

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

[Docket No. R-1432] (RIN 7100-AD82)

**FEDERAL DEPOSIT INSURANCE CORPORATION**

(RIN 3064-AD85)

**OFFICE OF THE COMPTROLLER OF THE CURRENCY**

[Docket No. OCC-2011-14] (RIN 1557-AD44)

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-65545; File No. S7-41-11]

***REGARDING: Implementation of the "Volcker Rule" Impacting Municipal Securities and the Low Income Housing Tax Credit Program***

**Comments of:**

**Connecticut Housing Finance Authority**

**999 West Street**

**Rocky Hill, CT 06067**

The Connecticut Housing Finance Authority (CHFA) is pleased to comment on this important Proposed Rule implementing the "Volcker Rule" and the impact that this could have on bonds issued by CHFA as well as on the Low Income Housing Tax Credit Program administered by CHFA on behalf of the Federal government.

Municipal Securities

CHFA was established by Connecticut Public Act No. 795 (the "Act") 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 \$14 billion in bonds to finance affordable homes and low-cost mortgages for low and moderate income first-time homebuyers. Through this financing CHFA funded home purchases for over 125,000 low and moderate income first time homebuyers and financed over 35,000 affordable rental homes. For much of its history, which has included the two significant 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. The issuance of State HFA tax-exempt debt is highly regulated by Federal tax law, with strict compliance ensured by the Internal Revenue Service (IRS) oversight. The issuance and trading of this debt is also overseen by the Municipal Securities Rulemaking Board (MSRB) and the Treasurer of the State of Connecticut. CHFA's financial strength is evaluated by independent rating agencies each time it issues bonds. Its operations are audited by three different auditors.

The Proposed Rule rightly provides an exemption for municipal securities from provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that limit banking institution proprietary trading activity. Such an exemption is clearly called for by the Act in order to

appropriately support the municipal debt market and its very low risk debt issued for a variety of public purposes.

However, the Proposed Rule provides a very narrow definition municipal security that includes only "obligations of states and political subdivisions thereof". Due to wide variety of ways in which municipal debt is currently issued it appears that this definition would not include a broad range of municipal securities currently issued and traded as municipal securities, including bonds issued by agencies and instrumentalities of such governments. Such a narrow exemption would disrupt and bifurcate the current municipal securities market to the detriment and disadvantage of those securities issued by agencies not exempted, including tax-exempt housing bonds issued by state housing finance agencies.

Consequently we urge that the Proposed Rule be revised to include a broader exemption for municipal securities that properly reflects the wide range of issuers and securities that currently participate in this market including those issued by state housing finance agencies. We believe that this would be consistent with the Act and other regulatory actions proposed pursuant to the Act that assumed broader definitions of municipal securities. A broader exemption to match the full current market would imply no additional risk to the financial system as municipal securities are among the safest investments in the market, other than U.S. treasury obligations that are rightly exempted from the "Volcker Rule" by the Act.

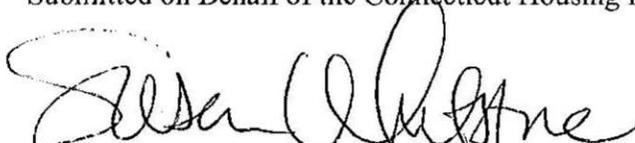
#### Low Income Housing Tax Credits

Also, we believe that the manner in which the Proposed Rule treats bank activity relative to the Federal Low Income Housing Tax Credit Program needs to be clarified. The Act limits banks' ability to make private equity investments. Because of the way that the Proposed Rule defines the vehicles through which such investments are made the Proposed Rule could be interpreted in a way that would prevent banking entities from making investments in transactions that involve Low Income Housing Tax Credits. This could restrict market participation by these important investors and drive up the cost of investment capital for an important public affordable housing purpose supported by current law. We do not believe that this was the intent of the Act.

We strongly urge that the Proposed Rule be redrafted in a way that would make clear that investments in Low Income Housing Tax Credit transactions qualify as allowed "public welfare" investments under the Act. This would maintain bank investment of private capital in this important program and eliminate unintended negative consequences for the Low Income Housing Tax Credit Program and the development of affordable housing that serves low and moderate income people.

We thank you for your time and consideration.

Submitted on Behalf of the Connecticut Housing Finance Authority by:



Susan Whetstone, Interim President-Executive Director  
Connecticut Housing Finance Authority