance of an asset-backed security by the securitizer, if all of the assets that collateralize the asset-backed security are qualified residential mortgages;</p> <p>(D) apply, regardless of whether the securitizer is an insured depository institution; and</p> <p>(E) with respect to a commercial mortgage, specify the permissible types, forms, and amounts of risk retention that would meet the requirements of subparagraph (B), such as--</p> <p>(i) retention of a specified amount or percentage of the total credit risk of the asset;</p> <p>(ii) retention of the first-loss position by a third-party purchaser that specifically negotiates for the purchase of such first-loss position and provides due diligence on all individual assets in the pool before the issuance of the asset-backed securities;</p> <p>(iii) a determination by a Federal banking agency or the Commission that the underwriting standards and controls for the asset are adequate; and</p> <p>(iv) provision of adequate representations and warranties and related enforcement mechanisms;</p> <p>and (F) provide for--</p> <p>(i) a total or partial exemption of any securitization, as may be appropriate in the public interest and for the protection of investors; and</p> <p>(ii) the allocation of risk retention obligations between a securitizer and an originator in the case of a securitizer that purchases assets from an originator, as the Federal banking agencies and the Commission jointly determine appropriate.</p>	

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<p>^(d) Exemptions and Adjustments-</p> <p>^(1) IN GENERAL- The appropriate agencies shall have authority to provide exemptions or adjustments to the requirements of this section, including exemptions or adjustments relating to the percentage of risk retention required to be held and the hedging prohibition.</p> <p>^(2) APPLICABLE STANDARDS- Any exemptions or adjustments provided under paragraph (1) shall--</p> <p>^(A) be consistent with the purpose of ensuring high quality underwriting standards for creditors, taking into account other applicable laws, regulations, or standards; and</p> <p>^(B) facilitate appropriate risk management practices by such creditors, improve access for consumers to credit on reasonable terms, or otherwise serve the public interest.</p>	<p><i>SEC. 941. REGULATION OF CREDIT RISK RETENTION</i></p> <p>^(e) Exemptions, Exceptions, and Adjustments-</p> <p>^(1) IN GENERAL- <i>The Federal banking agencies and the Commission may jointly adopt or issue exemptions, exceptions, or adjustments to the rules issued under this section, including exemptions, exceptions, or adjustments for classes of institutions or assets relating to the risk retention requirement and the prohibition on hedging under subsection (c)(1).</i></p> <p>^(2) APPLICABLE STANDARDS- <i>Any exemption, exception, or adjustment adopted or issued by the Federal banking agencies and the Commission under this paragraph shall--</i></p> <p>^(A) <i>help ensure high quality underwriting standards for the securitizers and originators of assets that are securitized or available for securitization; and</i></p> <p>^(B) <i>encourage appropriate risk management practices by the securitizers and originators of assets, improve the access of consumers and businesses to credit on reasonable terms, or otherwise be in the public interest and for the protection of investors.</i></p>	<p>Note: Amending Section 15 G (e) of the Securities Exchange Act of 1934</p>
<p>^(e) Appropriate Agency Defined- For purposes of this section, the term 'appropriate agency' means any of the following agencies with regard to the respective loans and asset-backed securities:</p> <p>^(1) BANKING AGENCIES- The Federal banking agencies, the National Credit Union Administration Board, and the Commission, with respect to any loan or asset-backed security for which there is no appropriate agency under paragraph (2).</p> <p>^(2) OTHER AGENCIES-</p> <p>^(A) With regard to any mortgage insured under title II of the National Housing Act, the Secretary of Housing and Urban Development.</p> <p>^(B) With regard to any loan meeting the conforming loan standards of the Federal National Mortgage Corporation or the Federal Home Loan Mortgage Corporation or any asset-backed security issued by either such corporation, the Federal Housing Finance Agency.</p> <p>^(C) With regard to any loan insured by the Rural Housing Service, the Rural Housing Service.</p> <p>^(f) Joint Appropriate Agency Regulations- All regulations prescribed by the agencies identified in subsection (e)(1) shall be prescribed jointly by such agencies.</p>		

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<p> `(g) Enforcement- `(1) Compliance with the requirements imposed under this section shall be enforced under-- `(A) section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818), in the case of-- `(i) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency; `(ii) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25A of the Federal Reserve Act, bank holding companies, and subsidiaries of bank holding companies (other than insured depository institutions), by the Board; and `(iii) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation; `(B) section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818), by the Director of the Office of Thrift Supervision, in the case of a savings association the deposits of which are insured by the Federal Deposit Insurance Corporation and a savings and loan holding company and to any subsidiary (other than a bank or subsidiary of that bank); and `(C) the Federal Credit Union Act (12 U.S.C. 1751 et seq.), by the National Credit Union Administration Board with respect to any Federal credit union. </p>	<p> <i>SEC. 941. REGULATION OF CREDIT RISK RETENTION</i> <i>`(f) Enforcement- The regulations issued under this section shall be enforced by--</i> <i>`(1) the appropriate Federal banking agency, with respect to any securitizer that is an insured depository institution; and</i> </p>	
<p> `(2) Except to the extent that enforcement of the requirements imposed under this section is specifically committed to some other Federal agency under paragraph (1), the Commission shall enforce such requirements. `(3) The authority of the Commission under this section shall be </p>	<p> <i>`(2) the Commission, with respect to any securitizer that is not an insured depository institution. `(g) Authority of Commission- The authority of the Commission under this section shall be in addition to the authority of the Commission to otherwise enforce the securities laws.</i> </p>	

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in addition to its existing authority to enforce the securities laws.		
<p>“(h) Exclusions- Notwithstanding any other provision of this section, the requirements of this section shall not apply to any loan--</p> <p>“(1) insured, guaranteed, or administered by the Secretary of Education, the Secretary of Agriculture, the Secretary of Veterans Affairs, or the Small Business Administration; or</p> <p>“(2) made, insured, guaranteed, or purchased by any person that is subject to the supervision of the Farm Credit Administration, including the Federal Agricultural Mortgage Corporation.</p>	<p>“(3) <i>FARM CREDIT SYSTEM INSTITUTIONS- A Farm Credit System institution, including the Federal Agricultural Mortgage Corporation, that is chartered and subject to the provisions of the Farm Credit Act of 1971, as amended (12 U.S.C. 2001 et seq.), shall be exempt from the risk retention provisions of this subsection.</i></p>	<p>Note: Amending Section 15 G (e) (3) of the Securities Exchange Act of 1934</p>
<p>“(i) Definitions- For purposes of this section:</p> <p>“(1) The term ‘asset-backed security’ has the meaning given such term in section 229.1101(c) of title 17, Code of Federal Regulations, or any successor thereto.</p> <p>“(2) The term ‘Federal banking agencies’ means the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation.</p> <p>“(3) The term ‘insured depository institution’ has the meaning given such term in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)).</p> <p>“(4) The term ‘securitization vehicle’ means a trust, corporation, partnership, limited liability entity, special purpose entity, or other structure that--</p> <p>“(A) is the issuer, or is created by the issuer, of pass-through certificates, participation certificates, asset-backed securities, or other similar securities backed by a pool of assets that includes loans; and</p> <p>“(B) holds such loans.</p>	<p><i>SEC. 941. REGULATION OF CREDIT RISK RETENTION</i></p> <p><i>(a) Definition of Asset-backed Security- Section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)) is amended by adding at the end the following:</i></p> <p>“(77) <i>ASSET-BACKED SECURITY- The term ‘asset-backed security’--</i></p> <p>“(A) <i>means a fixed-income or other security collateralized by any type of self-liquidating financial asset (including a loan, a lease, a mortgage, or a secured or unsecured receivable) that allows the holder of the security to receive payments that depend primarily on cash flow from the asset, including--</i></p> <p>“(i) <i>a collateralized mortgage obligation;</i></p> <p>“(ii) <i>a collateralized debt obligation;</i></p> <p>“(iii) <i>a collateralized bond obligation;</i></p> <p>“(iv) <i>a collateralized debt obligation of asset-backed securities;</i></p> <p>“(v) <i>a collateralized debt obligation of collateralized debt obligations; and</i></p> <p>“(vi) <i>a security that the Commission, by rule, determines to be an asset-backed security for purposes of this section; and</i></p> <p>“(B) <i>does not include a security issued by a finance subsidiary held by the parent company or a company controlled by the parent company, if none of the securities issued by the finance subsidiary are held by an entity that is not controlled by the parent company.’.</i></p> <p><i>(b) Credit Risk Retention- The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15F, as added by this Act, the following:</i></p>	<p>Note: Amending Section 15 G (f) of the Securities Exchange Act of 1934</p>

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<p>(5) The term `securitizer' means the person that transfers, conveys, or assigns, or causes the transfer, conveyance, or assignment of, loans, including through a special purpose vehicle, to any securitization vehicle, excluding any trustee that holds such loans for the benefit of the securitization vehicle.'</p>	<p>(b) <i>Credit Risk Retention- The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15F, as added by this Act, the following:</i></p> <p>SEC. 15G. CREDIT RISK RETENTION.</p> <p>(a) <i>Definitions- In this section--</i></p> <p>(1) <i>the term `Federal banking agencies' means the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation;</i></p> <p>(2) <i>the term `insured depository institution' has the same meaning as in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c));</i></p> <p>(3) <i>the term `securitizer' means--</i></p> <p>(A) <i>an issuer of an asset-backed security; or</i></p> <p>(B) <i>a person who organizes and initiates an asset-backed securities transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to the issuer; and</i></p> <p>(4) <i>the term `originator' means a person who--</i></p> <p>(A) <i>through the extension of credit or otherwise, creates a financial asset that collateralizes an asset-backed security; and</i></p> <p>(B) <i>sells an asset to a securitizer.</i></p>	
<p>(b) Study on Risk Retention-</p> <p>(1) STUDY- The Board, in coordination and consultation with the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the Securities and Exchange Commission, shall conduct a study of the combined impact by each individual class of asset-backed security of--</p> <p>(A) the new credit risk retention requirements contained in the amendment made by subsection (a); and</p> <p>(B) the Financial Accounting Statements 166 and 167 issued by the Financial Accounting Standards Board.</p> <p>(2) REPORT- Not later than 90 days after the date of enactment of this title, the Board shall submit to Congress a report on the study conducted under paragraph (1). Such report shall include statutory and regulatory recommendations for eliminating any</p>		

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<p>negative impacts on the continued viability of the asset-backed securitization markets and on the availability of credit for new lending identified by the study conducted under paragraph (1).</p>		
<p>SEC. 1503. PERIODIC AND OTHER REPORTING UNDER THE SECURITIES EXCHANGE ACT OF 1934 FOR ASSET-BACKED SECURITIES.</p> <p>Section 15(d) of Securities Exchange Act of 1934 (15 U.S.C. 78o(d)) is amended--</p> <p>(1) by inserting `, other than securities of any class of asset-backed security (as defined in section 229.1101(c) of title 17, Code of Federal Regulations, or any successor thereto),' after `securities of each class';</p> <p>(2) by inserting at the end the following: `The Commission may by rules and regulations provide for the suspension or termination of the duty to file under this subsection for any class of issuer of asset-backed security upon such terms and conditions and for such period or periods as it deems necessary or appropriate in the public interest or for the protection of investors. The Commission may, for the purposes of this subsection, classify issuers and prescribe requirements appropriate for each class of issuer of asset-backed security.'; and</p> <p>(3) by inserting after the fifth sentence the following: `The Commission shall adopt regulations under this subsection requiring each issuer of an asset-backed security to disclose, for each tranche or class of security, information regarding the assets backing that security. In adopting regulations under this subsection, the Commission shall set standards for the format of the data provided by issuers of an asset-backed security, which shall, to the extent feasible, facilitate comparison of such data across securities in similar types of asset classes. The Commission shall require issuers of asset-backed securities at a minimum to disclose asset-level or loan-level data necessary for investors to independently perform due diligence. Asset-level or loan-level data shall include data with unique identifiers relating to loan brokers or originators, the nature and extent of the compensation of the broker or originator of the assets backing the security, and the amount of risk retention of the originator or the securitizer of such assets.'</p>	<p>SEC. 942. DISCLOSURES AND REPORTING FOR ASSET-BACKED SECURITIES.</p> <p>(a) <i>Securities Exchange Act of 1934- Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78o(d)) is amended--</i></p> <p>(1) <i>by striking `(d) Each' and inserting the following:</i></p> <p><i>`(d) Supplementary and Periodic Information-</i></p> <p><i>`(1) IN GENERAL- Each';</i></p> <p><i>(2) in the third sentence, by inserting after `securities of each class' the following: `, other than any class of asset-backed securities,'; and</i></p> <p><i>(3) by adding at the end the following:</i></p> <p><i>`(2) ASSET-BACKED SECURITIES-</i></p> <p><i>`(A) SUSPENSION OF DUTY TO FILE- The Commission may, by rule or regulation, provide for the suspension or termination of the duty to file under this subsection for any class of asset-backed security, on such terms and conditions and for such period or periods as the Commission deems necessary or appropriate in the public interest or for the protection of investors.</i></p> <p><i>`(B) CLASSIFICATION OF ISSUERS- The Commission may, for purposes of this subsection, classify issuers and prescribe requirements appropriate for each class of issuers of asset-backed securities.'</i></p> <p>(b) <i>Securities Act of 1933- Section 7 of the Securities Act of 1933 (15 U.S.C. 77g) is amended by adding at the end the following:</i></p> <p><i>`(c) Disclosure Requirements-</i></p> <p><i>`(1) IN GENERAL- The Commission shall adopt regulations under this subsection requiring each issuer of an asset-backed security to disclose, for each tranche or class of security, information regarding the assets backing that security.</i></p> <p><i>`(2) CONTENT OF REGULATIONS- In adopting regulations under this subsection, the Commission shall--</i></p> <p><i>`(A) set standards for the format of the data provided by issuers of an asset-backed security, which shall, to the extent feasible, facilitate comparison of such data across securities in similar types of asset classes; and</i></p>	

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	<p><i>“(B) require issuers of asset-backed securities, at a minimum, to disclose asset-level or loan-level data necessary for investors to independently perform due diligence, including--</i></p> <p><i>“(i) data having unique identifiers relating to loan brokers or originators;</i></p> <p><i>“(ii) the nature and extent of the compensation of the broker or originator of the assets backing the security; and</i></p> <p><i>“(iii) the amount of risk retention by the originator and the securitizer of such assets.’.</i></p>	
<p>SEC. 1504. REPRESENTATIONS AND WARRANTIES IN ASSET-BACKED OFFERINGS.</p> <p>The Commission shall prescribe regulations on the use of representations and warranties in the asset-backed securities market that--</p> <p>(1) require credit rating agencies to include in reports accompanying credit ratings a description of the representations, warranties, and enforcement mechanisms available to investors and how they differ from representations, warranties, and enforcement mechanisms in similar issuances; and</p> <p>(2) require disclosure on fulfilled repurchase requests across all trusts aggregated by originator, so that investors may identify asset originators with clear underwriting deficiencies.</p>	<p>SEC. 943. REPRESENTATIONS AND WARRANTIES IN ASSET-BACKED OFFERINGS.</p> <p><i>Not later than 180 days after the date of enactment of this Act, the Securities and Exchange Commission shall prescribe regulations on the use of representations and warranties in the market for asset-backed securities (as that term is defined in section 3(a)(77) of the Securities Exchange Act of 1934, as added by this subtitle) that--</i></p> <p><i>(1) require each national recognized statistical rating organization to include in any report accompanying a credit rating a description of--</i></p> <p><i>(A) the representations, warranties, and enforcement mechanisms available to investors; and</i></p> <p><i>(B) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities; and</i></p> <p><i>(2) require any securitizer (as that term is defined in section 15G(a) of the Securities Exchange Act of 1934, as added by this subtitle) to disclose fulfilled and unfulfilled repurchase requests across all trusts aggregated by the securitizer, so that investors may identify asset originators with clear underwriting deficiencies.</i></p>	
<p>SEC. 1505. EXEMPTED TRANSACTIONS UNDER THE SECURITIES ACT OF 1933.</p> <p>(a) In General- Section 4 of the Securities Act of 1933 (15 U.S.C. 77d) is amended--</p> <p>(1) by striking paragraph (5); and</p> <p>(2) by redesignating paragraph (6) as paragraph (5).</p>	<p>SEC. 944. EXEMPTED TRANSACTIONS UNDER THE SECURITIES ACT OF 1933.</p> <p><i>(a) Exemption Eliminated- Section 4 of the Securities Act of 1933 (15 U.S.C. 77d) is amended--</i></p> <p><i>(1) by striking paragraph (5); and</i></p> <p><i>(2) by striking ‘(6) transactions’ and inserting the following:</i></p>	

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<p>(b) Conforming Amendment- Section 3(a)(4)(B)(vii)(I) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4)(B)(vii)(I)) is amended by striking `4(6)' and inserting `4(5)'.</p>	<p><i>`(5) transactions'.</i> <i>(b) Conforming Amendment- Section 3(a)(4)(B)(vii)(I) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4)(B)(vii)(I)) is amended by striking `4(6)' and inserting `4(5)'.</i></p>	
<p>SEC. 1506. STUDY ON THE MACROECONOMIC EFFECTS OF RISK RETENTION REQUIREMENTS.</p> <p>(a) Study Required- The Chairman of the Financial Services Oversight Council shall carry out a study on the macroeconomic effects of the risk retention requirements under this subtitle, and the amendments made by this subtitle, with emphasis placed on potential beneficial effects with respect to stabilizing the real estate market. Such study shall include--</p> <ol style="list-style-type: none"> (1) an analysis of the effects of risk retention on real estate asset price bubbles, including a retrospective estimate of what fraction of real estate losses may have been averted had such requirements been in force in recent years; (2) an analysis of the feasibility of minimizing real estate price bubbles by proactively adjusting the percentage of risk retention that must be borne by creditors and securitizers of real estate debt, as a function of regional or national market conditions; (3) a comparable analysis for proactively adjusting mortgage origination requirements; (4) an assessment of whether such proactive adjustments should be made by an independent regulator, or in a formulaic and transparent manner; (5) an assessment of whether such adjustments should take place independently or in concert with monetary policy; and (6) recommendations for implementation and enabling legislation. <p>(b) Report- Not later than the end of the 180-day period beginning on the date of the enactment of this title, the Chairman of the Financial Services Oversight Council shall issue a report to the Congress containing any findings and determinations made in carrying out the study required under subsection (a).</p>		
	<p><i>`(2) ASSET CLASSES-</i> <i>`(A) ASSET CLASSES- The regulations prescribed under subsection (b) shall establish asset classes with separate rules for securitizers of different classes of assets, including residential mortgages, commercial mortgages, commercial loans, auto loans, and any other class of assets that the Federal banking agencies</i></p>	<p>Note: Amending Section 15 G (f) (2) of the Securities Exchange Act of 1934</p>

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	<p><i>and the Commission deem appropriate.</i></p> <p><i>“(B) CONTENTS- For each asset class established under subparagraph (A), the regulations prescribed under subsection (b) shall establish underwriting standards that specify the terms, conditions, and characteristics of a loan within the asset class that indicate a reduced credit risk with respect to the loan.</i></p>	
	<p><i>“(4) EXEMPTION FOR QUALIFIED RESIDENTIAL MORTGAGES-</i></p> <p><i>“(A) IN GENERAL- The Federal banking agencies, the Commission, the Secretary of Housing and Urban Development, and the Director of the Federal Housing Finance Agency shall jointly issue regulations to exempt qualified residential mortgages from the risk retention requirements of this subsection.</i></p> <p><i>“(B) QUALIFIED RESIDENTIAL MORTGAGE- The Federal banking agencies, the Commission, the Secretary of Housing and Urban Development, and the Director of the Federal Housing Finance Agency shall jointly define the term ‘qualified residential mortgage’ for purposes of this subsection, taking into consideration underwriting and product features that historical loan performance data indicate result in a lower risk of default, such as--</i></p> <p><i>“(i) documentation and verification of the financial resources relied upon to qualify the mortgagor;</i></p> <p><i>“(ii) standards with respect to--</i></p> <p><i>“(I) the residual income of the mortgagor after all monthly obligations;</i></p> <p><i>“(II) the ratio of the housing payments of the mortgagor to the monthly income of the mortgagor;</i></p> <p><i>“(III) the ratio of total monthly installment payments of the mortgagor to the income of the mortgagor;</i></p> <p><i>“(iii) mitigating the potential for payment shock on adjustable rate mortgages through product features and underwriting standards;</i></p> <p><i>“(iv) mortgage guarantee insurance obtained</i></p>	<p>Note: Amending Section 15 G (e) (4) of the Securities Exchange Act of 1934</p>

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	<p><i>at the time of origination for loans with combined loan-to-value ratios of greater than 80 percent; and</i></p> <p><i>∅(v) prohibiting or restricting the use of balloon payments, negative amortization, prepayment penalties, interest-only payments, and other features that have been demonstrated to exhibit a higher risk of borrower default.</i></p> <p><i>∅(5) CONDITION FOR QUALIFIED RESIDENTIAL MORTGAGE EXEMPTION- The regulations issued under paragraph (4) shall provide that an asset-backed security that is collateralized by tranches of other asset-backed securities shall not be exempt from the risk retention requirements of this subsection.</i></p> <p><i>∅(6) CERTIFICATION- The Commission shall require an issuer to certify, for each issuance of an asset-backed security collateralized exclusively by qualified residential mortgages, that the issuer has evaluated the effectiveness of the internal supervisory controls of the issuer with respect to the process for ensuring that all assets that collateralize the asset-backed security are qualified residential mortgages.</i></p>	
	<p>SEC. 945. DUE DILIGENCE ANALYSIS AND DISCLOSURE IN ASSET-BACKED SECURITIES ISSUES.</p> <p><i>Section 7 of the Securities Act of 1933 (15 U.S.C. 77g), as amended by this subtitle, is amended by adding at the end the following:</i></p> <p><i>∅(d) Registration Statement for Asset-backed Securities- Not later than 180 days after the date of enactment of this subsection, the Commission shall issue rules relating to the registration statement required to be filed by any issuer of an asset-backed security (as that term is defined in section 3(a)(77) of the Securities Exchange Act of 1934) that require any issuer of an asset-backed security--</i></p> <p><i>∅(1) to perform a due diligence analysis of the assets underlying the asset-backed security; and</i></p> <p><i>∅(2) to disclose the nature of the analysis under paragraph (1).'</i></p>	
	<p>SEC. 932. ENHANCED REGULATION, ACCOUNTABILITY, AND TRANSPARENCY OF NATIONALLY RECOGNIZED STATISTICAL</p>	<p>Note: Adding 15 U.S.C. 780-7(s)</p>

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	<p><i>RATING ORGANIZATIONS.</i></p> <p><i>“(s) Transparency of Credit Rating Methodologies and Information Reviewed-</i></p> <p><i>“(4) DUE DILIGENCE SERVICES FOR ASSET-BACKED SECURITIES-</i></p> <p><i>“(A) FINDINGS- The issuer or underwriter of any asset-backed security shall make publicly available the findings and conclusions of any third-party due diligence report obtained by the issuer or underwriter.</i></p>	
	<p><i>“(h) Effective Date of Regulations- The regulations issued under this section shall become effective--</i></p> <p><i>“(1) with respect to securitizers and originators of asset-backed securities backed by residential mortgages, 1 year after the date on which final rules under this section are published in the Federal Register; and</i></p> <p><i>“(2) with respect to securitizers and originators of all other classes of asset-backed securities, 2 years after the date on which final rules under this section are published in the Federal Register.’</i></p>	