



May 16, 2013

Submitted via the Federal Rulemaking portal: <http://www.regulations.gov>

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
Docket No. OP-1456

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Docket ID OCC-2013-0003

Re: Community Reinvestment Act (CRA): Interagency Questions and Answers Regarding Community Reinvestment

Dear Sir or Madam:

Utah Housing Corporation (Utah Housing) appreciates this opportunity to comment on the proposed changes to the Community Reinvestment Act (CRA) Questions and Answers (Q&A). Utah Housing supports efforts to provide more flexibility in the CRA Regulations and Q&A. Utah Housing is especially interested in one of the questions posed by the Agencies: **does the proposed Q&A recognize the appropriate value of community development lending, while allowing flexibility based on performance context consideration?** This subject is important to Utah Housing because it has been the recent beneficiary of some very large, long-term community development loans that provided vital financing at a time when Utah Housing could not access the bond markets as it had done for many years. *Utah Housing believes that some additional changes need to be made to the CRA regulations to make sure that the outstanding balances on community development loans made in a previous period will clearly receive the same value and CRA credit that is received for outstanding balances on previous period investments.*

Some background information on Utah Housing will provide context for our comments. Established by legislation in 1975 as an independent public corporation, Utah Housing is the state's leader in serving Utah's affordable housing needs. Utah Housing is also the largest provider of affordable housing finance in Utah. Working with the private sector, Utah Housing provides mortgages and down payment assistance to low and moderate-income home buyers, finances affordable rental properties, and develops special needs housing.

At no cost to the state, Utah Housing has raised nearly \$8 billion in capital and \$2 billion in tax credits to finance more than 65,000 Utah home buyers' mortgage loans, 22,500 affordable rental units, and over 7,200 special needs units of housing.

Over the years, banks in Utah's – in particular Utah industrial banks - have invested hundreds of millions of dollars in the purchase of Utah Housing's bonds, mortgage loans, mortgage backed securities, and Federal and State Low Income Housing Tax Credits. The money for these investments is locked up for many (up to 32) years, to make the long term mortgage loans and equity investments required for housing finance. The participation of Utah's industrial banks in our programs provides a major portion of the funding for our financing needs and is critical to the provision of affordable housing in the Utah community.

Up until 2009, Utah Housing's primary source of funding had been the issuance of its municipal housing bonds. Many Utah banks purchased Utah Housing bonds to help meet their CRA test. After 2009, the severe disruption in the housing industry and bond markets made it very difficult for Utah Housing to continue financing itself through bond issuances. Utah Housing reached out to banks in Utah for ideas regarding how they could collaborate to come up with new financing vehicles for Utah Housing.

Utah Housing ended up working with one of the industrial banks in Utah on two transactions that provided financing to Utah Housing at a critical time. In 2010, an industrial bank extended Utah Housing a \$150 revolving warehouse line of credit so that it could continue to finance affordable housing. In 2011, Utah Housing worked with that same industrial bank over a period of seven months to structure and close on a new and innovative \$200 million financing in the form of Mortgage Loan Participations (see attached Press Release for further details), which provided a major source of funding in 2012. There is a 30-year repayment period for each draw that Utah Housing makes on the Mortgage Loan Agreement.

An additional benefit was that, after completing the \$200 million loan participation, Utah Housing was then able to use the new innovative mortgage loan participation template to obtain two other loans for \$50 million each from a different Utah industrial bank and also a Utah-based non-branch federal savings bank. At the time these large loans were closed, the banking regulatory interpretation of applicable CRA rules allowed the banks to receive CRA credit for outstanding loan balances in their CRA exams. However, over the last year, banking regulators have become much less flexible in how they interpret the CRA regulations for these Utah banks, and it is Utah Housing's understanding that the banks will not receive credit for outstanding balances on the innovative loans they made to Utah Housing in 2011 and 2012. By contrast, these same banks can continue to receive CRA credit for outstanding balances on Utah Housing's municipal bonds purchased in past years. Notably, the same asset (Utah Housing first mortgages) underlies both the Mortgage Loan Participations and also Utah Housing municipal housing bonds. This inequitable result seems to indicate that CRA banking regulators place less value on community development loans than on community development investments.

The availability of long-term loans (that don't have to revolve or renew each year) is important to Utah Housing and other non-profit housing lenders, but banks have less incentive to make long-term loans if they can only get CRA credit for the loan in one year or exam period. If the Agencies genuinely want to make sure that community development loans receive appropriate value, then Utah Housing strongly urges that the CRA regulations and Q&As be revised so that under all CRA evaluation types (large bank, small bank, intermediate small bank, community development test, strategic plan) banks can receive credit for outstanding balances on loans made in previous years.

Thank you for the opportunity to comment. If you have any questions or need additional information, please feel free to contact me.

Sincerely,



Grant S. Whitaker
President & CEO



Media Release: September 17, 2012

**\$200 MILLION MORTGAGE FINANCING PROGRAM TO BENEFIT
LOW AND MODERATE INCOME UTAH HOME BUYERS**

UTAH HOUSING CORPORATION AND UBS BANK USA ANNOUNCE NEW LENDING PROGRAM

SALT LAKE CITY, UT, SEPTEMBER 17, 2012 – The financial and housing crisis of the last few years created significant challenges for existing homeowners as well as those desiring to purchase a home. Fortunately, through the collaboration of Utah Housing Corporation (UHC) and UBS Bank USA, a creative new funding source has been established that allows for an expansion of affordable financing options.

UBS Bank USA extended \$200 million to UHC through an innovative financing structure that resulted in more affordable mortgages for credit worthy Utah homebuyers – and placed UHC at the forefront of mortgage finance innovation among housing agencies across the nation.

“This relationship harnesses the strengths and assets of both organizations to help provide more affordable mortgage choices for low-to-moderate income homebuyers in Utah,” said Rosemary Berkery, Chair, UBS Bank USA and Vice Chair, UBS Wealth Management Americas.

This innovative financial arrangement is an important vehicle to fund UHC's popular first-time homebuyer program, which has helped more than 65,000 families gain home ownership in Utah over the last 30 years, and will increase the availability of mortgages with lower payment options and down payment assistance. Combined with historically low interest rates and housing prices, the program is expected to help draw homebuyers back into the market and potentially help move Utah's economic recovery forward.

“Our mission is to make housing affordable for Utahns through finance and innovation. The relationship with UBS Bank USA helps us do both,” said Grant Whitaker, President and Chief Executive Officer of UHC. “By increasing home ownership to credit-worthy homebuyers, we help create financial stability for Utah's families and the state overall. We are pleased that UBS Bank USA embraced our vision and strategy. An additional benefit to UHC is the potential to replicate this new and innovative finance structure as a model with other funding sources.”

The size and nature of this new financing structure for UHC demonstrates UBS Bank USA's commitment to community development. “It is a cornerstone of the UBS mission to be a committed and active community member in those cities and towns in which we operate. This relationship with UHC will allow many Utah families to purchase affordable homes, and UBS is proud to be a part of this extremely worthwhile endeavor,” said Lee Carter, President and COO, UBS Bank USA.

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About UBS Bank USA

UBS Bank USA is a Utah industrial bank regulated by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions. Based in Salt Lake City, Utah, UBS Bank USA offers FDIC-insured deposit accounts, as well as credit cards, mortgages and securities backed loans.

UBS Bank USA is a wholly-owned subsidiary of UBS AG, one of the largest asset managers globally.

About UBS AG

UBS AG draws on its 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. Its business strategy is centered on its preeminent global wealth management businesses and its universal bank in Switzerland. Together with a client-focused Investment Bank and a strong, well-diversified Global Asset Management business, UBS will drive further growth and expand its premier wealth management franchise.

UBS is present in all major financial centers worldwide. It has offices in 57 countries, with about 35% of its employees working in the Americas, 36% in Switzerland, 17% in the rest of Europe, the Middle East and Africa and 12% in Asia Pacific. UBS employs about 65,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

About Utah Housing Corporation

Established by legislation in 1975 as an independent public corporation, Utah Housing Corporation is the leader in serving Utah's affordable housing needs. Working with the private sector, Utah Housing provides mortgages and down payment assistance to low and moderate-income home buyers, finances affordable rental properties, and develops special needs housing. At no cost to the state, Utah Housing has provided financing for more than 65,000 Utah home buyers, and 22,500 affordable rental units. Utahns can visit the UHC website at www.utahhousingcorp.org, call 801-902-8200, or talk to their realtor or lending institution about homes in their community or UHC mortgage options