

February 13, 2012

Office of the Comptroller of the Currency  
250 E Street, SW., Mail Stop 2-3  
Washington, DC 20219  
Docket ID OCC-2011-14; RIN 1557-AD44

Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551  
Attn: Jennifer J. Johnson, Secretary  
Docket No. R-1432; RIN 7100-AD82

Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Attn: Comments  
Robert E. Feldman, Executive Secretary  
RIN No. 3064-AD85

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
Attn: Elizabeth M. Murphy, Secretary  
Release No. 34-65545; File No. S7-41-11; RIN 3235-AL07

***RE: Prohibitions and Restrictions on Proprietary Trading and Certain  
Interests in, and Relationships With, Hedge Funds and Private Equity Funds,  
76 Fed. Reg. 68,846 (Nov. 7, 2011)***

Dear Ladies and Gentlemen:

Thank you for the opportunity to provide comments on the above referenced proposed rulemaking (the Proposal) to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, known as the Volcker Rule. I am writing on behalf of the Massachusetts Educational Financing Authority (MEFA) to express concern regarding a certain provision of the Proposal, which we believe will, if adopted, yield negative and unintended consequences for post-secondary students and their families.

**MEFA is a self-financing, not for profit public instrumentality of the Commonwealth of Massachusetts mandated to provide information and low cost financing solutions to parents and students financing higher education costs. For thirty years, MEFA has assisted families in saving, planning and paying for college expenses. At the behest of colleges and universities in Massachusetts, MEFA was established by the Massachusetts legislature to provide families with a stable and predictable source of college financing; a comprehensive higher education financing model which today includes the Commonwealth's two structured college savings programs, low cost financing options and most recently the development of the Commonwealth's college and career web portal created to provide interactive tools to assist families with college planning and financing decisions. Over the years, the cornerstone of MEFA's work with families has been a robust education, training and outreach program to ensure families, as higher education consumers, receive high quality information in a transparent manner. MEFA's advisory services reach tens of thousands of families each year.**

**MEFA's comments are specifically in response to question 124 of the proposed rulemaking related to the definition of "municipal securities". Currently the Volcker Rule exempts municipal securities from its ban on proprietary trading, and we support the decision by Congress to create that exemption. However, we believe that the language of the Proposal regarding the exemption for governmental obligations is overly narrow. As you proceed towards adoption of a final version of the Volcker Rule, we urge you to rely upon the definition of "municipal securities" established by the Section 3(a)(29) of the Securities Exchange Act of 1934 (the 1934 Act).**

**If the final Rule adopts the language of the Proposal, the result will be a bifurcation of the municipal securities market. The consequences of a bifurcated municipal securities market would impair efficiency and liquidity in the market for the very type of municipal securities that MEFA issues. It would most certainly result in increased funding costs for MEFA's bonds; costs which, in turn, would be passed along to consumers funding higher education expenses through MEFA loan programs. MEFA's bonds are private activity bonds, impacted by the AMT penalty, which already erodes the efficiency of MEFA's financing execution.**

**By way of example, MEFA's most recent financing transaction resulted in an approximate 65bp penalty in funding costs, which had a corresponding impact on the interest rate paid by MEFA loan borrowers. Put simply, the securities that MEFA issues to underwrite education financing for students and families is already subject to tax penalties and regulatory hurdles. To exclude MEFA bonds from the definition of municipal securities would only serve to increase that burden.**

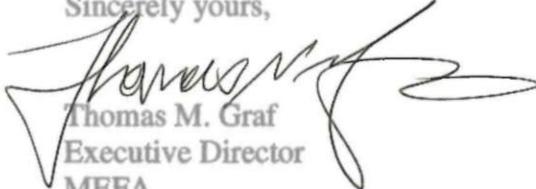
**If the final Rule adopts the 1934 Act definition of municipal securities, MEFA's bonds would be included, and the benefit to families using those bonds to finance higher education would be considerable. The broader market impact, however, would be de minimus and would not implicate the concerns underlying the Volcker Rule.**

**At a time when the country is focused on higher education cost containment, MEFA remains deeply concerned about increasing the cost of higher education consumers must absorb due to increased funding costs.**

**The Agencies have sought comment on whether the definitions of municipal security in the Securities Exchange Act of 1933 and the 1934 Act are helpful in establishing the scope of a related exemption under the Volcker Rule. We believe that the 1934 Act definition is the most comprehensive definition and that which best reflects the modern municipal securities market. We agree with those commenters who suggest that adoption of the 1934 Act definition will promote regulatory consistency between the treatment of broker-dealers and the treatment of those entities contemplated under the BHC Act. We are concerned that the current version of the Proposal will result in increased higher education funding costs for families across the Commonwealth of Massachusetts and as such MEFA's governmental mandate of providing low cost financing options will be significantly diminished.**

**Thank you for your attention and assistance to this matter. As you proceed towards adoption of the final Rule, MEFA would welcome the opportunity to consult further on the matter referenced above. Please do not hesitate to contact me for additional information on MEFA's position or its role as a participant in the municipal securities market.**

Sincerely yours,



Thomas M. Graf  
Executive Director  
MEFA