

Securities and Exchange Commission (SEC)

File No. S7-24-10

Disclosure For Asset Backed Securities Acquired By Section 943 Of The Dodd-Frank Wall Street Reform And Consumer Protection Act

File No.S7-26-10

Issuer Review Of Assets In Offerings Of Asset-Backed Securities

Comments of:

Connecticut Housing Finance Authority

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The Connecticut Housing Finance Authority (CHFA) is pleased to comment on these important Proposed Rules regarding the review and disclosure of asset-backed securities (ABS).

CHFA was established by a Connecticut Public Act No. 795 in 1969 as a public instrumentality and political subdivision of the State of Connecticut. The Act provided a broad range of powers and authority to finance affordable housing to alleviate the shortage of quality affordable housing in Connecticut.

Using these powers and authorities for over 40 years CHFA has issued over \$13.8 billion in bonds to finance affordable homes and low-cost mortgages for low and moderate income first-time homebuyers. Through this financing CHFA has funded home purchases for over 126,000 low and moderate income first time homebuyers and financed nearly 17,000 affordable rental homes. For much of its history, which has included the two serious recessions and the recent collapse in the housing and finance markets CHFA has continued to earn the highest ratings on its bonds. It has never defaulted on a bond payment.

CHFA's entire operations, like those of other state housing finance agencies, are focused on achieving its public purpose in affordable housing finance while honoring its obligations to its bondholders. It is a highly transparent and accountable organization. All major decisions are made in open public monthly Board meetings by a publicly appointed Board. Its operations are audited by three different auditors.

Additionally, the issuance of state HFA tax-exempt debt is highly regulated by Federal tax law, with strict compliance ensured by Internal Revenue Service (IRS) oversight. The issuance and trading of this debt is also overseen by the Municipal Securities

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Rulemaking Board (MSRB). CHFA's financial strength is evaluated by independent rating agencies each time it issues bonds.

State HFA's in particular were never a part of the massive problems inflicted on our nation's housing market and economy through the recent activity by private housing ABS issuers. This is despite the fact that state HFA's like CHFA have focused on serving the same lower income borrower profile in the same neighborhoods as many private housing ABS issuers. In fact, the Department of Housing and Urban Development and the Treasury are turning to HFA's in many states, including Connecticut, to assist distressed homeowners impacted by sub-prime lending, mortgage defaults and foreclosures brought on in large part by the private ABS market practices.

In light of these realities, during the debate of the Dodd-Frank Act state HFA's, expressed concern about being swept, inappropriately, into various new regulatory measures that would be proposed for "asset-backed securities" under the legislation. The fear was that even though nobody has contended that HFA's were part of the "housing ABS problem", they would be negatively impacted by costly and inappropriately applied solutions. These two proposed rules do just that. This is so even though no one has suggested that any disclosure concerns relative to state HFA or municipal bonds are in any way related to the problems with private ABS issuers addressed by the Dodd-Frank Act.

As noted, public finance and municipal bond markets in which state HFA's participate are already well regulated through market and issuer oversight processes that have been developed over decades of practice and experience. These two proposed rules, in addition to adding compliance costs to state HFA bond issuance, could prove disruptive and confusing. Other comments that you will receive from state HFA representatives and municipal bond issuer representatives will address these two concerns more specifically.

The Dodd-Frank Act requires the Government Accountability Office (GAO) to study municipal bond disclosure requirements. The required study is to specifically "compare the amount, frequency and quality of disclosure" required of municipal issuers with those required of their corporate counterparts "taking into account the differences between issuers of municipal securities and issuers of corporate securities". This is precisely the point at issue in these two proposed rules.

The Dodd-Frank Act complements this requirement by providing the SEC with authority to exempt issuers of municipal bonds, including state HFA's from disclosure requirements such as those imposed by these proposed rules. The SEC should use this power to exempt municipal bond issuers, including state HFA's, from these proposed rules and any similar disclosure rules now being contemplated by the SEC. Any changes

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to the municipal bond disclosure requirements should await the completion of the GAO study specifically required by the Dodd-Frank Act to address these issues.

The Commission has substantial challenges before it to fully implement the Dodd-Frank Act to address many serious issues facing our nation's financial markets and economic well-being. By deferring consideration of these municipal bond disclosure issues until the GAO completes its work, the SEC will have greater opportunity to focus its time and resources on priorities of greater benefit to the public.

Thank you for the opportunity to comment.