Via Electronic Mail February 16, 2021

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th street and Constitution Avenue NW
Washington, DC 20551

Re: Community Reinvestment Act Advance Notice of Proposed Rulemaking (Docket No. R-1923; RIN 7100-AF94)

Dear Ms. Misback:

We are managing partners of the University Growth Fund I ("UGF" or "Fund"), an innovative $32 million student-run community development venture capital fund. UGF finances small businesses while also giving low-and-moderate-income ("LMI") student associates an unparalleled, real-world experience in venture capital investing. We were also managing partners of UGF's predecessor fund, the University Opportunity Fund ("UOF"), an $18M venture capital fund that operated in the same way as UGF.

Introduction

To begin, we want to express our deep appreciation for CRA, and for the many banks that have made investments in both UGF and UOF through their bank CRA programs. Both UGF and UOF were created primarily due to the willingness of federally insured banks to innovate and create a new kind of fund as part of their CRA programs by collaborating with venture capitalists and students. Although both funds were innovative and impactful, they did not have the extensive track record usually required by institutional investors such as banks - not to mention the extensive involvement of students. Without those banks and their commitment to community development and student education, we do not believe that these funds could have succeeded on the scale that they have, or produced the amazingly impactful community development story that has unfolded over that last 16+ years. It is from this perspective that we provide our comments on the Advance Notice of Proposed Rulemaking ("ANPR") by the Board of Governors regarding modernizing and strengthening its Community Reinvestment Act ("CRA") regulations.

Background and Previous CRA Comment Letter

Because CRA has been so integral to UGF's success on so many levels, including significant economic development, we also previously commented on the Notice of Proposed Rulemaking ("Proposal")[1] published by the Office of the Comptroller of the Currency ("OCC")_and the Federal Deposit Insurance Corporation ("FDIC"). Because our OCC/FDIC comment letter provided significant background about UGF, its unique model that provides a rare real-world educational experience, and its long experience with CRA, we have provided a copy of that comment as **Attachment A** to this letter. We had been deeply concerned about the Proposal's elimination of the "economic development" category that enables banks to receive CRA credit for their investments in UGF, and urged the OCC/FDIC to retain all of the current regulatory provisions and guidance on "promotion of economic development by financing small businesses."

After the comment letter deadline (April 8, 2020), our UGF student associates performed an extensive analysis of the 7,000+ comment letters, and were pleased to discover that several dozen other comment letters

[1] 85 Fed. Reg. No. 6, pp. 1204 and 1,213 (Jan. 9, 2020).

shared UGF's position.[2] In fact, it was extremely difficult to find comment letters that supported the wholesale elimination of the "economic development" category. In its introduction to the final rule published on June 5, 2020,[3] the OCC acknowledged the comment letters and even mentioned the University Growth Fund and stated that changes should be made "to correct the inadvertent exclusion of certain activities that qualify under the current framework." We appreciate that the OCC reinstated some of the previous "economic development" regulatory framework, but note that the final rule excluded any reference to job "improvement" for LMI people, which should be at the heart of CRA: helping people improve their economic situation. Also seeming to be absent were the previous references to "job creation, retention, and/or improvement" (1) in LMI geographies or in areas targeted for redevelopment by federal, state, local, or tribal governments, and (2) by financing intermediaries that invest in start-ups or recently formed small businesses. We do not completely understand the OCC's final rule and why it did not retain some important provisions regarding "economic development," which is one reason we are so thankful that the Board's ANPR does not propose to eliminate the "economic development" as the OCC/FDIC had proposed to.

Comments on the Board's ANPR

UGF offers the following comments in response to the designated ANPR Questions:

- ***Question 57.*** *What other options should the Board consider for revising the economic development definition to provide incentives for engaging in activity with smaller businesses and farms and/or minority-owned businesses?*

As discussed at length in our comment letter on the OCC/FDIC's proposal, CRA has always been at the very core of both UOF and UGF for over 16 years. During that time, UOF and UGF have gained significant experience with both the "size" test and the "purpose" test, and have always provided its bank investors comprehensive data to document that we meet both tests. Regarding the *"size"* test, UGF does not feel that the Board should narrow the "size" test to be based on only "annual gross revenues," but rather should retain the current size standards that include both of the following:

(1) "the size eligibility standards of the SBA's SBDC or SBIC programs" or
(2) "$1 million or less in annual gross revenues."

Because UGF does not focus solely on small, early stage companies, if the "size" test were restricted to companies with $1 million or less in annual gross revenues, most of UGF's current portfolio companies would not qualify. However, our portfolio companies have demonstrated significant "promotion of economic development" through job creation, retention, and/or improvement for LMI individuals, LMI areas, and areas targeted for redevelopment; specifically, several thousand jobs have been created, retained, or improved. From a policy perspective it would not seem consistent with the spirit of CRA to eliminate CRA credit for bank investments in funds like ours (and most SBICs) by implementing an exclusive focus on the smallest businesses.

However, UGF supports the Board's desire to help incentivize more financing to smaller businesses, and would suggest that a better alternative would be to retain the current "size" test standards while also adding additional support for smaller businesses. For example, the Board could expand the list of entities into which loans

[2] These letters were from a broad array of entities (including large trade associations, chambers of commerce, universities, individual funds from all over the country, non-profit organizations, and individuals) such as: American Bankers Association, Consumer Bankers Association, Banking Policy Institute, National Association of Affordable Housing Lenders, Utah Bankers Association, Mississippi Bankers Association, U.S. Chamber of Commerce, Salt Lake Chamber of Commerce, Small Business Investors Alliance, Enterprise Community Partners, Delaware Community Reinvestment Action Council, Community Reinvestment Fund, Rocky Mountain Community Reinvestment Fund, University of Utah, Utah State University, CORE Innovation Fund, Kickstart Seed Fund, Small Business Community Capital II, 1843 Capital, and numerous others. UGF would be happy to share with the Board further details of our comment letters analysis.

[3] 85 Fed. Reg. No. 109, June 5, 2020, at pp. 34739 and 34743.

and investment are "presumed to promote economic development" (and thus do not have to document compliance with the "purpose" test)[4] to include small businesses with less than $1 million in annual gross revenues. The Board could consider adding additional types of entities and activities to that list, such as minority-owned or -led small businesses, and financing provided in conjunction with a federal, state, or local program (such as PPP), etc.

- ***Question 58.*** *How could the Board establish clearer standards for economic development activities to ''demonstrate LMI job creation, retention, or improvement''?*

As explained above, UGF is a student-run venture capital fund created to give back to the community onseveral different levels. From inception (starting as early as 2004), the creators of both UGF and UOF worked with banks and their federal banking regulators, especially the FDIC, to ensure the funds would benefit LMI individuals and communities by "promoting economic development" and satisfy both the "size" test and the"purpose" test. The funds received the FDIC's feedback on the appropriate data and documentation format that would confirm CRA qualification for the bank investors. Under the applicable CRA qualification requirements and based on the extensive job data documentation provided by the funds, the banks very rightly received CRA credit for their investments in UOF and later UGF (at both the fund level and also at the portfolio company level). During our time managing UOF, all of our bank investors received CRA credit for their investments based on the documentation we provided (see the highlighted portions of the CRA Performance Evaluations at Attachments A-C to UGF's OCC comment letter).

After running UOF for many years, we launched UGF in late 2014 as a successor fund to UOF. Again, our bank investors confirmed the CRA qualification of the fund with their CRA regulators. In total, five banks invested a total of $22.5 million in UGF, and every bank's investment has qualified for CRA. One of our bank's regulators made special note of UGF (see highlighted portions of Attachment D to UGF's OCC comment letter).

In summary, for over 16 years UOF and UGF provided its bank investors with comprehensive job data for the small businesses in which the funds invested, and the respective bank regulators from all three regulators (FDIC, OCC and the Federal Reserve) have accepted that documentation as satisfying the CRA requirement for showing "economic development." In response to the Board's specific questions regarding the establishment of clearer standards for economic development activities to "demonstrate LMI job creation, retention, or improvement," UGF offers the following suggestions:

- The Board should retain the current provision that "examiners will employ appropriate flexibility in reviewing any information provided by a financial institution that reasonably demonstrates that the 'purpose, mandate, or function of the activity meets the "purpose test"[5] – and it would be helpful for the Board to emphasize the "purpose, mandate, or function" consideration involved in the "purpose test."
- Banks could provide documents for the purpose test in the form of a list of each small business financed, the number of employees (and income breakdown, as appropriate), the location of the small business, and other info pertaining to the "purpose" test (UGF typically provides this information to our investors on an annual basis).
- The Board could consider developing an optional template that could guide both banks and small businesses in documentation of both the "size" and "purpose" tests, and UGF would be happy to work with the Board on such a template for investments in funds such as ours.

- ***Question 59.*** *Should the Board consider workforce development that meets the definition of ''promoting economic development'' without a direct connection to the ''size'' test?*

[4] Interagency Q&A §___.12(g)(3) –1 sets forth the current list of such entities, and includes SBDCs, SBICs, RBICs, New Markets Venture Capital Companies, New Markets Tax Credit-eligible Community Development Entities, or CDFIs that finance small businesses.
[5] Interagency Q&A §___.12(g)(3) –1

We feel that workforce development is very important, and would support broadening the incentive for banks to support workforce development without regards to a "size" test.

We close by once again expressing the critical role that CRA and our bank investors have played in our innovative and extremely impactful student-run community development venture capital fund. We also encourage the Board to not eliminate any activities that would currently receive CRA credit. Our nation's small businesses have suffered horrific losses during this COVID-19 pandemic, and we encourage the Board to consider expanding what qualifies under "promotion of economic development by financing small businesses" rather than restricting those provisions.

We are grateful for this opportunity to comment on the Board's ANPR, and would be happy to answer any questions or provide additional information. You can contact us at (801) 410-5410.

Sincerely,

Tom Stringham
Managing Partner,
UGF

Peter Harris
Partner, UGF

List of Attachments:

- Attachment A: University Growth Fund Public Comment Letter dated April 8, 2020 (with its Attachments A-D).

ATTACHMENT A: UGF comment letter to FDIC/OCC dated April 8, 2020 (with Attachments A-D to that letter)

Via Electronic Mail April 8, 2020

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Re: Community Reinvestment Act Regulations (Docket ID OCC-2018-0008; RIN 1557-AE34; RIN 3064-AF22)

Ladies and Gentlemen:

We are managing partners of the University Growth Fund I ("UGF" or "Fund"), an innovative $32 million student-run community development venture capital fund. UGF finances small businesses while also giving low- and moderate-income ("LMI") student associates an unparalleled, real-world experience in venture capital investing. We were also managing partners of UGF's predecessor fund, the University Opportunity Fund ("UOF"), an $18M venture capital fund that operated in the same way as UGF.

To begin, we want to express our deep appreciation for CRA, and for the many banks that made investments in both UGF and UOF through their bank CRA programs. Both UGF and UOF were created primarily due to the willingness of federally insured banks to innovate and create a new kind of fund as part of their CRA programs by collaborating with venture capitalists and students. Although both funds were innovative and impactful, they did not have the extensive track record usually required by institutional investors such as banks. Without those banks and their commitment to community development and student education, we do not think that these funds would have succeeded on the scale that they have, or produced the amazingly impactful community development story that we want to share briefly in this letter.

It is from this perspective that we provide our comments on the joint proposal by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation ("Agencies") to revise their Community Reinvestment Act ("CRA") regulations ("Proposal).

Specifically, UGF is deeply concerned about the Proposal's intended deletion of the following list of qualifying activities that give banks CRA credit for "promoting economic development by financing small businesses." These activities are considered to promote economic development if they support:

- permanent job creation, retention, and/or improvement
  - for low- or moderate-income persons;
  - in low- or moderate-income geographies;
  - in areas targeted for redevelopment by Federal, state, local, or tribal governments;
  - by financing intermediaries that lend to, invest in, or provide technical assistance to start-ups or recently formed small businesses or small farms; or
  - through technical assistance or supportive services for small businesses or farms, such as shared space, technology, or administrative assistance; or

- Federal, state, local, or tribal economic development initiatives that include provisions for creating or improving access by low- or moderate- income persons to jobs or to job training or workforce development programs."[1]"

These provisions – which are being removed by the Proposal – are vital to UGF's continued CRA qualification for its bank investors, which in turn is critical to UGF's continued ability to operate, raise additional capital, and have a positive impact not only on communities generally, but also on students and thousands of others (including employees of the small businesses in which UGF invests) through job creation, retention, and/or improvement.

The only reasoning we could find for this deletion was that the Agencies "could not identify an objective method for demonstrating job creation, retention, or improvement for LMI individuals or census tracts or other targeted geographies, other than by determining if the activity would create additional low-wage jobs."[2] This is concerning on several fronts. First, it relates to only one of the five previously mentioned categories of job creation. Second, it doesn't consider the extensive work UGF has done with examiners from the three Agencies to create a framework that objectively measures the impact on job creation, retention and improvement. A framework, that when paired with the extensive data collection UGF provides, has resulted in every bank investor in UGF receiving full CRA credit from examiners for their investment. Lastly, we respectfully suggest that the creation and expansion of low- and moderate-income jobs, particularly in today's environment, is something worth supporting and promoting. Most individuals employed where UGF invests have opportunities to grow their income and move into middle- and upper-income brackets. In most cases they receive equity grants that also help to move them up the income ladder. Accordingly, we implore the Agencies to retain all of the categories of "promotion of economic development" currently listed in the CRA Interagency Q&A.

CRA Background of UOF and UGF

As explained above, UGF is a student-run venture capital fund created to give back to the community on several different levels. From inception, the creators of both UGF and UOF worked with banks and their federal banking regulators, especially the FDIC, to ensure the funds would benefit LMI individuals and communities by promoting economic development and therefore qualify for CRA credit by satisfying both the "size test" and the "purpose" test established by the CRA Interagency Q&A.[3] The funds received the FDIC's feedback on the appropriate data and documentation that would confirm CRA qualification for the bank investors. Under the applicable CRA qualification requirements and based on the extensive job data documentation provided by the funds, the banks rightly received CRA credit for their investments in UOF and later UGF (at both the fund level and also at the portfolio company level). During our time managing UOF, all of our bank investors received CRA credit for their investments based on the documentation we provided, and one bank received especially positive comments from their regulators (see highlighted portions of Attachments A, B and C).

After running UOF for many years, we launched UGF in late 2014 as a successor fund to UOF. Again, our bank investors confirmed the CRA qualification of the fund with their CRA regulators before they invested. In total, five banks invested a total of $22.5 million in UGF, and every bank's investment has qualified for CRA. One of our bank's regulators made special note of UGF (see highlighted portions of Attachment D).

[1] Interagency Questions & Answers Regarding Community Reinvestment ("CRA Interagency Q&A"), Section ___.12(g)(3)– 1.

[2] 85 Fed. Reg. 1,204 and 1,213 (Jan. 9, 2020).

[3] CRA Interagency Q&A"), Section ___.12(g)(3)– 1.

In summary, CRA has always been at the very core of both UOF and UGF for over 15 years. During that time, UOF and UGF provided its bank investors with comprehensive job data for the small businesses in which the funds invested, and the respective bank regulators from all three regulators (FDIC, OCC and the Federal Reserve) have universally accepted that documentation as satisfying the CRA requirement for showing "economic development." Thus, the Proposal's elimination of those very provisions was *extremely disappointing* and was especially surprising coming from the FDIC, because the FDIC was so closely involved in establishing the correct job data documentation in 2004 as the "objective measure" of an investment that "promoted economic development" (the "purpose" test) and in consistently giving CRA credit to our many bank investors regulated by the FDIC.

How the Fund Operates and Helps Banks Give Back by Financing Small Businesses

The Fund currently has two full-time professional partners who ensure continuity and regulatory compliance, but the rest of the investing activities are primarily led and carried out by the student associates (there are typically between 20-40 student associates working with UGF at any given time). Student associates involved in the Fund receive a first-class education with unique hands-on experience investing real money into real companies with real employees. Not only does UGF provide unparalleled opportunities to learn first-hand about performing due diligence and analyzing companies in order to make wise venture capital and private equity investments, but UGF also allows students to witness the power and impact such investments have on themselves and others. In addition to the incredible hands-on experience with live deals, students also receive robust training from the partners (and other students) and an outstanding financial education. By the time a student completes four semesters with UGF, they have all the skills and training necessary to perform each part of an investment analysis, as well as improved analytical, writing, presentation, communication, and leadership skills. All of this comes together to set UGF's students up for success, resulting in the outcomes described below.

Job Creation, Retention, and/or Improvement at the Student Associate Level

In addition to the "job creation, retention, and/or improvement" by the small businesses in which UGF invests (discussed below), UGF also provides job creation and improvement *for its student associates*:

- Approximately 96% of UGF students are LMI individuals with an average annual income of $21,488 and 100% of them obtain jobs upon completion of the UGF program.
- After graduating from UGF, students have an average annual income of $98,617, an average increase of 508% (this reflects a 72% income premium compared to students at the same schools who do not go through the UGF program).
- UGF alumni also continue to benefit from the UGF program years later due to the superior career trajectory that they start on, often out-competing other job applicants from more privileged backgrounds.
- Without UGF, many students (especially those who come from challenging or underprivileged backgrounds) might not be able to access the same opportunities to improve their life and economic potential. UGF's ability to change an LMI student's trajectory by offering unique professional opportunities and increased income is unparalleled.

Since UGF launched in 2014, over 180 student associates have participated in the UGF program. Also, an additional 400+ participated in the UOF prior to UGF. We believe our program is so effective because our bank investors, through CRA, have provided tens of millions of dollars that make the fund *real* for students: the students invest using *real* money from *real* investors (to whom the students feel accountable) to make investments in *real* small businesses that create jobs for *real* people – all of which combine to give our students an educational and work experience that they could not have obtained anywhere else. In fact, it is hard to imagine a more effective "workforce development" program.

Another critical part of the student education is a keen awareness of the social impact of helping LMI persons and areas. Student associates understand the community development impact of UGF's investments by tracking job creation for LMI individuals/areas and ensuring that the majority of the Fund's deployed capital helps positively impact LMI individuals/areas.

Job Creation, Retention, and/or Improvement at the Small Business/Portfolio Company Level

The 30+ small businesses in which UGF invested have job creation, retention, and/or improvement of over 4,500 individuals. We would like to share the details of just a few of these small businesses that had significant impact on job creation for LMI individuals (comprehensive data on all of our portfolio companies has been provided previously to the OCC, FDIC, and also Federal Reserve in conjunction with the CRA examinations of our bank investors, but contains confidential information that cannot be attached to this letter that becomes "public" when we file it):

- Company A, for instance, is a compelling community development investment in many ways. Over 78% of Company A's 167 employees are LMI and assist with warehouse operations, packaging, deliveries, etc. In addition, Company A only expects this number to grow over time as it expands to new markets and sets up new warehouses in those markets. Company A also supports other small businesses, connecting over 200 farms directly to over 1,300 businesses and consumers. This enables farmers to make more money from their produce, and small businesses like restaurants, to save money on food costs (which enables them to expand and hire more staff).

- Company B is another compelling community development investment by virtue of its direct impact on LMI communities and individuals. At the time of our investment over 51% of Company B's employees qualified as LMI by making less than $74,320. Since the percentage was very close to 51%, the company also agreed to sign a side letter that our entire investment would be used to retain or promote those employees, which the company did until they went public and UGF exited the investment.

- Company C is a community development investment that is impactful both directly and indirectly. At the time UGF invested in this company, Company C only had three employees and all three qualified as LMI. As the business grew, those wages were improved, moving them above the LMI threshold. In addition, the company was founded in a moderate-income area. Company C's technology helps its customers, many of which are LMI individuals, save thousands of dollars on immigration attorney's fees.

How the Proposal Could Severely Damage UGF's Ability to Maintain its Community Development Impact

If the OCC and FDIC do not retain the current "economic development by financing small businesses" provisions in any final new CRA regulation, our bank investors would no longer be able to invest in UGF and foster innovation to create better economic outcomes for LMI individuals and communities. As a result, UGF and any successor funds would likely not be able to raise sufficient funds to cover operating expenses and investment projects for students.

Furthermore, not only will the change pull critical financial support from UGF, but it will also stifle innovation in job creation and community investment by only giving CRA qualification to banks that invest in funds certified as an SBIC, or similar Small Business Association (SBA) or government agency programs. Although UGF operates outside the jurisdiction of the SBA or a government agency, the Fund's FDIC-approved documentation method tracks job creation in ways that provide just as much (if not more) job information as the SBA forms. It is very expensive and time-consuming (of the 1-2 years) to obtain an SBIC license, especially with all of the widely publicized delays funds have experienced with the SBA over the last three years. All of these factors combined to make obtaining SBA certification extremely difficult for UGF and other innovative fund structures, and is not a realistic option for UGF.

Simply put, if the OCC and FDIC remove the "economic development" provision of the CRA regulations as currently proposed, the Agencies will stifle innovation and destroy an established and effective stream of "job creation, retention, and/or improvement." While UGF appreciates and agrees with the Proposal's stated intention to expand the list of qualifying activities and reduce ambiguity, the Proposal's deletion related to economic development *contradicts* that stated intention and does nothing to help individuals and organizations involved with the CRA. Removing the section and language as discussed in this letter only harms the very people the CRA was created to help.

We close by once again requesting the OCC and FDIC ***retain*** all of the activities listed as promoting economic development as currently set forth in the CRA Interagency Q&A section cited above, and to add all of the activities to the list of qualifying activities referenced in Section 25.05 (Qualifying Activities Confirmation and Illustrative List).

If you have any further questions, please contact us at (801) 410-5410.

Sincerely,

Tom Stringham
Managing Partner, UGF

Peter Harris
Managing Partner, UGF

List of Attachments:

- Attachment A: Morgan Stanley Bank 2006 CRA PE – pp. 12 and 14
- Attachment B: UBS Bank USA 2008 PE – FDIC pp. 14-15
- Attachment C: UBS Bank USA 2011 PE – FDIC pp. 11
- Attachment D: Ally Bank PE Report 2017 – FRB pp. 13-14

PUBLIC DISCLOSURE

January 30, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Morgan Stanley Bank
32992

2500 Lake Park Boulevard Suite 3C
West Valley, Utah 84120

Federal Deposit Insurance Corporation
20 Exchange Place, 4th Floor
New York, New York 10005

NOTE: **This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community. This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Morgan Stanley Bank (MSB), West Valley, Utah,** prepared by the **Federal Deposit Insurance Corporation,** the institution's supervisory agency, as of **January 30, 2006.** The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION'S CRA RATING: This institution is rated **Outstanding.**

The findings of this evaluation demonstrate that the bank continues to be highly proactive with regard to assessing the needs of its community and providing extensive resources and time in addressing those needs. During this assessment period the bank extended, funded, and committed nearly $59 million in qualified community development loans and investments. An important component of the banks performance is the investments from the previous period which increases the banks performance to over $68 million. This monetary involvement represents 1.5 percent of total average assets of the bank as of December 31, 2005. When affiliate activities are included, the total exceeds $78 million and represents about 1.75% of total average assets. Bank personnel and affiliates provided 5,052 qualified service hours to the respective communities.

Community Development Loans & Investments - Current Bank Activity

Investment / Entity	Investments/Loans Extended
2003 Investment Totals	5,410,604
2004 Investment Totals	17,854,943
2005-06 Investment Totals	13,848,945
2003 - 2006 Loan Totals	21,822,009
Total Current Period Loans & Investments for MSB	**58,936,501**

Outstanding Investments from Previous Period	9,146,223
Total Bank Activity	68,082,724
Affiliate Current Period Activity (not claimed by any other financial institution for CRA credit)	10,400,208
GRAND TOTALS	78,482,932

*2003 Reporting Period begins March 11, 2003
Total Assets as of 12/31/2005 - $8,677,843,000
Average Assets over the Evaluation Period - $4,667,114,000

Community Development Services

Service Hours Current Period	1,853
Affiliate Service Hours – Current Period (not claimed by any other financial institution for CRA credit)	3,199
GRAND TOTAL SERVICE HOURS	5,052

MSB CRA efforts are coordinated by a CRA officer. This officer is responsible for loan facilitation, investments, and grants origination and management; scheduling for CRA events; and coordination of bank CRA activities with its affiliates.

Service hours utilize the time and expertise of MSA and affiliate personnel and also include specialized projects such as the preparation of grants to nonprofit organizations, small businesses, and other low- and moderate-income individuals. Personnel also dedicated service hours on subjects ranging from financial literacy to essential services for low- and moderate-income students and adults; served on boards and committees working towards achievement of affordable/accessible housing, economic development, credit/legal education and numerous activities to enhance the development of the people and communities it serves.

There was no evidence of discriminatory practices or disparate treatment of borrowers identified at this evaluation.

DESCRIPTION OF INSTITUTION

Morgan Stanley Bank (MSB), formerly Morgan Stanley Dean Witter Bank, Inc., is a state-chartered industrial loan corporation (ILC), and operates out of a single office in West Valley City, a suburb of Salt Lake City, Utah, which is located in a moderate-income census tract. In November 2001, the ownership of MSB was transferred from NOVUS Credit Services, Inc. (NCSI) to Morgan Stanley Domestic Capital, Inc. (MSDCI). MSB is a wholly owned subsidiary of MSDCI. Both MSDCI and NCSI are wholly owned subsidiaries of Morgan Stanley Dean Witter, Inc. Affiliate entities also include Morgan Stanley Credit Servicing, Inc; Morgan Stanley International, Inc.; Discover Services Corporation; Bank of New Castle; Discover Bank; and Discover Financial Services, Inc.

Effective April 2001, the institution, formerly known as Morgan Stanley Dean Witter Bank (MSDWB), changed its name to Morgan Stanley Bank. MSDWB exited retail banking as of September 30, 2001. Its retail facility in Sandy, Utah was sold to a local commercial bank, and MSB relocated to West Valley City, Utah. MSB received its "Wholesale Institution" CRA designation from the FDIC on January 7, 2002. It had been designated a "Limited Purpose" institution since April 29, 1997.

The structure of the institution has changed significantly in the past few years because of its revised business plan. The institution does not extend home mortgage, small business, small farm, or consumer loans to retail customers. Beginning October 2001, the new business focus became "Senior Loans" (average size of $30 million) to major corporations, short-term warehouse loans to borrowers secured by specific assets, and purchased portfolios of mortgages on commercial and residential real estate loans. MSB anticipates extending credit to a maximum of its legal lending limits. Additionally, MSB will have no retail deposit operations. Until recently, funding for its lending activities comes primarily from brokered certificates of deposit, money market savings accounts, and NOW accounts. These deposit accounts had been purchased primarily from affiliates. Operations have changed so that the bank has one large NOW and one large MMDA account. Customers of the affiliate bank sweep funds into one of these two funds. Recordkeeping and transactions re now entered/completed by a computerized program maintained by an affiliate.

For CRA evaluation purposes MSB is evaluated as a limited purpose bank engaged in commercial lending that does not make loans to consumers. Therefore, given this restriction and the nature of the bank's designation, CRA management has emphasized community development lending and investment activities. This classification permits an institution to be evaluated for CRA performance under any one of, or all of three community development tests: Services, Lending, and/or Investment.

All three areas were utilized in this evaluation. These tests evaluate the bank's record of helping to meet community credit needs through qualified community development activities. The evaluation covered the period beginning March 11, 2003, and ending January 30, 2006.

MSB is headquartered in West Valley City, Utah and is a state-chartered Industrial Loan Corporation (ILC). The bank is within the Salt Lake City MSA Utah Metropolitan Statistical Area (MSA) #41620.

DESCRIPTION OF ASSESSMENT AREA

Demographics

Morgan Stanley Bank has defined its assessment area as Salt lake County (035) part of the Salt Lake City, Utah MSA #41620. This area is comprised of 193 contiguous census tracts including the cities of Salt Lake City, the largest city in the state. The Department of Housing and Urban Development (HUD) estimates the 2004 median family income (MFI) for the MSA at $61,550. The bank's assessment area is home to most of the major insured financial institutions in the state, including several regional banks, several credit unions, and many other ILCs. The following tables reflect the census tract income, population, and families' breakdown of Salt Lake County as determined by the 2000 US Census:

Salt Lake County Census Tract Characteristics

Census Tract Income	Number	%	Population	%	Families	%
Low Income Tracts	5	3	7,627	1	1,486	1
Moderate Income Tracts	43	22	211,552	23	46,752	22
Middle Income Tracts	90	47	438,603	49	107,901	50
Upper Income Tracts	55	28	240,605	27	59,725	27
Totals	**193**	**100.0**	**898,387**	**100.0**	**215,864**	**100.0**

Salt Lake County Income Demographics

Income Classification	Families	%
Low-Income	36,682	17
Moderate-Income	43,009	20
Middle-Income	53,639	25
Upper-Income	82,534	38
Total	**215,864**	**100.0**

The preceding two tables show that 23 percent of all 2004 families in Salt Lake County resided in low- and moderate-income census tracts, and 37 percent of all families had low- and moderate-incomes. Forty-five percent (898,387 people) of the states 2.2 million population reside in Salt Lake County.

Salt Lake City is the largest city in the state and in Salt Lake City MSA. The area continues to grow and offer many new jobs. The transportation, warehouse, and utilities sector exhibited the strongest growth over the past year, expanding by 6%. Growth in this sector was boosted by staff additions at Delta although these jobs could quickly be eliminated given the carrier's financial woes. The professional and business services sector added the most new jobs through September totaling 5,804, and this sector will continue to provide the bulk of new jobs over the next five years. Total employment growth in Salt Lake City is expected to be above average over the forecast, growing at an annual average of nearly 2%, and all sectors are expected to outperform the U.S. Average.

The annual change in employment over the last 10 years is more volatile in Salt Lake City compared with the U.S. average and is expected to experience a stronger rebound going forward. Volatility has resulted from an influx of residents and high tech jobs from California during the early and mid-1990s while the state was in a more severe downturn, as well as from a large number of jobs in the high tech sector. The highest concentration of jobs is in the construction sector.

Population growth in Salt Lake City was above average at 1.4% compared to 0.9% nationwide over the last year. Over the forecast, population growth is expected to outpace the national average. Utah's population grew at a pace of 29.6 percent compared to an average U.S. Growth rate of 13.1 percent for the same period.

The bank operates in a highly competitive assessment area with numerous financial institutions that specialize in more traditional array of retail bank loans, deposits, and services than does MSB. These retail institutions and the many other industrial loan corporations located in Salt Lake County directly compete with MSB by also fulfilling their qualified CRA activities within the same assessment area. While local community organizations benefit from these funding sources, they are somewhat limited in the amount of funding they can receive as they have to in turn hold, manage, and invest the funds responsibly over time.

COMMUNITY CONTACTS

Six community contacts were made with a variety of organizations. The individuals contacted all indicated a strong ongoing need for affordable housing. This includes multi-family housing as well as single family residences. Many indicated that they could still use some grants and donations for various purposes, as well.

Other needs identified include credit, homebuyer, and other related financial literacy training (pre-purchase counseling for first-time homebuyers) targeting adults as well as student-age children; economic development in areas identified by various governments for rehabilitation, healthcare for low- and moderate-income families and individuals, and childcare for low- and moderate- income families during the workday, including after-school programs for "at-risk" youth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's CRA performance under the community development test for wholesale institutions is considered outstanding. Board members and senior management have demonstrated a leadership role in many of the community development activities the bank has participated in. The evaluation period is from March 11, 2003 to January 30, 2006. Relevant data and information regarding the bank's qualified community development activities are detailed on the following pages.

COMMUNITY DEVELOPMENT LENDING (CDL)

Morgan Stanley has originated a substantial level of community development loans and made additional commitments relative to the institution's business strategy, available opportunities, and the competition from other financial institutions. In addressing its community development lending goals, Morgan Stanley has extended credit through affiliations with local third party community development and services throughout the state of Utah, and eight American Indian tribal communities. Over this 3-year CRA evaluation period the bank originated and funded new loans totaling $7,727,656 and has over $14 million in unfunded loan commitments. The table on the following page summarizes Morgan Stanley's qualified loans, including outstanding commitments:

Community Development Loans			
Year	**Recipient**	**New Extensions During Year**	**Remaining Unfunded Commitments**
2003*	A Community Reinvestment Corporation	169,886	
	A Native American Initiative	76,800	
	A Community Development Corporation	673,855	445,452
	A community Legal Service Provider	353,600	116,800
		300,000	
	Community Services for Low- and Moderate-Income Disabled and Senior Citizens	164,375	
	2003 Totals	**1,738,516**	**562,252**
2004	A Community Development Corporation	964,833	474,380
	A Preservation Project for Elderly Low-Income individuals	151,000	
	A Multi-Ethnic Development Corporation	319,001	
	A Childhood Development Corporation for Low Incomes	316,000	1,000
	A Community Reinvestment Corporation	948,632	
	2004 Totals	**2,699,466**	**475,380**
2005-06	A Community Reinvestment Corporation	622,449	1,659,115
	A Multi-Ethnic Development Corporation	819,716	5,045,115
	Neighborhood Redevelopment Phase II	691,143	8,857
	A Community Development Corporation	612,167	4,387,833
	Neighborhood Housing Revitalization Services	544,199	1,955,801
	2005-06 Totals	**3,289,674**	**13,056,721**
Combined	**Assessment Period Totals**	**7,727,656**	**14,094,353**
	Total Current Period Funded & Unfunded	**21,822,009**	
	Previous Period Unfunded Loan Commitments	**N/A**	**N/A**
	Lending Totals	**7,727,656**	**14,094,353**
	Grand Total	**21,822,009**	

***Reporting period for 2003 began March 11**

The following is a breakdown of activities by aforementioned recipients and beneficiaries:

A Native American Walk-in Center – Morgan Stanley in 2003 granted a $76,800 loan to pay-off a remaining mortgage on existing building, and in 2004, the loan was renewed for an additional two year term. The purpose of this Walk-In-Center is to deliver social economic services, health care, family financial planning, small business entrepreneurship, and SCORE mentoring. They also provide economic development via technical assistance such as, job placements, affordable rental housing, home buying education, tribal leadership training and, lending programs for American Indians residing along the Wasatch Front, as well as, individuals and/or families residing on tribal trust lands.

Citifront-II Apartments (Bridge Partners) – Is a second phase of a project to provide affordable condos for ownership. Morgan Stanley participated as lender during the first phase of this project, which provided 181 units of affordable housing and retail commercial space, in the heart of Salt Lake City' s Gateway District. Presently Morgan Stanley has total commitments of $700,000 to Citifront II LLC, via participation loan with Zion's Bank, as per credit agreement dated April 19, 2004.

A Community Development Corporation – Morgan Stanley Bank has given this non-profit organization an aggregate of $6.1 million dollars in loan financing (during this reporting period), for the construction and rehabilitation of homes. To date MSB, has contributed towards the development of Library Square condominium, and building of 12 homes under the HUD ACA Program; 9 homes at Fenton Cove; 2 homes at Canyon Oaks, and 6 other homes at the Lincoln Street Town homes, in down town Salt Lake City. In addition MSB granted loans for the successful construction of 2 single family homes, part of the County Youth Build project; and various single family homes per city/district area in Kearns, Taylorsville, Salt Lake, South Salt Lake and Magna. CDC's overall mission is to help low income families achieve homeownership, so that residents may become stable partners in their community, including but not limited to, people living in substandard housing or public assistance, that are re-seeking self sufficiency.

A Community Housing Service – Morgan Stanley bank helped finance two HUD preservation projects in 2004, called the Glenbrook and Suncrest Apartments, which are comprised of 24 units that provided affordable multi family rental housing for the elderly, disabled and low income Section 8 families in West Valley City.

A Community Legal Center – During later part of 2003, Morgan Staley authorized a revolving line of credit in the amount of $470,000, to help establish this Legal Center which provides free legal services to minorities, disabled, homeless, elderly, and single/separated mothers' that are victims of domestic violence.

A Multi Ethnic Development Corporation (MEDC) - Morgan Stanley has provided and/or committed financial assistance to MEDC of $6,169,800, towards the creation of affordable housing opportunities for low, moderate income families in UTAH, and conditioned properties, to safe, clean, affordable living spaces.

The following are projects that Morgan Stanley Bank (MSB) has committed financial assistance through their lending power: A $25M pre development unsecured line of credit, for the pre-development costs towards the purchase, and renovation of dilapidated properties, including land and other essential items necessary for project development; A $280,000 land acquisition loan for Phase I property purchase; and an $864,800 loan for land banking the adjacent lot phase II development. MSB has also provided over 150 hours of financial advice counseling and worked in conjunction with the developers, city officials, RDA board of directors, to insure the success of this project, which will also provide potential for new businesses in the area. Most recently MSB approved a $5,000,000 construction loan for this redevelopment project to begin early 2006. The project will include 5 live/work spaces, and 31 two and three bedroom condos, all for sale to qualified homebuyers, out of which with 7 condos are reserved for low to moderate income families or individuals below 80% of area median income.

A Local CAP Head Start – Morgan Stanley Bank (MSB) has provided and committed financial assistance in the amount of $317,000, participation loan with Zion's First National Bank, for the construction of a West Valley City School that currently provides a pre-school program for low – income children, and offer other nutritional, medical, dental, disability, and social services to children and families living in poverty.

A Neighborhood Housing Services - Morgan Stanley Bank (MSB) has provided and/or committed financial assistance in the aggregate amount of $2.8 million dollars, towards creating affordable housing and revitalizing and preserving a positive image of neighborhoods. The following are projects that Morgan Stanley Bank (MSB) has provided financial assistance through loans.

a) <u>The Hodges Lane Project</u>, a mixed income subdivision with 9 single family homes (5 reserved for low income families) and 11 town homes (5 for low income families)

b) The <u>Citifront I Apartments & Citifront II Land Acquisition</u>: for which MSB provided a $200,000 loan, to support the construction of (Citifront I) a 155 unit multi family facility that furthermore produced 27 new jobs for retail occupants. Citifront II – Is participation with Zion's Bank, which will eventually allow for the purchase of an adjacent property for the future construction of single family condos, to be sold to low-moderate income families.

Turn Community Services – provides employment skills, financial services and creative housing alternatives for the mentally challenged or disabled. The $164,375 loan granted by MSB was used to purchase an existing property for conversion into a special needs housing facility for the low income individuals with mental disabilities.

A State Community Reinvestment Corporation (UCRC) – Is a state wide nonprofit organization that continues to provide flexible financing for multi-family rental projects serving lower income Utah residents. Morgan Stanley Bank hosted the initial meeting with this organization, in response to the critical need for low/moderate income housing throughout the state. MSB has increased its funding commitment to UCRC in the amount of $3,885, 751, as their pool of loans continues to experience considerable growth. To date, 46 loans have been funded to subject organization, which in turn has provided 2,402 of affordable multi-family and senior housing units throughout the state of Utah.

COMMUNITY DEVELOPMENT INVESTMENTS

Morgan Stanley Bank (MSB) has provided an outstanding level of qualified community development investments and made numerous grants and donations relative to the institution's business strategy, available opportunities, and competition within the assessment area.

MSB has addressed its qualified investment goals through a wide range of conduits including, housing related securities, investment tax credits, and donations to a host of entities within the area. Over this three-year CRA evaluation period the bank acquired qualified, held-to-maturity investments of $36,597,148 including various grants and donations. In addition the bank holds $525,000 in unfunded commitments. There are also over $9 million in previous qualified investments within the portfolio. The following table summarizes the bank's outstanding qualified investments, commitments, and donation/grants used in evaluating the bank's CRA performance during the reporting period:

Community Development Investments				
Year	**Investment or Entity**	**##**	**Amount Extended**	**Unfunded Commitment**
2003*	A CRA Fund	1	150,000	
	Mortgage-Backed Securities	4	1,371,782	
	A Capital Fund (Mutual Fund)	1	500,000	
	Housing Finance Agency Bonds	10	2,900,000	
	Financing Solutions	2	130,250	
	Grants & Donations	134	363,478	
	2003 Totals	**152**	**5,415,510**	
2004	An Opportunity Fund	1	225,000	525,000
	Mortgage-Backed Securities	10	8,643,063	
	A CRA Fund (Mutual Fund)	7	5,265,114	
	Housing Finance Agency Bonds	11	2,395,000	
	A Microenterprise Loan Fund	2	100,000	
	Grants & Donations	245	703,116	
	2004 Totals	**276**	**17,331,293**	**525,000**
2005-06	A CRA Fund (Mutual Fund)	8	6,584,886	
	Mortgage-Backed Securities	4	5,245,909	
	Housing Finance Agency Bonds	8	1,095,000	
	Financing Solutions	1	58,000	
	Grants & Donations	293	866,549	
	2005-06 Totals	**314**	**13,850,345**	
	Assessment Period Totals	**742****	**36,597,148**	**525,000**
	Total Current Period Funded & Unfunded		**37,122,148**	
	Prior Period Outstanding		**9,146,223**	
	Investment Totals		**46,268,371**	
	Grand Total		**46,268,371**	

*2003 Reporting Period began March 11th; **Funded Investments Only

The following are some of the notable investments made by MSB during the assessment period:

- **A Capital Community Investment Fund -** The overall objective of this fund is to earn an appropriate risk-weighted return in investment while providing a secondary market finance vehicle for community development. The fund purchases CRA securities, backed by various community development loans (i.e. home mortgages, affordable rental housing, commercial real estate and small business loans), and use various U.S. Government Agency guarantees or AAA-rated credit enhancements, to generate a rate of return equivalent to or better than the yield on comparable U.S. Treasury notes and bonds. Morgan Stanley during this reporting period has invested a total of $500,000 to date.

- **A CRA Investment Fund – (Mutual Fund) –** The Fund seeks investments in specific geographical areas based on shareholders request. The Fund designates each security to a particular investing institution for CRA-qualifying purposes, and no institution is allocated the same portion of the same security. The aggregate investment of $12,000,000 by Morgan Stanley' during this reporting period, was used to help purchase Utah Housing Corporation Single Family Mortgage Bonds (2005 series F-2) in furtherance of its Single Family Mortgage Program to provide financing for the purchase of housing by low and moderate income individuals within the state of UTAH.

- **Mortgage Backed Securities (MBS) –** During the assessment period Morgan Stanley acquired 18 MBS pools through FHLMC (Federal Home Loan Mortgage Corporation- "Freddie Mac") , and the National City Corporation, totaling $15,260,754. Freddie Mac generally buys the single-family and multifamily residential mortgages and mortgage related securities, for financing by issuing mortgage pass through securities and debt instruments in the capital markets. These securities are then used to fund affordable housing, and underlying mortgages extended to low- or moderate-income borrowers. The servicer in this case is the National City Corporation, one of the nation's largest financial holding companies, which core businesses include commercial and retail banking, consumer finance, asset management mortgage financing and servicing, and payment processing. All of the underlying mortgages making up these bonds were in fact extended to low- or moderate-income borrowers. Previous period pools exceeded $43 million at purchase.

- **Housing Finance Agency Bonds (UHFA) –** This agency is a self-supporting public agency created by the Utah Legislature to finance, develop, and preserve affordable housing for lower income individuals and families throughout Utah. During the assessment period the bank purchased 29 bonds totaling $6,390,000.

- **A Micro-enterprise Loan Fund –** During the reporting period Morgan Stanley has invested an aggregate of $100,000 in small business loan pools to empower people to move from dependency to self sufficiency through small business ownership. Micro enterprise programs benefit all individuals who would otherwise be ineligible to receive traditional financing and have no other resource to start or expand a small business. Microenterprise programs not only provide access to credit, but also offer technical assistance in supportive environments that reinforce the belief that people can improve their lives through initiative and hard work.

- **A University Venture Fund (an opportunity fund) -** Is a collaborative effort between students, alumni, the David Eccles Scholl of Business, and the local professional community to promote community development. The program is self sustaining with the newly raised fund to invest in top tier young companies creating economic stimulus for scholarships and charities of the investors' choice. The Fund is actively managed and directed by the University of Utah students along with successful entrepreneurs and venture capital professionals. The capital contribution for Morgan Stanley during this reporting period is $225,000 with $525,000 in unfunded commitments.

- **A Technology Finance Corporation (Financing Solutions) –** Provides financing for non-profit corporations whose mission is community development. During the reporting period Morgan Stanley invested a total of $188,250.

Qualified Grants & Donations

MSB and its affiliates are focused on providing essential services to educate and assist low-moderate-income individuals become self sufficient. During the exam period MSB (bank only) donated $742,423 in qualified grants and donations to over 100 non-profit organizations inside the banks assessment area. The following table illustrates the wide range of community needs served by MSB:

Grants & Donations

Type of Organization	2003*	2004	2005-06
Self Sufficiency and Education	39,762	62,950	50,200
Job Training and Employment	8,500	20,895	9550
Homeless/Transitional Housing	55,000	61,250	122,925
Elderly/Child Day Care	6,000	37,500	10,000
Operating Expenses	37,500	66,885	38,214
Legal Assistance / Healthcare	12,500	22,500	18,200
Sponsorships/Scholarships/Memberships	14,860	16,836	22,740
In-Kind Donations	4,906	1,350	1,400
Total by Year – Bank Only	**179,028**	**290,166**	**273,229**
Utah Contribution Committee (Affiliate) Donations	34,750	37,750	45,790
Morgan Stanley Foundation - VIP Program Donations	149,700	375,200	547,530
All Bank and Utah Affiliate Totals	**363,478**	**703,116**	**866,549**
Morgan Stanley Corporation Nationwide Grants/Donations	**10,400,208**		
GRAND TOTALS	**12,333,351**		

*Reporting Period for 2003 began March 11th

Additional contributions include $118,290 from the Utah Contribution Committee and $1,072,430 from Morgan Stanley Foundation (VIP Grants). Additionally, $10,400,208 was donated to similar organizations nationwide by the Morgan Stanley Corporation.

The following is a brief description of the services provided by these organizations.

- **Self-Sufficiency Education** – MBA's goal is to facilitate the means for non-profit organizations to provide education to children and adults so that they may be able to achieve self sufficiency. Households participate in homebuyer education workshops and counseling, children participate in financial literacy classes, and teachers are provided train the trainer credit training in Spanish and English.

- **Job Training & Employment** – Attention is given to providing skill training to low-income individuals with physical, emotional, financial, and domestic challenges. People with disabilities are given the opportunity to obtain "real jobs with competitive pay and the opportunity for advancement."

- **Homeless/Transitional Housing –** The main focus of the state and the nation is empowering homeless individuals with basic needs and skills to aid them in mainstreaming into society. MBA recognizes the need and funds programs that aid individuals in obtaining housing assistance.

- **Elderly/Child Day Care –** The baby-boomers are retiring and many times without sufficient income or physical capacity to take care of their essential needs. Younger couples with children are not making the anticipated income needed to care for their growing families. MSB works to lessen stress and financial burden placed on the low- and moderate- income families by funding non-profit organizations that are set up to be caregivers and educators for this segment of society.

- **Operating Expenses** – Non-profit organizations many times fall short of funds to stay in operation. Thereby, MSB fulfills an essential role in assisting them financially with day to day financial commitments, supplies and equipment needed so that these organizations can focus on what they do best; providing food, shelter, clothing, education, social-emotional assistance, health services and much more.

- **Legal Assistance – Healthcare –** Individuals such as single and separated mothers, homeless families, disabled individuals, minorities and the elderly are often times without needed funds to provide them with legal representation. MSB fills this gap by assisting non-profit agencies with operating funds.

COMMUNITY DEVELOPMENT SERVICES

Company wide employees are encouraged to become engaged in services needed in the communities in which they live and work. MSB and its affiliates (Utah Contribution Committee, Morgan Stanley Foundation Volunteer Incentive Program [VIP] and its parent Morgan Stanley) provide critically needed assistance to aid the communities served. Together they contributed 5,052 accredited hours of service to their respective communities. Included in these hours were 2,426 accredited hours dedicated to Salt Lake County.

Service hours provide for a wide range of human needs ranging from providing essential services to achieving self sufficiency to low- and moderate- income and handicapped individuals. Many of these services are not offered by federal/state funding or non-profit organizations and community special interest groups are in need of additional assistance to achieve their goals. Specific community needs are addressed in the areas of credit education and essential services. All of the services meet the definition of "community development" and relate to the provision of financial services as required by the regulation for consideration under CRA. Constant review and alignment of services are undertaken by MSB to meet the ever changing community needs and to comply with the Community Reinvestment ACT (CRA).

Through CRA qualified board and committee service, as well as through other volunteer opportunities employees have volunteered their time to CRA qualified activities. Their involvement on Boards of Directors of non-profit organizations contributes staff expertise, fund raising efforts, and technical assistance and education.

The following pages describe the service activities in greater detail:

MSB identified the need for credit education and essential services development as a primary assessment area needs. Additional information is shown below:

COMMUNITY DEVELOPMENT SERVICES (Credit Education & Essential Services)							
Qualifying Services	**Brief Description**	**2003**		**2004**		**2005-06**	
		MSB	Other	MSB	Other	MSB	Other
Financial Educational Literacy	Provide financial literacy training to low-and moderate-income individuals at schools/facilities. This included coverage of the following topics: making wise financial decisions, understanding various bank account types, importance of a good credit history, managing credit wisely, reality of interest, and exploring career choices and education.	10	54	44	186	163	890
Essential Services and Community Development	A wide variety of services were provided to all conceivable targeted areas in need through a well-planned and investigated need assessment of the community that the bank serves.	41	54	62	770	164	522
TOTAL HOURS	**2,960**	51	108	106	956	327	1,412

The following is a small sample of the many services provided by MSB as a result of their Credit Education and Essential Services development provided to the communities that it serves:

- *State Individual Development Accounts Network (UIDAN). IDA's are matched savings accounts designed to help low-income families accumulate a few thousand dollars towards an asset such as education or job training or home ownership. Or self-employment. IDA savers learn how to improve their credit and use credit and banking accounts effectively to increase wealth and acquire an asset.*

- *A foundation board which provides credit information using a training program containing training materials that provides basics of checking, savings and banking and moves into credit, investing and ultimately homeownership. The classes are provided at local Title I junior high schools as well as several special needs charter schools.*

- *A club with activities for the entire family such as adult education, employment, mental health, parenting, advocacy, assistance and social interaction. It is designed to educate low- and moderate-income families.*

- *A mentoring program helping no income or low income single mothers develop the self-confidence, the skills, the networks and the resources, to build a better future for themselves and their children through long-term successful employment.*

MSB employees and members of management, based on skilled and qualifications, have filled numerous committee and board of director positions with local non-profit organizations. Some activities included are:

COMMUNITY DEVELOPMENT SERVICES MSB and the Utah Contribution Committee (Board of Directors Commitments)				
Qualifying Services	**Activity**	**2003**	**2004**	**2005-06**
Affordable/Accessible Housing	Members of management provided numerous hours of service on Boards and Committees of qualifying non-profit entities.	97	159	95
Credit/Legal Education	Provide consumer education programs in Title I schools and other organizations.	35	48	22
Essential Services	Provide assistance to low income individuals through nonprofit organizations in various areas such as legal services, after school programs, shelter, language training etc.	42	40	26
Other	Work with numerous committees and special interest to implement new programs addressing emerging needs of the community	531	506	491
TOTAL OVERALL HOURS	**2,092 HOURS**	**705**	**753**	**634**

The following is a small sample of services provided by MSB and the Utah Contribution Committee as a result of their Board participation:

- *Service on a county housing authority Board (aids in providing housing while promoting individual self-sufficiency and revitalization of neighborhoods).*

- *Service on a non-profit mentoring Board that offers after-school organization for children (a non-profit art and mentoring program for underserved youth aged 5-18, designed to break the cycle of poverty and prepare young people for professional careers of the future).*

- *Service on a foundation Board that provides services and materials items to individuals with challenges while they are actively seeking employment or striving to retain employment.*

- *Service on a State Board working with other ILC's in a statewide network for Individual Development Accounts (IDA). The IDA program offers financial management counseling and matching savings for low-income families to be used for homeownership, education or entrepreneurial pursuits.*

- *Service on a state-wide nonprofit affordable housing organization that provides affordable housing for low-and moderate-income families, seniors, formerly homeless populations, and individuals with chronic mental and physical impairments.*

- *Assistance to 85+ non-profit organizations, community development groups and state initiative programs by consistently providing guidance on credit programs, input in the preparation of new programs, and know-how for housing and economic development initiatives.*

Other Affiliate Activity

The parent, Morgan Stanley (MS) and its affiliates, are extensively involved in *qualified* community development activities across the nation. In addition to the certified hours contributed with this examination they have provided countless additional services to the communities they serve. Also, affiliates have contributed over $10 million in qualified grants and donations.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. The bank has policies, procedures, and training programs in place to prevent discriminatory or other illegal credit practices. Current automated underwriting scoring models do not collect, consider, or score any information concerning the eleven protected factors as listed under the Equal Credit Opportunity or Fair Housing regulations.

APPENDIX A

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	March 11, 2003 to January 27, 2006	
FINANCIAL INSTITUTION Morgan Stanley Bank, West Valley City, Utah		**PRODUCTS REVIEWED** Community Development Loans Community Development Investments Community Development Services
AFFILIATE	**AFFILIATE RELATIONSHIP**	**PRODUCTS REVIEWED**
Discover Card Services, Salt Lake City, Utah	Affiliate Company	Qualified Investments Qualified Services
Morgan Stanley, New York, NY	Parent Company (Corporation)	Qualified Investments Qualified Services

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED**	**OTHER INFORMATION**
UTAH Salt Lake County (035)	Full-Scope – On Site	N/A	None

PUBLIC DISCLOSURE

September 22, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

UBS Bank USA
Certificate Number: 57565

299 South Main Street, Suite 2275
Salt Lake City, Utah 84111

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of ***UBS Bank USA (UBS)*** *prepared by the* ***Federal Deposit Insurance Corporation****, the institution's supervisory agency, as of* ***September 22, 2008****. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION'S CRA RATING

UBS is rated "**Outstanding**" based on its exceeding each of the CRA Strategic Plan (Plan) goals for outstanding performance during the Plan years 2005 – 2007. This rating represents a continuation of the outstanding rating received at the prior June 20, 2005, CRA examination.

SCOPE OF THE EVALUATION

UBS elected to be evaluated under the Plan option for CRA. Under this option, a bank establishes a regulatory approved Plan, with measurable goals detailing how it will meet the requirements of the CRA in its assessment area based on an evaluation of needs, the financial institution's capacity, and input from the public. The UBS original Plan, approved by the FDIC on March 11, 2004, covers the entire years of 2004 – 2006. The current examination analyzed years 2005 and 2006 of the original Plan, and year 2007 of the bank's current Plan, approved June 19, 2007.

For each respective year, the Plan outlines measurable goals for both Satisfactory and Outstanding performance under a combined Community Development Lending/Investment (CDL/CDI) test, and a Community Development Service (CDS) test. Plan goals are based on whole-year performance, therefore, this CRA examination did not evaluate year 2008.

CONCLUSIONS

UBS has achieved its Plan goals for outstanding performance for each of the three Plan years analyzed (2005-2007). Bank management and the Board of Directors continue to be highly proactive with regard to assessing the needs of its community and providing extensive time and resources in addressing those needs. The bank's CRA staff is extremely engaged and competently led by the CRA officer.

Combined Lending/Investment Test - UBS has met the requirements established under its Plan for an overall "Outstanding" rating under the CDL/CDI goals. During Plan year 2005, the bank had outstanding funded/committed loans of over $144 million in CDL/CDI and donations in its local market, representing 0.80 percent of average assets. During Plan year 2006, the bank's CDL/CDI levels increased to $177 million, or 0.89 percent of average assets. For Plan year 2007, these values rose to $269 million, or 1.15 percent of average assets.

During the assessment period, the bank's average assets grew by 50 percent, compared to the bank's total CDL/CDI growth of 274 percent during this same time frame. The majority of the bank's CDL/CDI activity for each year was centered in mortgage backed securities (MBS), at roughly 72 percent. The bank purchased 39 MBS pools funding 1,484 mortgages to low- and moderate-income (LMI) borrowers. A review of the underlying mortgages determined that they were traditional fixed-rate loans extended to LMI borrowers with prime Fair Isaacs Company (FICO) scores.

UBS has doubled its equity investment in an innovative local university, student operated venture capital fund it helped to establish, that is dedicated to funding qualified community development start-up businesses. During the assessment period, the fund invested in 13 small start-up businesses.

CDLs that were funded during the assessment period include loans to the Utah Housing Authority, the Utah Community Reinvestment Corporation, and the Community Development Corporation of Utah. The bank also participated in a loan to help develop a community health center in Ogden, and the Children's Tree House located in Ogden's redevelopment zone.

Service Test - UBS has met the requirements established under its Plan for an overall "Outstanding" rating under the service test for each of the Plan years. Bank employees have contributed significant time, expertise, and resources to entities that assist LMI individuals and small businesses.

In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

DESCRIPTION OF INSTITUTION

UBS is a $27 billion federally insured Utah Industrial Bank which began operations on September 9, 2003. UBS is a wholly-owned subsidiary of UBS Americas, Inc. (UBSAI), a Delaware corporation located in Stamford, Connecticut, which is a wholly- owned subsidiary of the ultimate parent, UBS AG in Zurich, Switzerland. UBSAI was organized on November 3, 2000, when UBS AG acquired 100 percent ownership in the Paine Webber Group. It functionally serves as a holding company for most of UBS AG's operating entities in the United States and does not conduct operations of its own. UBS AG is a global financial services company with total assets of approximately $2 trillion as of June 30, 2008, and is the largest bank in Switzerland. UBS AG operates directly or through wholly-owned subsidiaries in over 50 nations, including the United States.

UBS is a specialized entity that offers limited loan and deposit services to existing and future clients of affiliate UBS Financial Services, Inc. (UBSFS), which is the registered brokerage arm of UBS AG. Customers are strictly high net worth individuals and/or corporations located throughout the world. The bank primarily operates out of a single location in downtown Salt Lake City, Utah. Approximately 45 employees are located at the Salt Lake City office, while 2 employees work out of the parent building, UBSAI, in Stamford, Connecticut.

UBS primarily offers securities based loan products fully collateralized by marketable equity and fixed income securities. These loans are offered via three products: the Premier Variable Credit Line, the Premier Fixed Credit Line, and the Prime Variable Credit Line. The Prime Variable Credit Line uses the Wall Street Journal Prime, with credit lines ranging from $25,001 to $249,999. The Premier Variable Credit Line uses the London Interbank Offered Rate (LIBOR), with a loan size ranging from $250,000 and up. The fixed rate product requires a minimum $500,000 loan with minimum $250,000 draws.

The bank's primary funding source consists of brokered deposits of excess cash in UBSFS that is swept into the bank on a daily basis. Deposit products offered to customers consist of money market deposit accounts (MMDA) and negotiable order of withdrawal (NOW) accounts. The bank does not offer demand or time deposits.

As of June 30, 2008, the bank reported total assets of $27,316,033,000, with total loans of $13,287,227,000 and total deposits of $24,422,373,000. During the bank's 2007 Plan year, the bank's total assets grew 14 percent, from $22 billion to $25 billion, with growth relatively evenly split between loans and trading account assets.

As of June 30, 2008, the bank's loan mix was as follows:

Loan Portfolio Mix as of June, 2008

Loan Type	Total Dollar Amount	Percentage of Loan Portfolio
Securities Based Loans to Commercial Entities	6,790,559,000	51%
Securities Based Loans to Private Individuals	6,315,693,000	48%
Other Loans	178,254,000	1%
Residential Real Estate *	2,721,000	nominal
Total Loans	**13,287,227,000**	**100.00**

SOURCE: Examiner developed table * Represents a pool of loans extended as part of the bank's CRA program.

DESCRIPTION OF ASSESSMENT AREA

SALT LAKE COUNTY - METROPOLITAN STATISTICAL AREA (MSA) #41620

The bank has defined Salt Lake County as its assessment area, which comprises 193 contiguous census tracts (CTs) and is part of the Salt Lake City, Utah Metropolitan Statistical Area MSA – #41620, which also includes Summit and Tooele Counties. The MSA Median Family Income (MFI) for Salt Lake County, determined by the Department of Housing and Urban Development (HUD), was $61,550 for 2005, $61,300 for 2006, and $60,100 for 2007.

The following table reflects the CT income and population breakdown of Salt Lake County as determined by the 2000 U.S. Census:

Salt Lake County CT Characteristics

CT INCOME LEVEL	NUMBER OF TRACTS	%	POPULATION	%
Low Income Tract	5	3	7,627	1
Moderate Income Tract	43	22	211,552	23
Middle Income Tract	90	47	438,603	49
Upper Income Tract	55	28	240,605	27
Total Salt Lake County Tracts	**193**	**100**	**898,387**	**100**

Source: 2000 U.S. Census

Major employers in Salt Lake County include Intermountain Health Care; the State of Utah; the Hill Air Force Base; the University of Utah; Pacificorp – Utah Power; the Granite and Jordan School Districts; the Internal Revenue Service; the Smiths Food and Drug Centers; the Wal-Mart District Office; C.R. England; and Delta Air Lines. The county is also home to most of the major insured financial institutions in the state, including regional banks, credit unions, and industrial banks.

Salt Lake County is in the heart of Utah's economic core, with Salt Lake City and surrounding suburbs the major metropolitan area within the county. The Salt Lake Valley is home to nearly 1 million residents and 40,000 businesses. According to the Utah Department of Workforce Services, an estimated 63,000 Utah workers were employed in technology jobs at year end 2006. Utah is one of the fastest growing states in the country and ranks 35th in the nation in population growth.

According to 2005 D&B data, 101,614 businesses were located in the county with 9 percent of them located in low-income tracts and 23 percent in moderate- income tracts. Small businesses with annual revenues of $1 million or less make up 88 percent of this total. Thirty-eight percent of all households in Salt Lake County resided in LMI CTs according to the 2000 U.S. Census. Of the 295,290 households, 20 percent were classified low-income, 18 percent moderate-income, 23 percent middle-income, and 39 percent upper-income.

Assessment Area Economic Outlook

Utah is enjoying a robust expansion, with job growth running at about triple the national pace. The construction industry still leads job growth, despite a contraction in homebuilding, but manufacturing payrolls are declining after three years of strong growth. Service industry employment is also growing at far above the national pace. Population growth in the Salt Lake Valley remained well above average in 2007, but has slowed over the past two years.

BANK'S IDENTIFICATION OF ASSESSMENT AREA NEEDS

UBS identified the following areas to focus its community development efforts in meeting its CRA responsibilities:

- **Regional Loan Funds** – Funds that focus on community development activities such as affordable housing for single family residential or multifamily rental housing.

- **Community Development Financial Institutions** – Supporting any institution that serves market segments consistent with UBS's overall community development objectives.

- **Affordable Housing Developers (Non-Profit and For-Profit)**

- **Microfinance Loan Funds -** Entities that provide management and financing support to owners of start-up and existing small businesses that do not have access to traditional funding sources, particularly those that are socially and economically disadvantaged.

- **Tax Credit Syndication Funds and/or New Markets Tax Credits**

- **Revitalization or Stabilization of LMI Geographies –** Entities involved with revitalization or stabilization of LMI geographies, designated disaster areas, or distressed or underserved middle-income geographies.

Community Contacts

Numerous contacts were made during 2007 that targeted credit and other financial services and community needs within the Salt Lake County assessment area. These were reviewed in conjunction with this evaluation. The contacts revealed a strong ongoing need for affordable housing, including multi-family housing as well as single family residences. Other needs identified include: credit, homebuyer, pre-purchase counseling, and other related financial education training targeting adults as well as student-age children; economic development in areas identified by various governments for rehabilitation; healthcare for LMI families and individuals; and childcare for LMI families during the workday, including after-school programs for "at-risk" youth.

DISCUSSION OF ASSESSMENT AREA CRA PERFORMANCE

A summary of UBS' 2005 through 2007 Plan Lending/Investment, Service test goals, and its actual performance pertaining to each goal is detailed on the following pages. Each of the two performance test criteria have measurable requirements needed for the institution to achieve either a "Satisfactory" or "Outstanding" level of CRA performance.

GOAL 1: COMMUNITY DEVELOPMENT LENDING/INVESTMENT (CDL/CDI) TEST

UBS has met the requirements established under its Plan for an overall "Outstanding" rating under the combined CDL/CDI test. Despite its limited tenure, UBS has established a large and diversified portfolio of qualified community development funding assets that serve the low-income housing, small business, and various non-profit needs of its community. On the investment side, the bank has met assessment area needs through the acquisition of qualifying MBS, municipal bonds, equity investments, and through charitable contributions. On the lending side, the bank has extended credit through affiliations with third parties to provide affordable housing, and financial education and development to economically disadvantaged youth.

UBS CDL/CDI GOAL: Achieve a volume of combined and cumulative CDL/CDI equal to a predetermined percentage of the bank's average assets for each Plan year. The cumulative amount for any Plan year will include (1) the total of the bank's CDL/CDI outstanding at the end of any prior year, plus (2) the amount of all new CDL/CDI extended during the current Plan year, including any loans or investments that originated and paid-off during the current year.

For Plan year 2005, the bank determined that a volume of CDL/CDIs equal to 0.40 percent of average assets* would establish the minimum goal for satisfactory performance, and a ratio of 0.60 percent would be the level needed to achieve outstanding performance.

For Plan year 2006, the respective investment to average asset ratios thresholds increased to 0.60 percent for satisfactory performance, and 0.80 percent for outstanding performance.

For Plan year 2007, the respective investment to average asset ratios thresholds increased to 0.80 percent for satisfactory performance, and 1 percent for outstanding performance.

* The bank's average assets for any given Plan year is calculated using the amounts from line 9 of schedule RC-K (Quarterly Averages) from the bank's four quarterly Call Reports, for the respective Plan year. The following table shows the bank's average assets for 2005 – 2007.

Year	Schedule RC-K Average Assets
2005	18,105,541,000
2006	19,970,590,000
2007	23,421,303,750

Source: Call Reports

CDL/CDI ACTIVITY AS A PERCENT OF AVERAGE ASSETS

The following table reflects the bank's respective combined CDL/CDI goals for each of the three Plan years being evaluated, followed by descriptions of its efforts in meeting those goals:

COMBINED 2005 CDL/CDI GOALS

	Bank Performance		Bank Established Goals			
Plan Year	Actual CDL/CDI Activity		CDL/CDI Volume Needed to Achieve Satisfactory Performance		CDL/CDI Volume Needed to Achieve Outstanding Performance	
2005	As a % of Avg. Assets	Stated in $	As a % of Avg. Assets	Stated in $	As a % of Avg. Assets	Stated in $
	0.80	**144,203,323**	**0.40%**	**72,442,164**	**0.60%**	**108,633,246**

Source: Bank Records

As the above table indicates, the bank has met its combined 2005 CDL/CDI goals for outstanding performance. The following tables breakout the various investment/loan activities.

2005 QUALIFIED CDL ACTIVITY

2005 Qualified Loans	Loans/Commits Carried Forward	2005 Loan Commits/ Acquisitions	Total 2005 CDL Activity
Utah Housing Corporation	3,254,700	4,233,357	7,488,057
Community Development Corp (CDC)	3,000,000	0	3,000,000
Utah Community Reinvestment Corp	0	6,200,000	6,200,000
Salt Lake Community Action Program	0	315,000	315,000
Children's Treehouse Museum	0	1,500,000	1,500,000
Sprenger Lang Foundation	0	11,000,000	11,000,000
2005 CDL Totals	**6,254,700**	**23,248,357**	**29,503,057**

Source: Bank Records

2005 QUALIFIED CDI ACTIVITY

2005 Qualified Investments	Carryover from Prior Years (Book Value)	New 2005 Investments (Purchase Value)		TOTAL
	Amount	#	Amount	Amount
Mortgage Backed Securities	44,793,765	1	59,123,311	103,917,076
Municipal Utah Housing Bonds	4,875,000	21	3,100,000	7,975,000
University Opportunity Fund Equity Investment	2,500,000	1	0	2,500,000
Qualified Grants & Donations	0	17	308,190	308,190
Total Qualified Investments	**52,168,765**	**40**	**62,531,501**	**114,700,266**

Source: Bank Records

COMBINED 2006 CDL/CDI GOALS

	Bank Performance		Bank Established Goals			
Plan Year	Actual CDL/CDI Activity		CDL/CDI Volume Needed to Achieve Satisfactory Performance		CDL/CDI Volume Needed to Achieve Outstanding Performance	
2006	As a % of Avg. Assets	Stated in $	As a % of Avg. Assets	Stated in $	As a % of Avg. Assets	Stated in $
	089%	**176,931,643**	**0.60%**	**119,823,540**	**0.80%**	**159,764,720**

Source: Bank Records

As the above table indicates, the bank has met its combined 2006 CDL/CDI goals for outstanding performance. The following tables breakout the actual investment/loan activity

2006 QUALIFIED CDL ACTIVITY

2006 Qualified Loans	Loans/Commits Carried Forward	2006 Loan Commits/ Acquisitions	Total 2006 CDL Activity
Utah Housing Corporation	4,816,268	0	4,836,268
Community Development Corp (CDC)	3,000,000	0	3,000,000
Utah Community Reinvestment Corp	6,200,000	0	6,200,000
Salt Lake Community Action Program	260,081	0	260,081
Children's Treehouse Museum	1,500,000	0	1,500,000
Sprenger Lang Foundation	11,000,000	0	11,000,000
Midtown Community Health Center	0	750,000	750,000
Volunteers of American	0	10,800,000	10,800,000
Provo Neighborhood Housing	0	350,000	350,000
2006 CDL Totals	**26,776,349**	**11,900,000**	**38,696,349**

Source: Bank Records

2006 QUALIFIED INVESTMENT ACTIVITY

2006 Qualified Investments	Carryover from Prior Years (Book Value)	New 2006 Investments (Purchase Value)		TOTAL
	Amount	#	Amount	Amount
Mortgage Backed Securities	86,534,974	5	40,300,858	126,835,832
Municipal Utah Housing Bonds	5,565,000	0	0	5,565,000
University Opportunity Fund Equity Investment	2,500,000	1	2,500,000	5,000,000
FDIC Deposit UCB Credit Union	0	1	100,000	100,000
Qualified Grants & Donations	0	48	734,462	734,462
Total Qualified Investments	**94,599,974**	**55**	**43,635,320**	**138,235,294**

Source: Bank Records

COMBINED 2007 CDL/CDI GOALS

	Bank Performance		Bank Established Goals			
Plan Year	Actual CDL/CDI Activity		CDL/CDI Volume Needed to Achieve Satisfactory Performance		CDL/CDI Volume Needed to Achieve Outstanding Performance	
2007	As a % of Avg. Assets	Stated in $	As a % of Avg. Assets	Stated in $	As a % of Avg. Assets	Stated in $
	1.15%	**269,081.412**	**0.80%**	**187,370,430**	**1.00%**	**234,213,038**

Source: Bank Records

As the above table indicates, the bank has met its combined 2007 CDL/CDI goals for outstanding performance.

The following tables breakout the actual investment/loan activity:

2007 QUALIFIED CDL ACTIVITY

Year	Agency	Loans/Commits Carried Forward	2007 Loan Commits/ Acquisitions	Total 2007 CDL Activity
2007	Utah Housing Corporation	3,283,083	0	3,283,083
	Community Development Corp (CDC)	3,000,000	0	3,000,000
	Utah Community Reinvestment Corp	6,200,000	0	6,200,000
	Salt Lake Community Action Program	248,535	0	248,535
	Provo Neighborhood Housing	350,000	0	350,000
	Sprenger Lang Foundation *	11,000,000	0	11,000,000
	Volunteers of American	10,000,000	0	10,000,000
	Children's Treehouse Museum	0	750,000	750,000
	Homestead Community Financing	0	500,000	500,000
	Georgia Industrial Children's Home *	0	250,000	250,000
	Children's Home Society of Washington *	0	1,100,000	1,100,000
	Maranatha Foundation *	0	5,000,000	5,000,000
	The JARC Foundation *	0	2,500,000	2,500,000
	2007 CDL Totals	**34,081,618**	**10,100,000**	**44,181,618**

*These entities are located out of the bank's immediate assessment area and wider regional area; however, loans extended to them reflect only 7% of total CDL/CDI during 2007. Source: Bank Records

2007 QUALIFIED INVESTMENT ACTIVITY

2007 Qualified Investments	Carryover from Prior Years (Book Value)	New 2007 Investments (Purchase Value)		TOTAL
	Amount	#	Amount	Amount
Mortgage Backed Securities	104,620,254	13	95,530,259	200,150,513
Municipal Utah Housing Bonds	585,000	6	18,560,000	19,145,000
University Opportunity Fund Equity Investment	4,853,410	0	0	4,853,410
FDIC Deposit UCB Credit Union	100,000	0	0	100,000
Qualified Grants & Donations	0	43	650,871	650,871
Total Qualified Investments	**110,158,664**	**62**	**114,741,130**	**224,899,794**

Source: Bank Records

The following details the specific loans extended by UBS during 2005 through 2007:

COMMUNITY DEVELOPMENT LENDING (CDL)

- **Utah Housing Corporation (UHC) –** UBS purchased a 100 percent interest in a $4.2 million loan pool from the Utah Housing Authority, in 2005, for the purpose of funding first time home buyers in Utah.

- **Community Development Corporation (CDCU) –** In December 2004, UBS extended a $3,000,000 revolving line of credit to the CDCU to fund the acquisition and rehabilitation of existing single family dwellings, for LMI individuals throughout Utah. UBS extended the loan for the exclusive purpose of allowing CDCU to become the first Utah participant in the Asset Control Area (ACA) Program run by HUD. Participation in the ACA Program is limited to non-profits and local governments. CDCU is a 501(c) (3) non-profit agency that, since its inception 14 years ago, has assisted more than 1,500 LMI families become homeowners in numerous rural and urban Utah communities. This loan was fully funded in 2005.

- **Utah Community Reinvestment Corp. (UCRC) –** UBS extended a $6.2 million funding commitment to the UCRC loan pool in 2005. The funds were used to help fund 2 affordable housing developments providing 83 new units. In 2006, the bank helped fund 3 additional developments establishing 59 units, and in 2007, the bank help fund 5 additional projects, creating 80 more affordable housing units.

- **Salt Lake Community Action Program (CAP) – Head Start –** UBS participated in a 1/3 interest ($315,000) of a total $950,000 loan to construct a new 10,000 square foot Head Start educational facility. Salt Lake CAP Head Start provides vital community services, including health, social, and early childhood educational services targeted to benefit LMI children and their families in Salt Lake and Tooele Counties. Head Start also provides community services targeted to LMI adults. Head Start serves more than 2000 families each school year, and this new facility will enable Salt Lake CAP Head Start to expand its community services to a larger number of low-income children and their families. This line paid down to $260,081 in 2006, and to $248,535 by year-end 2007.

- **Children's Treehouse Museum –** In 2005, the bank purchased a $1.5 million participation in a $2.16 million construction to the Children's Treehouse in Ogden, Utah. The location of the museum is on the former Ogden City Mall site, which is in a low-income tract and is also within the HUD approved Neighborhood Revitalization Strategy Area in downtown Ogden. This area has been identified by the City of Ogden as part of its master plan for redevelopment of the downtown area.

- **Midtown Community Health Center -** In 2006, the bank purchased a 50 percent interest in a $1.5 million term loan to help construct the Midtown Community Health Center of Ogden in 2006. This clinic serves the medical needs of indigent and low- income individuals who would typically not have access to health care.

- **Volunteers of America –** UBS extended a $10 million line of credit to this entity from the bank's national affiliate, and through the bank's securities based lending program. Volunteers of

America is a non-profit organization that operates human service programs in Salt Lake, Davis, Tooele, San Juan, Carbon, Grand, and Emery Counties and serves thousands of individuals each year. The programs include the areas of homeless outreach, substance abuse detoxification and treatment, and senior services. The goal of Volunteers of America Utah is to provide a continuum of services for individuals in need, to foster self-sufficiency, and to provide opportunities for volunteer involvement.

- **Provo Neighborhood Housing –** In 2006, UBS extended a $350,000 line of credit to acquire and rehabilitate single family dwellings to LMI families located in a redevelopment zone in Provo, Utah.

- **Sprenger Lang Foundation –** In 2005, the bank extended an $11 million line of credit to renovate the Atlas Theater, located in a designated redevelopment zone of Washington, DC. This building is located in a moderate-income tract with a minority population of nearly 80 percent. The renovation initiated a revitalization of the neighborhood by attracting ancillary businesses.

- **Homestead Community Financing –** A $500,000 revolving line of credit was extended in 2007 to eligible affordable housing developers to make affordable loans to individuals making 60 percent or less of MFI, throughout the western states including Utah.

- **Marantha Foundation –** A $5 million line of credit extended in 2007 to acquire and renovate the Connecticut shelter for battered children and women. This loan was extended by UBS in its normal course of business, as a wealth client of UBS Financial Services, Inc.

- **The JARC Foundation –** A $2.5 million credit line to pay-off existing debt used to acquire real estate and provide liquidity for operating expenses. JARC is a non-profit that gives assistance to disabled LMI youth, adults, and their caregivers.

COMMUNITY DEVELOPMENT INVESTMENTS (CDI)

The following table details the bank's qualified CDI activity during the 2005 - 2007 assessment period:

- **Mortgage Backed Securities (MBS)** – During the reporting period, UBS purchased 24 pools of MBS totaling $56,855,658. Underlying these pools, are over 460 single family mortgages extended to LMI individuals, and an 81 unit multi-family apartment complex with a majority of units being dedicated to LMI tenants.

- **Utah Housing Corporation Municipal Bonds** – UBS purchased two pools of affordable housing bonds, at $2.5 million each, issued by the Utah Housing Corporation (UHC). UHC is the largest provider of affordable housing assistance in Utah, and offers numerous home purchase assistance programs to LMI residents of Utah.

- **University Opportunity Fund, LLC (UOF) –** UBS was the lead investor ($2.5 million of a total of $5 million) in the initial closing of the UOF, a highly innovative community development venture capital fund. In 2006, UBS purchased the remaining $2.5 million. This fund was organized to promote community development and to support the mission of the University

Venture Fund (UVF), a Utah 501(c) (3) non-profit corporation that serves as the managing member of the fund. The UOF is a collaborative effort between students, the Utah University's Business School, and members of the banking and the venture capital communities to promote community development by providing growth capital to small businesses and educating students. As lead investor, UBS has stipulated in its agreement with fund management, that the fund's primary purpose is to facilitate community development by investing in small businesses that meet the size and purpose test to qualify for CRA credit. During the 3 year assessment period, the fund invested in 13 small start-up businesses.

- **FDIC Deposit UCB Credit Union –** UBS purchased an FDIC deposit in this Utah Credit Union for Utah blind and visually impaired individuals.

<u>QUALIFYING DONATIONS</u> – During the 3 year assessment period, UBS provided a non-cumulative total of $1.69 million in qualifying donations to a diverse group of non-profit, charitable, and education based entities, as well those that promote new business development. UBS directs qualified charitable donations to organizations that focus on underserved youth and community development, with particular emphasis on affordable housing, educational programs, and other out-reach services that benefit children.

<u>GOAL 2 : COMMUNITY DEVELOPMENT SERVICE TEST</u>

UBS Service Goal: Bank employees will achieve a total volume of qualified service hours for each Plan Year equal to a predetermined level of hours established for either "Satisfactory" or "Outstanding" performance.

UBS has met the requirements established under its Plan for an overall "Outstanding " rating under the service test. On behalf of UBS and in-line with its Plan, bank employees have contributed significant time, expertise, and resources to entities that assist LMI individuals and small business development. The following discussion details the bank's 2005-2007 CDL/CDI goals and its efforts in meeting these goals.

			Bank Established Goals	
Plan Year	**Qualified Community Service**	**Actual Bank Performance**	**Hours For Satisfactory Performance**	**Hours For Outstanding Performance**
2005	UBS Employee Hours Dedicated to Community Service Activities	**333 hours**	225 hours	275 hours
2006	UBS Employee Hours Dedicated to Community Service Activities	**451 hours**	275 hours	325 hours
2007	UBS Employee Hours Dedicated to Community Service Activities	**441 hours**	325 hours	400 hours

Source: Bank Records

Representatives of UBS have attended numerous community meetings to discuss affordable housing and small business development needs within its assessment area. Bank officers have held positions as Board members and committee members of several community service agencies designed to assist the development of at risk youth residing in disadvantaged areas of its community. Staff has provided a large volume of service hours providing financial literacy to LMI students and adults.

RESPONSE TO COMPLAINTS

The bank has not received any CRA related complaints since the previous Compliance Examination.

FAIR LENDING OR OTHER ILLEGAL PRACTICE REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

PUBLIC DISCLOSURE

October 24, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

UBS Bank USA
Certificate Number 57565

299 South Main Street, Suite 2275
Salt Lake City, Utah 84111

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such evaluation, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of ***UBS Bank USA (UBS)*** *prepared by the* ***Federal Deposit Insurance Corporation (FDIC)****, the institution's supervisory agency, as of* ***October 24, 2011****. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area (AA) evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

This institution elected to be evaluated under the strategic plan option (Plan). The Plan approved by the agency, sets forth goals for satisfactory (and outstanding, if applicable) performance.

INSTITUTION RATING

INSTITUTION'S CRA RATING: **This institution is rated <u>Outstanding</u>.**

UBS's CRA performance depicts an outstanding record of helping to meet the credit needs of its AA, as outlined by the Plan, in a manner consistent with its resources and capabilities. The following supports this rating:

- Cumulative community development (CD) loans and investments exceeded the bank's minimum established goals for "Outstanding" performance for Plan years 2008, 2009, and 2010.

- CD service hours exceeded the bank's established minimum goals for "Outstanding" performance for all three years.

- UBS has not received any complaints relating to its CRA performance.

In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SCOPE OF EVALUATION

This evaluation utilizes the interagency examination procedures for banks evaluated under strategic plans. To assess UBS's performance with respect to these procedures, the following five CD performance criteria were analyzed: UBS's CD loans; CD investments (including grants and donations); CD services; the level of innovativeness represented by CD activities; and response to any consumer complaints regarding its CRA performance.

This evaluation relies upon records and reports provided by UBS, publicly available financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. The evaluation reflects UBS's CRA performance since the previous evaluation, conducted by the FDIC, as of September 22, 2008. The evaluation was conducted from UBS's main office location in Salt Lake City, Utah.

UBS operated under two FDIC approved Plans for this CRA Evaluation review period. The first Plan, hereafter referred to as Plan A, was effective on January 1, 2007, through December 31, 2009. The second Plan, hereafter referred to as Plan B, was effective January 1, 2010, through December 31, 2012. Plan A and B were approved based on annual performance. This CRA Evaluation review period included calendar years 2008, 2009, and 2010.

Plan A and B include measurable goals to meet for CD loans, investments (including grants and donations), and service activities. The primary focus of these goals is to address identified needs for affordable housing, financial and healthcare education, and community services through grants and donations targeted to LMI individuals in UBS's designated AA. UBS will achieve its CRA obligations through loans, investments, leadership, and technical services.

A significant portion of UBS's Plan A and B focuses on cumulative CD loans and investments. Therefore, greater weight was assigned to performance in this category to establish an overall rating. CD service hours were also evaluated and considered to a lesser degree in the overall rating.

Examiners evaluated UBS's CRA performance in the context of the following:

- The current economic environment
- Demographic characteristics of its AA
- CD opportunities within its AA
- Financial resources and constraints
- Institution product offerings and business strategy
- Information derived from community contacts

DESCRIPTION OF INSTITUTION

UBS is a $31.5 billion federally insured Utah Industrial Bank as of June 30, 2011, which began operations on September 9, 2003. UBS is a wholly-owned subsidiary of UBS Americas, Inc. (UBSAI), a Delaware corporation located in Stamford, Connecticut, which is a wholly- owned subsidiary of the ultimate parent, UBS AG, in Zurich, Switzerland. UBSAI was organized on November 3, 2000, when UBS AG acquired 100 percent ownership in the Paine Webber Group. UBS AG is a global financial services company with total assets of approximately $1.4 trillion as of December 31, 2010, and is the largest bank in Switzerland. UBS AG operates directly or through wholly- owned subsidiaries in over 50 nations, including the United States.

UBS is a specialized entity that offers limited loan and deposit services to existing and future clients of affiliate UBS Financial Services, Inc. (UBSFS), which is the registered brokerage arm of UBS AG. Customers are strictly high net worth individuals and/or corporations located throughout the world. The bank primarily operates out of a single location in downtown Salt Lake City, Utah, and employs approximately 88 employees.

UBS primarily offers securities-based loan products fully collateralized by marketable equity and fixed income securities. These loans are offered via three products: the Premier Variable Credit Line, the Premier Fixed Credit Line, and the Prime Variable Credit Line. The Prime Variable Credit Line uses the Wall Street Journal Prime, with credit lines ranging from $25,001 to $249,999. The Premier Variable Credit Line uses the London Interbank Offered Rate (LIBOR), with a loan size ranging from $250,000 and up. The fixed rate product requires a minimum $500,000 loan with minimum $250,000 draws. UBS did start offering mortgage loans in late 2009; however, this product was not part of UBS's Strategic Plan A or B. Therefore, mortgage lending was not considered in this evaluation.

The bank's primary funding source consists of brokered deposits of excess cash in UBSFS that is swept into the bank on a daily basis. Deposit products offered to customers consist of money market deposit accounts and negotiable order of withdrawal accounts. The bank does not offer demand or time deposits.

As of June 30, 2011, the bank reported total assets of $31.5 billion, total loans of $19.8 billion, and total deposits of $27.5 billion.

UBS received an "Outstanding" rating at its prior CRA Evaluation dated September 22, 2008. There are no apparent legal or financial impediments that would prohibit UBS from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

Salt Lake County, Utah Demographic Information

UBS has defined its AA as Salt Lake County, which contains the largest population concentration in Utah. The state capital and county seat, Salt Lake City, is the largest city in the county followed by 15 cities and 6 townships including West Valley, Sandy, West Jordan, Taylorsville, Murray, Cottonwood Heights, and South Jordan. As of 2009, Salt Lake County had over 1.1 million residents. Table 1 shows key demographic information for Salt Lake County.

Table 1 Salt Lake County Demographics

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	193	3	22	47	28
Population by Geography	898,387	1	23	49	27
Owner-Occupied Housing by Geography	203,690	0	17	52	31
Business by Geography	85,085	7	21	41	31
Farms by Geography	1,305	3	17	45	35
Family Distribution by Income Level	215,864	17	20	25	38
Distribution of LMI Families throughout AA	79,691	2	36	49	13
Median Family Income (MFI)		54,586	Median Housing Value		165,698
Housing and Urban Development (HUD) Adjusted MFI for 2010		70,000			
Households Below Poverty Level		8%			

Source: 2000 U.S. Census, 2010 HUD updated 2010 D&B Business Data

Economy

The Utah Department of Workforce Services listed health care providers as the largest employers in 2009, with over 20,000 employees. Next were the State of Utah, Wal-Mart, and the two major higher education institutions: Brigham Young University and the University of Utah. According to the Bureau of Labor Statistics, the December 2010 unemployment rate for Salt Lake County was 6.8 percent, which is well below the national average of 9 percent reported in December 2010.

Competitive Environment

According to the June 30, 2011, FDIC Summary of Deposits, there were 48 FDIC-insured financial institutions with offices or branches located in Salt Lake County. UBS ranks 4th in deposit market share, holding 10.5 percent of the county's $264 billion in total deposits. The institutions with the greatest market share of deposits are Morgan Stanley Bank with 22.2

percent, Ally Bank with 14.6 percent, and Goldman Sachs Bank with 12.0 percent.

As of June 30, 2011, the State of Utah Department of Financial Institutions lists total Utah depository institutions at 161 with $372 billion in total assets. Of that total, 43 were commercial banks with combined assets of $195 billion, 88 were credit unions with $14 billion in combined assets, 22 were industrial banks with $101 billion in combined assets, and 6 were savings and loan associations with $62 billion in combined assets.

Community Contacts

In conjunction with this evaluation, information from two existing community contacts was reviewed in order to determine the credit needs of the AA. The director of a local housing authority indicates that there is a critical need for housing for the homeless, services for senior citizens, and transitional housing for people impacted by recent mortgage troubles. The organization is involved in affordable housing development and indicated that they have been pleased with local community and financial institution involvement. One example of financial institution involvement mentioned was the assistance provided through the Utah Community Reinvestment Corporation that has provided much needed assistance for the development of affordable housing. There continues to be a need for additional affordable housing assistance, school programs, services for seniors, and other related community services.

The director of a local business and economic development corporation explained that there is an ongoing need for affordable housing and the development of affordable housing projects in the greater Salt Lake area. The director indicated that there is also a strong need for small business lending within the area. The representative specifically mentioned the Utah Microenterprise Loan Fund (MLF) as a helpful organization providing funds, training, and support needed by small business owners that do not qualify for traditional financing. The need for additional funding and support for small businesses continues and will play a critical role in rebuilding the Salt Lake economy according to the contact.

CONCLUSIONS WITH RESPECT TO CRA PERFORMANCE UNDER THE STRATEGIC PLAN

UBS's CRA performance depicts an outstanding record of helping to meet the credit needs of its AA, as outlined by Plan A and B, in a manner consistent with its resources and capabilities. The following information pertains to performance for 2008, 2009, and 2010 under each year's respective Plan and measurable goals.

UBS was very proactive in meeting the needs of its AA and seeking out new CD opportunities. In particular, UBS showed strong and innovative leadership in responding to the needs of two major agencies in Utah that experienced serious funding challenges resulting from the disruption to the bond markets starting in late 2008. UBS worked with senior management of the two agencies to put in place a total of $350 million in revolving credit lines, which were critical for these agencies to continue carrying out their respective missions (providing financing for first time homebuyers and for students seeking higher education) during the economic crisis.

Combined Cumulative Lending and Investments

The measurable goal for lending and investments consists of combined cumulative CRA loans and investments expressed as a percentage of UBS's cumulative quarterly average assets for each plan year divided by 4, as opposed to percentages of the bank's total assets at the end of each plan year. UBS's quarterly average assets for each Plan year are calculated using the amounts from line 9 of the Schedule RC-K of UBS's call reports for that plan year. This is the same approach used by the bank in its 2004-2006 Strategic Plan. The results of this analysis are displayed in Table 2.

Table 2 Cumulative Community Development Loans and Investments

Plan Year	Bank Established Goals		Bank Performance		
	Satisfactory	Outstanding	Loans/Investments Total (000s)	Average Assets (000s)	Actual Performance
2008	0.90%	1.10%	$313,179	$27,639,376	1.13%
2009	1.00%	1.20%	$510,352	$32,836,770	1.55%
2010	1.10%	1.30%	$458,264	$29,673,648	1.54%

Source: UBS Records and UBS Strategic Plan

Cumulative CD loans and investments exceed bank established minimum goals for "Outstanding" performance in 2008 (Plan A). In years 2009 and 2010 (Plan A and Plan B, respectively), UBS substantially exceeded the minimum goal for "Outstanding" performance. As indicated by community contacts utilized for the evaluation, organizations focusing on affordable housing and small business assistance are among those in greatest demand of funding. UBS has sufficiently applied loan and investment funds toward organizations that meet these needs. Table 3 displays the organizations and investment funds that received benefit of UBS's loan and investment activities by Plan year.

Table 3 Community Development Loans and Investments Breakdown			
	Plan Year		
Community Development Activity	**2008 (000's)**	**2009 (000's)**	**2010 (000's)**
Loans			
Housing Corporation	$2,374	$1,591	$151,218
Community Development Corporation	$3,000	$3,000	$3,000
Community Reinvestment Corporation	$6,200	$6,200	$6,200
Additional Affordable Housing	$4,200	$2,850	$2,654
Non-Profit Community Services Program	$235	$223	$205
Additional Community Development Services	$22,650	$17,650	$17,650
Non-Profit Community Services Program for Children	$476	$275	$114
Non-Profit Foundation	$11,000	$11,000	$11,000
Board of Regents	-------	$200,000	-------
Subtotal	$50,135	$242,789	$192,041
Investments			
Mortgage Backed Securities	$232,521	$237,827	$247,151
Municipal Utah Housing Bonds	$25,065	$24,380	$14,005
Certificate of Deposit	$100	$100	$100
Equity Investment	$4,808	$4,768	$4,493
Other Qualified Grants and Donations	$550	$488	$474
Subtotal	$263,044	$267,563	$266,223
TOTAL	**$313,179**	**$510,352**	**$458,264**

Source: UBS Records

Community Development Lending

Board of Regents: $200 million Revolving Line of Credit

In 2009, UBS extended a $200 million line of credit to the Board of Regents to provide short-term funding for the origination and/or purchase of student loans originated under the Federal Family Education Loan Program (FFELP). The FFELP serves more than 60,000 students annually, who attend 11 universities and colleges throughout Utah, with the vast majority of student loans being made to low- or moderate-income students. The Board of Regents had been Utah's major student financial aid provider through the administration of student loan, grant, and scholarship programs. Due to FFELP changes in late 2007 and the capital markets crisis in 2008, Utah lenders that had made up more than half of the past loan program volume were no longer participating in the program, which prompted the Board of Regents to become a direct lender. The Board of Regents had traditionally funded itself primarily through the issuance of tax-exempt bonds, but found itself no longer able to issue such bonds because of severe market disruptions. Faced with an expected student loan volume of $450 million for the coming academic year, the risk that additional lenders could withdraw from the program, and with only

$200 million in cash reserves to meet the potential loan demand, the Board of Regents sought an interim liquidity facility from UBS.

Although only one draw of $730,000 was made under the $200 million line of credit during the review period, the Board of Regents considered the availability of the entire amount of the credit line to be critical in assuring no disruptions in the funding of student loans during the 2009/2010 academic year.

Housing Corporation: $150 million Revolving Line of Credit

In 2010, UBS extended a $150 million revolving line of credit to a housing corporation to provide financing for the purchase of affordable housing by low- or moderate-income persons pursuant to a Single Family Mortgage Program. The housing corporation is Utah's leading provider of affordable housing finance, and was formed specifically to assist in the creation of affordable housing opportunities for lower-income individuals across the state. This housing corporation provides mortgage financing to qualifying first time homebuyers and financial resources to developers building or renovating affordable multifamily rental housing projects.

The UBS line of credit was designed to provide the housing corporation with short-term funding for the purchase of mortgage loans that would subsequently either (a) become subject to a bond issuance, or (b) be sold to Ginnie Mae or Fannie Mae. Historically, this housing corporation had not needed this type of short-term liquidity facility because of its strong internal liquidity and its previous pattern of issuing primarily tax-exempt municipal bonds every six to eight weeks. However, due to prolonged disruptions in the financial markets during 2008 and 2009, the housing corporation found itself in need of a short-term liquidity source to purchase and hold mortgage loans.

During the review period, the housing corporation made a total of $64.1 million in draws on the UBS line of credit to finance first mortgage loans for 421 homes. Additionally, the housing corporation was able to use its internal liquidity to finance an additional $70 million in first mortgage loans (for approximately 450 homes) that would not have been feasable without the existence of its line of credit with UBS.

Community Development Corporation: $3 million Revolving Line of Credit

UBS maintained the $3 million revolving line of credit originally extended to a CD corporation: a 501(c) (3) non-profit agency that has assisted more than 1,700 low- or moderate-income families become homeowners in numerous rural and urban Utah communities. This line of credit enabled the CD corporation to become the first Utah participant in the Asset Control Area (ACA) Program run by the United States Department of Housing and Urban Development (HUD), and one of only five nationally.

Under the ACA Program, HUD sells foreclosed single-family properties in designated HUD revitalization areas to the CD corporation at a deeply discounted price (participation in the ACA Program is limited to non-profits and local governments). Next, the CD corporation rehabilitates the homes and sells them to Utah families meeting HUD's income requirements.

During the review period, this CD corporation used $2.5 million of the line of credit to finance the acquisition and rehabilitation of 32 homes for Utah families. The revolving nature of the line has been a significant benefit to the CD corporation over the 6 years from inception (in late December 2004) through the end of the current review period (December 2010) by providing a total amount of more than $6.3 million in financing for the purchase and rehabilitation of 86 homes.

Community Reinvestment Corporation: $6 million Funding Commitment

UBS has maintained a $6.2 million funding commitment to a community reinvestment corporation loan pool. During the review period, UBS's participation in the loan pool helped to fund 28 affordable housing developments providing 1,178 new affordable housing units for Utah families.

Non-Profit Housing Corporation: $1 million Line of Credit

In 2008, UBS extended a $1 million revolving line of credit to a non-profit housing corporation as a source of financing for the acquisition and rehabilitation of single family dwellings in distressed downtown neighborhoods located in Logan, Utah, in collaboration with Logan City's revitalization program called "Returning Homes to Logan." This housing corporation is a 501(c)(3) non-profit agency organized in 1996 and has successfully facilitated the construction of more than 140 single family affordable homes. During the review period, this housing corporation used $226,325 of the UBS line of credit to purchase and rehabilitate 2 homes.

Community Apartments: $1.4 million Participation in a Construction Loan

In 2008, UBS purchased a $1.4 million participation interest in a loan to a community apartment complex for the construction of a multi-family rental project located in Springdale, Utah. The project had received an award of low-income housing tax credits, and was developed by a Utah non-profit corporation. The apartment complex provided 22 affordable housing units.

Non-Profit Community Service Organization: $15 million Line of Credit

In 2008, UBS increased its line of credit to a non-profit community service organization from $10 million to $15 million. This non-profit organization operates human service programs in 26 states, including Utah, and the District of Columbia. The goal of its programs is to support and empower America's most vulnerable groups, including the homeless; at-risk youth; and people struggling with substance abuse, addictions, mental health issues, and disabilities.

Non-Profit Community Service Organization: Two loans for $303,500

In 2010, UBS extended 2 loans totaling $303,500 to a non-profit community service organization founded almost 40 years ago by parents seeking community alternatives for their family members with disabilities. More than 90 percent of its clients are dependent upon social security and Medicaid benefits, which amount to monthly income of 20 percent to 30 percent of the HUD area median family income. The proceeds of the two loans were used for the purchase of a commercial building to be used as a day center for disabled clients, for the costs of tenant improvements, and for moving expenses associated with the relocation of the non-profit organization's corporate offices.

Innovative or Flexible Lending Practices

UBS made extensive use of flexible lending practices in serving AA credit needs during the review period. This represents a core strength of the bank's lending to LMI borrowers.

The previous and following sections detail the various innovative and flexible programs offered by UBS throughout the review period that resulted in loan originations and investments. UBS offers a myriad of innovative and flexible loans and investment programs, most of which are offered to non-profit organizations that target LMI individuals and/or families. In addition, many of these programs are complex and assist with meeting community credit needs noted by community contacts.

- UBS is the lead investor in an equity investment fund that is a highly innovative, and a first of its kind, CD venture capital fund organized in 2004 and continues today in promoting CD activities.

- The Board of Regents $200 million line of credit provided short-term funding for the origination and/or purchase of student loans originated under the FFELP. The FFELP serves more than 60,000 students annually, who attend 11 universities and colleges throughout Utah, with the vast majority of student loans being made to low- or moderate-income students.

- The UBS line of credit was designed to provide a housing corporation with short-term funding for the purchase of mortgage loans that would subsequently either (a) become subject to a bond issuance, or (b) be sold to Ginnie Mae or Fannie Mae. Due to the economy and prolonged disruptions in the financial markets during 2008 and 2009, the housing corporation found itself in need of a short-term liquidity source to purchase and hold mortgage loans.

Community Development Investments

Mortgage-backed securities (MBS):

During the review period, UBS purchased 39 MBS pools totaling $211.2 million. The underlying pools consist of 1,399 single family mortgages extended to low- and moderate-income individuals for the purchase of homes in Utah.

Municipal Bonds:

During the review period, UBS purchased 2 new bonds totaling $4.9 million from a housing corporation to participate in its Single Family Mortgage Program and provide financing for the purchase of affordable housing by LMI persons in Utah. UBS also purchased 1 new bond totaling $2 million from a housing finance agency to participate in its Single Family Mortgage Program and provide financing for the purchase of affordable housing by LMI persons in Idaho.

Equity Investment:

UBS is the lead investor ($5 million of the $17.2 million total) in an equity investment fund. The fund is a highly innovative, and a first of its kind, CD venture capital fund organized in 2004 to promote CD. This equity investment fund also supports the educational mission of a non-profit venture fund corporation that serves as the managing member of the fund. The equity investment fund is a collaborative effort between students, local universities, members of the banking industry, and members of venture capital communities to promote economic development by providing growth capital to small businesses that meet the size and purpose test to qualify as CD.

Because the equity investment fund partners with prominent venture capital firms throughout the country, students are provided with an unparalleled educational experience through meaningful interaction with these industry professionals. The students perform due diligence and other "value added" projects, which often include evaluating exciting young companies in their growth stages. During the review period, approximately 125 students have participated in this equity investment fund, and for 2009 and 2010, the students had a 100 percent job or intern placement at graduation, which is especially impressive during the continued economic crisis and high national unemployment rates. During the review period, this equity investment fund invested in four additional small businesses.

Community Development Grants and Donations

Table 4 provides details of the bank's CD grants and donations by CD purpose and year. Table 5 lists dollar amount of the bank's CD grants and donations by type of organization and year.

Table 4 – Community Development Grants and Donations										
Year	Total		Affordable Housing		Community Development Services		Economic Development		Revitalization or Stabilization	
	#	$	#	$	#	$	#	$	#	$
2008	34	550,000	11	165,835	21	339,165	2	45,000	-	-
2009	36	488,483	11	124,300	21	329,183	4	35,000	-	-
2010	32	474,380	9	100,000	21	344,380	1	20,000	1	10,000
Total	**102**	**1,512,863**	**31**	**390,135**	**63**	**1,012,728**	**7**	**100,000**	**1**	**10,000**

Source: UBS Records and UBS Strategic Plan A and B

During the 3 year review period, UBS donated a total of $1.5 million to CRA qualified organizations that provide community service, affordable housing, economic development, and revitalization or stabilization to LMI populations. Among these organizations, 12 received donations of $20,000 or more per year for over the 3 year review period.

Table 5 Community Development Grants & Donations			
Type of Organization	**2008 ($)**	**2009 ($)**	**2010 ($)**
Self Sufficiency and Education	264,700	201,183	226,380
Job Training and Employment	20,000	25,000	10,000
Homeless/Transitional Housing/Affordable Housing	90,000	109,300	105,000
Elderly/Child Day Care	79,300	50,000	60,000
Healthcare	46,000	80,000	45,000
Sponsorships/Scholarships/Memberships	50,000	23,000	28,000
Total by Year	**550,000**	**488,483**	**474,380**
GRAND TOTALS	**1,512,863**		

Source: UBS Records and UBS Strategic Plan A and B

Self-Sufficiency and Education

During the review period, UBS provided grants to non-profit organizations promoting self sufficiency and education among LMI individuals and households. Specifically, the non-profit organizations provide education to local Title 1 schools and LMI adults so they can become self-sufficient. LMI households participate in homebuyer education workshops and counseling, and school-aged students participate in financial literacy education that include workforce readiness and entrepreneurship.

Donations funded the operations of food banks throughout low-income areas in Utah. UBS's donation also went to purchase needed equipment and vehicles for the food banks' new facilities.

Job Training & Employment

UBS provided grants to non-profit organizations specializing in offering skills training to low-income individuals with physical, emotional, financial, and domestic challenges. People with disabilities are given the opportunity to obtain real jobs with competitive pay and the opportunity for advancement. The programs combined workshop training, mentoring, coaching, employment referral services, business clothing referral services, and more to help low- and moderate-income individuals achieve their full potential in the workforce.

Donations were provided to a MLF to provide financing and management support to entrepreneurs who are unable to access traditional sources of financing, especially those who are socially and/or economically disadvantaged.

Homeless/Transitional Housing/Affordable Housing

The main focus of the state and the nation is empowering homeless individuals with basic needs and skills to aid them in mainstreaming into society. The bank recognized this need by funding programs that aid individuals in obtaining housing assistance, transitional housing, as well as permanent affordable housing. The organization's efforts to increase homeownership also help to improve housing quality and promote neighborhood unity/leadership in Salt Lake County and Provo, Utah.

Elderly/Child Day Care

The beneficiaries of the bank's grants and donations also provide the local community with counseling, crisis nursery, parent advocacy, affordable living classes, and a learning library. The crisis nursery program is the only service of its kind in the Salt Lake Valley. Through the program, parents are allowed to drop off their children for 72 hours during an emergency. The program provides a safe and supervised environment for the children.

Healthcare

Individuals such as single mothers, homeless families, disabled individuals, and the elderly often lack funds to obtain healthcare. UBS fills some of this gap by contributing to non-profit agencies that provide healthcare services to LMI individuals.

Sponsorships/Scholarships/Memberships

The bank provides funding for sponsorship, scholarship, and membership programs to help organizations accomplish their missions; achieve their vision of building strong kids, strong families, and strong communities; and reinforce core values of caring, honesty, respect, and responsibility. These programs use an asset-building approach in their work. Each program is different, reflecting the needs of the local community and focusing on LMI individuals or geographies.

Community Development Services

CD services are evaluated by the number of hours spent performing qualified services. Service hours are also evaluated based on the service performed and the use of financial expertise of the employee performing the service. Table 6 displays UBS's performance goals for each Plan year. For all three years, UBS exceeded the minimum goals for "Outstanding" performance.

Table 6 Community Development Service Hours

Plan Year	Bank Established Goals		Bank Performance
	Satisfactory	Outstanding	Qualified Service Hours
2008	375	450	557
2009	425	500	562
2010	350	500	684
Total	1,150	1,450	1,803

Source: UBS Records and UBS Strategic Plan A and B

UBS personnel are responsive to the local community by providing the following services that may not always be available through federal and/or state funding or other non-profit activities. Table 7 describes the cumulative CD service activities.

Table 7 – Community Development Services

Year	Total		Affordable Housing		Community Development Services		Economic Development		Revitalization or Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
2008	14	557	7	240	6	242	1	75	-	-
2009	8	562	3	270	4	229.5	1	62.5	-	-
2010	13	684	4	282	6	344.5	3	57.5	-	-
Total	35	**1,803**	**14**	**792**	**16**	**816**	**5**	**195**	-	-

Source: UBS Records and UBS Strategic Plan A and B

A majority of UBS's service efforts focused on underprivileged school programs, LMI housing, and local financial education programs. With the exception of the underprivileged school programs, employee involvement consists of service at the Board level of each organization as well as additional assistance utilizing the employees' financial expertise. The underprivileged school programs involved numerous employees who participated in teaching financial education and other various curriculums at a local Title 1 school.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SCOPE OF EVALUATION

SCOPE OF EVALUATION			
TIME PERIOD REVIEWED		January 1, 2008 through December 31, 2010	
FINANCIAL INSTITUTION UBS Bank USA Salt Lake City, Utah		**PRODUCTS REVIEWED** Community Development Loans, Investments, Grants/Donations, and Services	
LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	**TYPE OF EVALUATION**	**BRANCHES VISITED**	**OTHER INFORMATION**
Salt Lake County	Full-scope On-site	Main Office	NA

PUBLIC DISCLOSURE

February 21, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ally Bank
RSSD # 3284070

6985 Union Park Center, Suite 435
Midvale, Utah 84047

Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S RATING

Ally Bank's Overall CRA Rating: Outstanding

A CRA Rating of "Outstanding" is assigned. The institution's performance reflects an outstanding record of helping to meet the credit needs of the assessment area, including low- and moderate-income areas, as outlined by its 2014-2016 Strategic Plan ("the Plan"). The following conclusions support this rating:

Lending Goals

- Small loans to businesses in low- or moderate-income (LMI) census tracts exceeded the institution's established goals for "Outstanding" performance;
- Consumer automotive financing transactions to LMI borrowers exceeded the institution's established goals for "Satisfactory" performance and substantially achieved the institution's established goals for "Outstanding" performance;
- Consumer automotive financing transactions made to borrowers residing in LMI census tracts exceeded the institution's minimum established goals for "Satisfactory" performance and substantially achieved the institution's established goals for "Outstanding" performance;

Community Development Goals

- Community Development ("CD") lending exceeded the institution's established goals for "Outstanding" performance;
- CD investments exceeded the institution's established goals for "Outstanding" performance; and
- CD service hours exceeded the institution's established goals for "Outstanding" performance.

SCOPE OF EXAMINATION

Ally Bank's CRA performance was evaluated under the Interagency Strategic Plan CRA Examination Procedures. The evaluation assesses the bank's performance in meeting the credits needs of its communities, including the bank's responsiveness to and effectiveness in meeting the credit and community development needs of its assessment area, and the performance criteria, including achievement of measurable goals established in the bank's approved 2014-2016 CRA Strategic Plan. The bank's performance was evaluated taking into consideration information about the institution including its business model, assessment area demographics and economic indicators, and information obtained from community contacts. Performance rating criteria and thresholds are established in the approved Plan, and ratings are evaluated for actual performance in relation to these established goals.

ALLY BANK

DESCRIPTION OF INSTITUTION

Ally Bank is a wholly-owned subsidiary bank of Ally Financial, Inc. (AFI), an independent, nationwide automotive financial services firm. As of December 31, 2016, AFI held $157.4 billion in combined assets with Ally Bank comprising $123.5 billion in assets. AFI is headquartered in Detroit, Michigan, and Ally Bank is headquartered in Midvale, Utah. Ally Bank maintains no branch offices or deposit-taking automated teller machines (ATMs); it provides all of AFI's direct banking business online.

Ally Bank does not maintain any traditional banking offices that are open for the public to conduct transactions; however, as a leading online bank, Ally Bank offers retail banking deposit products and services nationwide. Deposit products include checking accounts, savings accounts, money market deposit accounts, and certificates of deposit. Ally Bank, together with AFI, is the nation's leading provider of automotive financing and leasing products, including automotive vehicle purchase and lease financing to consumers, dealership financing, and commercial financing. In 2016, Ally Bank launched a number of new product lines, including a co-branded credit card, digital brokerage and wealth management, and limited direct-to-consumer mortgage lending.

As presented in the following table, the bank held $92.9 billion in loans as of December 31, 2016. Consistent with AFI's core line of business, Ally Bank's loan portfolio is primarily represented by commercial and industrial loans (dealer floorplan) and automobile loans.

Comparative Loan Mix

	$ Volume (000) 12/31/16	% of Portfolio 12/31/16	$ Volume (000) 12/31/15	% of Portfolio 12/31/15
Real Estate				
1-4 Family Res Construction Lns (03/2008)	6,873	0.0	0	0.0
Other Const Lns & Land Dev & Other (03/2008)	289,448	10.3	213,211	0.3
1-4 Family-Revolving	1,314,207	1.4	1,536,673	1.9
1-4 Family Res Secured by First Liens	9,480,531	10.2	7,910,824	9.6
1-4 Family Res Secured by Junior Liens	248,547	0.3	325,334	0.4
Lns Secured Owner Occupd NonFrm NonRes (03/2008)	3,223,743	3.5	3,023,263	3.7
Lns Secured by Other NonFrm NonRes (03/2008)	53,439	0.1	39,449	0.0
Total Real Estate Loans	**14,616,788**	**15.7**	**13,048,754**	**15.9**
Commercial & Industrial	43,083,540	46.4	38,169,457	46.4
Automobile Loans	34,892,818	37.6	30,843,213	37.5
All Other Loans including to non-depository institutions	218,193	0.2	112,555	0.1
Lease Financing	83,024	0.1	17,981	0.0
Total Loans & Leases	**92,894,363**	**100.0**	**82,191,960**	**100.0**

Note: Percentages may not add to 100.0 percent due to rounding.

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

Ally Bank's 2014-2016 assessment area consists of five contiguous counties in the Salt Lake City-Provo-Orem CSA #482 including or bordering the Midvale, Utah headquarters location. Specific counties include Salt Lake County and Tooele County in the Salt Lake City MSA #41620, Davis County and Weber County in the Ogden-Clearfield MSA #36260, and Utah County in the Provo-Orem MSA #29340. The assessment area changed since the previous performance evaluation when Morgan County was included in the assessment area.

The assessment area contains 455 census tracts, of which 24 are low-income, 85 are moderate-income, 218 are middle-income, 124 are upper-income, and four for which income is unknown. Additional demographic information as of 2016 for the assessment area is presented below.

2016 Assessment Area
Portions of the Salt Lake City-Provo-Orem CSA #482

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	24	5.3	16,446	3.4	4,668	28.4	86,209	17.6
Moderate-income	85	18.7	84,033	17.1	12,039	14.3	93,179	19.0
Middle-income	218	47.9	252,552	51.5	14,830	5.9	116,113	23.7
Upper-income	124	27.3	137,689	28.1	4,479	3.3	195,219	39.8
Unknown-income	4	0.9	0	0.0	0	0.0	0	0.0
Total Assessment Area	**455**	**100.0**	**490,720**	**100.0**	**36,016**	**7.3**	**490,720**	**100.0**

Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	33,747	6,872	1.5	20.4	23,863	70.7	3,012	8.9
Moderate-income	142,150	63,254	13.6	44.5	66,836	47.0	12,060	8.5
Middle-income	347,774	251,354	54.1	72.3	80,570	23.2	15,850	4.6
Upper-income	174,104	143,063	30.8	82.2	20,864	12.0	10,177	5.8
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**697,775**	**464,543**	**100.0**	**66.6**	**192,133**	**27.5**	**41,099**	**5.9**

Income Categories	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	3,653	4.0	2,926	3.5	666	8.2	61	5.2
Moderate-income	16,264	17.7	13,731	16.6	2,349	28.9	184	15.7
Middle-income	41,884	45.6	37,820	45.8	3,646	44.9	418	35.8
Upper-income	29,887	32.5	27,997	33.9	1,390	17.1	500	42.8
Unknown-income	192	0.2	108	0.1	78	1.0	6	0.5
Total Assessment Area	**91,880**	**100.0**	**82,582**	**100.0**	**8,129**	**100.0**	**1,169**	**100.0**
	Percentage of Total Businesses:			**89.9**		**8.8**		**1.3**

Source: 2015 FFIEC Census Data and 2015 D&B Information

Population Characteristics

Census data indicates that, between 2000 and 2010, the population of the state as a whole increased by nearly one quarter, with sizable increases in assessment area counties Tooele and Utah. Growth in Utah County is particularly notable given its volume; a total of 148,028 residents between 2000 and 2010. The combined assessment area represents 77.5 percent of the total state population, indicating that this assessment area is the major population center of the state and is chiefly responsible for the state's increase in population. Growth in the state of Utah outpaces that in the U.S., with the state growing by 23.8 percent compared to U.S. growth at 9.7 percent.

Population Change

Area	2000 Population	2010 Population	Percentage Change
Salt Lake County, UT	898,387	1,029,655	14.6
Tooele County, UT	40,735	58,218	42.9
Davis County, UT	238,994	306,479	28.2
Weber County, UT	196,533	231,236	17.7
Utah County, UT	368,536	516,564	40.2
State of Utah	2,233,169	2,763,885	23.8
United States	281,421,906	308,745,538	9.7

Source: 2000—U.S. Census Bureau: Decennial Census
2010—U.S. Census Bureau: Decennial Census

Economic Characteristics

Population growth in the assessment area is driven largely by a strong economy that attracts and retains highly skilled workers, particularly in the financial services and information technology sectors. Clustering, expanding startups, and highly engaged universities acting as feeders contribute to a robust metropolitan economy. Unemployment data for the assessment area MSAs evidences that the unemployment rate in each has steadily decreased between 2014 and 2016 and is at a rate that is far below the national average. MSA data for 2014-2016 follows:

Unemployment Rates 2014-2016

Region	2014	2015	2016
Ogden-Clearfield, UT MSA	3.9	3.7	3.4
Provo-Orem, UT MSA	3.5	3.3	3.1
Salt Lake City, UT MSA	3.7	3.4	3.2
United States	6.2	5.3	4.9

Bureau of Labor Statistics: Local Area Unemployment Statistics

In addition to low unemployment, the overall quality of employment in the assessment area is strong. Location quotients (LQ), which are ratios based on data from the U.S. Bureau of Labor Statistics (BLS) that allow an area's distribution of employment by industry to be compared to the

U.S.'s distribution, were reviewed to determine industry mix and dependence. A ratio of 1.0 reflects a match, with a lower ratio indicating less dependence upon a particular industry and a higher ratio an increased dependence. Based on BLS data for employment using the North American Industry Classification System (NAICS), the Salt Lake City metropolitan area's LQ for the non-depository credit intermediation industry (financial services firms) was 4.2. This means that non-retail financial institutions represent a share of the regional employment that is more than four times that of the U.S. as a whole. As a point of comparison, depository credit intermediation has an LQ of 1.1, which is roughly on par with the US as a whole.

The state of Utah is one of seven states that charter Industrial Loan Companies (ILC), which are primarily owned by financial services firms and focus on a single product line or customer type. Although many former ILCs have since re-chartered, the State of Utah, generally, and Salt Lake County, specifically, retains the largest concentration of ILCs. Data published in 2007 by the Federal Reserve Bank of St. Louis estimated that Utah's ILCs account for 90 percent of the industry's assets.

Although difficult to segment by NAICS code, high-tech employment, including information technology and biotechnology, represents 7.8 percent of employment in the Salt Lake City metropolitan area compared to the U.S. at 4.8 percent of employment. Outreach with area companies reflect the positioning of the Salt Lake City metropolitan area as an increasingly strong draw for private equity firms willing to invest in innovative technologies, which are commonly unseasoned start-ups unable to receive a bank loan. The assessment area's primary economy is currently supported by a highly educated and skilled workforce able to command high wages as evidenced by the presence of debt and equity providers, the focus on incubating high tech companies, and the large number of nearby colleges and universities. The following table represents the change in median family income for counties in the assessment area between 2000 and 2010. The relatively high median family income and its increase between 2000 and 2010 reflect this skilled, educated workforce.

Median Family Income Change 2000 and 2010			
Area	**2000 Median Family Income**	**2006-2010 Median Family Income**	**Percentage Change**
Salt Lake County, UT	54,470	67,451	23.8
Tooele County, UT	50,438	65,618	30.1
Davis County, UT	58,329	73,259	25.6
Weber County, UT	49,724	61,300	23.3
Utah County, UT	50,196	62,938	25.4
State of Utah	51,022	64,013	25.5

Source: 2000—U.S. Census Bureau: Decennial Census
2006-2010—U.S. Census Bureau: American Community Survey

As another measure of the assessment area's economic strength, upward mobility in the Salt Lake City metro area, defined as the probability that a child born to parents in the bottom 20 percent of income distribution will reach the top 20 percent ("absolute mobility"), is the fifth best among the largest U.S. metropolitan areas. The following data presents probability for the top five and bottom five metro areas based on income data from 2011-2012.

Upward Mobility in the 50 Largest U.S. Metropolitan Areas
Probability of Movement from Lowest Quintile of Income Distribution to Top Quintile

Rank	Commuting Zone	Percent Probability
1	San Jose, CA	12.9
2	San Francisco, CA	12.2
3	Washington, D.C.	11.0
4	Seattle, WA	10.9
5	Salt Lake City, UT	10.8
46	Indianapolis, IN	4.9
47	Dayton, OH	4.9
48	Atlanta, GA	4.5
49	Milwaukee, WI	4.5
50	Charlotte, NC	4.4

Source: Equality of Opportunity Project - The Poverty and Inequality Report 2015

In the U.S. as a whole, the odds of reaching the top quintile are 7.5 percent. In Salt Lake City, the odds of reaching this top quintile are 10.8 percent, which means that a child born into poverty is nearly one and a half times more likely to become a high income earner than in the U.S., generally.

Housing Characteristics

The effects of a robust economy and a highly skilled and highly paid workforce are reflected in the rise of housing costs throughout the assessment area. The following table shows the increase in the median housing values between 2000 and 2010 for assessment area counties.

Trends in Housing Costs
2000 and 2010

Location	2000 Median Housing Value	2006-2010 Median Housing Value	Percent Change
Salt Lake County, UT	153,500	237,500	54.7
Tooele County, UT	124,300	183,000	47.2
Davis County, UT	153,100	224,400	46.6
Weber County, UT	122,600	168,300	37.3
Utah County, UT	153,600	233,800	52.2
State of Utah	142,600	218,100	52.9

Source: 2000—U.S. Census Bureau: Decennial Census
2006-2010—U.S. Census Bureau: American Community Survey

Median housing values have increased substantially throughout the assessment area, and at a rate far greater than the increase in median family income. Therefore, despite positive economic indicators, the assessment area generally has become less affordable to assessment area residents.

The decrease in affordability is further evidenced by the fall in the assessment area's affordability ratio. The affordability ratio is calculated by dividing median household income by median housing value, and allows for comparison of housing affordability across the assessment area. An area with a high ratio generally has more affordable housing than an area with a low ratio. The following table presents the change in the affordability ratio between 2000 and 2010 for assessment area counties.

Trends in the Affordability Ratio 2000 and 2010			
Location	2000 Affordability Ratio	2006-2010 Affordability Ratio	Percent Change
Salt Lake County, UT	0.32	0.24	-22.5
Tooele County, UT	0.37	0.33	-10.1
Davis County, UT	0.35	0.30	-15.1
Weber County, UT	0.36	0.32	-10.5
Utah County, UT	0.30	0.24	-18.4
State of Utah	0.32	0.26	-19.5

Source: 2000—U.S. Census Bureau: Decennial Census
2006-2010—U.S. Census Bureau: American Community Survey

This data further supports that, despite increases in income and low unemployment, housing became less affordable across the assessment area between 2000 and 2010.

The need for subsidized housing is particularly acute in Salt Lake County, which has seen the greatest decrease in the affordability ratio. Although data is not available for all assessment area counties, within the three most populated counties for which it is available, Salt Lake County evidences the greatest need for an increase in subsidized units.

Subsidized Housing Indices 2013			
Location	Average Household Income for Subsidized Households	Number of Subsidized Units	Average Months on Waiting List
Salt Lake County, UT	11,677	8,513	30
Davis County, UT	11,873	1,776	18
Utah County, UT	12,446	2,289	11
State of Utah	11,739	17,563	23

Source: Federal Reserve Bank of San Francisco 12th District Community Indicators Project - 2015

Salt Lake County has the highest average housing cost within assessment area counties and an average income that is 105.3 percent that of the State of Utah as a whole, yet it has the longest waitlist for subsidized housing for which data is available and an average household income for those seeking subsidized units that is only 17.3 percent of the county median. Given the advantages to residing within Salt Lake City, as evidenced by economic mobility indices, data indicates a need for increasing access to subsidized housing so that low-income residents may remain within the community.

Community Contacts

Two community representatives were contacted to help determine the credit and banking needs of the assessment area. Additionally, organizations who received community development financing from Ally Bank were interviewed in order to provide specific context regarding impactful lending, investment, and service opportunities and how they were addressed by the bank. Finally, information was reviewed from the bank's community needs assessment, which was performed in conjunction with the development of Ally Bank's Plan.

Representatives corroborated data indicating that the assessment area, particularly Utah County, is becoming a tech hub and that is responsible for most of the growth in population. Computer software company Adobe Systems opened a large tech campus in Utah County in 2013, as did e-commerce corporation eBay. Organizations repeatedly referenced the strength of the assessment area in seeding and incubating tech startups, and the number of local colleges and universities that act as feeders. Contacts also repeatedly referenced the number of financial institutions in the area looking to make CRA-qualified investments. One representative stated that banks are "always" contacting her organization to understand its needs.

Despite the robust assessment area economy and large number of institutions subject to CRA, contacts noted a number of community development needs. Contacts maintained that opportunities remain for financing affordable housing projects. Further, given the number of small start-ups, opportunities remain for financial institutions to provide technical assistance to small businesses. Need was noted for an increase in micro-enterprise loans, particularly those in amounts of $100,000 or greater. Additional support was also suggested through participation in New Markets Tax Credit pools.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Ally Bank's performance relative to the lending test is rated Outstanding. The Plan established four goals for both the assessment area and for the broader statewide and regional area as follows:

- Small loans (<$1MM) to businesses in LMI geographies for purchase of a vehicle;
- Loans in LMI geographies to consumers for purchase of a vehicle;
- Loans to LMI borrowers (consumer) for purchase of a vehicle; and
- Community Development loans

Ally Bank's performance relative to each goal exceeded the goals for a Satisfactory rating and substantially achieved the goals for an Outstanding rating.

Small Loans to Businesses in LMI Geographies

As the bank only originates or purchases business purpose loans for auto finance, a goal for small auto loans to businesses in LMI geographies was established to reflect performance in providing small dollar credit to businesses. The following table presents information regarding Ally Bank's performance relative to benchmarks established within the assessment area for Plan years 2014-2016.

Number of Small Auto Loans to Businesses in LMI Assessment Area Geographies												
	Goal Thresholds									Actual Performance		
	Low Satisfactory			High Satisfactory			Outstanding					
Year	Low	Moderate	LMI Total	Low	Moderate	LMI Total	Low	Moderate	LMI Total	Low	Moderate	LMI Total
2014	13	38	51	14	44	58	16	48	64	25	97	122
2015	14	39	53	15	45	60	17	50	67	24	125	149
2016	15	39	54	16	45	61	18	51	69	20	89	109
Total	**42**	**116**	**158**	45	**134**	**179**	51	**149**	**200**	**69**	**311**	**380**

Actual performance exceeded goal thresholds for an Outstanding rating in lending to both low- and moderate-income geographies in each of the plan years, with the total aggregate lending in LMI tracts substantially exceeding that threshold.

Loans in LMI Geographies to Consumers for Purchase of a Vehicle

Given the bank's focus on automotive lending, a goal was established for lending in LMI geographies to consumers for purchase of a vehicle to reflect performance in extending consumer credit throughout the assessment area. The following table presents information regarding performance on the goal for loans to consumers residing in LMI geographies.

Number of Auto Loans in LMI Assessment Area Geographies												
	Goal Thresholds									Actual Performance		
	Low Satisfactory			High Satisfactory			Outstanding					
Year	Low	Moderate	LMI Total	Low	Moderate	LMI Total	Low	Moderate	LMI Total	Low	Moderate	LMI Total
2014	21	146	167	23	161	184	25	175	200	17	156	173
2015	22	152	174	24	167	191	26	182	208	46	215	261
2016	23	155	178	25	171	196	27	186	213	37	201	238
Total	66	453	519	72	499	571	78	543	621	100	572	672

In 2014, lending in LMI areas met only the Low Satisfactory threshold. However, lending to LMI geographies exceeded the threshold for an Outstanding rating in 2015 and 2016 and greatly exceeded the threshold for low-income geographies specifically.

Loans to LMI Borrowers for Purchase of a Vehicle

Loans to LMI borrowers for purchase of a vehicle was designated as a goal to reflect performance in helping meet the credit needs of LMI individuals within the assessment area. The following table presents information regarding performance on the goal for loans to LMI borrowers for purchase of a vehicle.

Number of Auto Loans to LMI Borrowers												
	Goal Thresholds									Actual Performance		
	Low Satisfactory			High Satisfactory			Outstanding					
Year	Low	Moderate	LMI Total	Low	Moderate	LMI Total	Low	Moderate	LMI Total	Low	Moderate	LMI Total
2014	86	242	328	96	272	368	107	302	409	140	278	418
2015	90	251	341	100	283	383	111	315	426	148	322	470
2016	92	257	349	102	290	392	114	322	436	135	320	455
Total	268	750	1,018	298	845	1,143	332	939	1,271	423	920	1,343

Actual performance exceeded the threshold for an Outstanding rating for aggregate lending to LMI borrowers in each year. Lending in moderate-income areas met the High Satisfactory threshold in 2014 and 2015; however, lending to low-income borrowers substantially exceeded the Outstanding threshold.

Community Development Lending

Ally Bank's Community Development lending goals and lending performance for 2014-2016 are presented in the following table.

Community Development Lending				
Dollars Originated in Assessment Area and Broader State and Regional Area ($ in Millions)				
Year	Low Satisfactory	High Satisfactory	Outstanding	Actual Performance
2014	$21.5	$24.1	$28.9	$55.7
2015	$22.0	$24.6	$30.6	$53.0
2016	$22.7	$25.5	$32.6	$46.1
Total	**$66.2**	**$74.2**	**$92.1**	**$154.8**

The bank's community development lending originations greatly exceed the established thresholds for an Outstanding rating. Further, a number of the loans originated were focused in areas identified as part of the needs assessment as being particularly impactful and responsive. Of the $154.8 million in qualified community development loans originated, $140 million or 90.4 percent were made to affordable housing projects. Loans often required special expertise and effort to provide a benefit that would not otherwise be possible. Notable examples of impactful community development loans include:

- A construction to permanent loan of $9.7 million to finance a 100-unit multifamily Low-Income-Housing Tax-Credit (LIHTC) rental project in which 79 units were income restricted to very low-income seniors (between 25 percent and 50 percent of area median income). Providing debt for a LIHTC transaction evidences a high level of knowledge, familiarity, and skill with a complex tax credit investment model. Ally Bank further acted as a LIHTC investor for this project.

- Four loans totaling $13.2 million for New Market Tax Credit (NMTC) transactions. This includes a $500,000 participation in a bridge loan for a historic rehabilitation of a manufacturing warehouse in a moderate-income census tract that twinned NMTC with Historic Rehabilitation Tax Credits (HTC) in a leverage structure transaction. The project consists of 13 residential apartment units, all reserved for residents making less than 80 percent of area median income (AMI), as well as eight commercial spaces for artists or small businesses. Acting as a lender in a NMTC leverage structure that also uses HTC evidences an extremely sophisticated understanding of complex tax credit investments; further, as Ally Bank is not a commercial real estate lender its involvement in complex commercial real estate transactions, particularly in areas of the transaction that are often difficult to source, is notable.

- An $800,000 loan to the Salt Lake County Pay for Success (PFS) Development Fund. PFS is an outcome-based approach to financing social services that can be used to scale up particularly effective programs. The PFS Development Fund has adopted the PFS model to take a portfolio development approach in which several projects are simultaneously funded, creating better economies of scale, integrating performance-based contracts into policymaking, and promoting data sharing. This portfolio approach is the only such example in the PFS sector. Ally Bank's involvement with this unique PFS model evidences a particularly deep understanding of this initiative, which is designed to create increased community impact through multi-intervention funding.

INVESTMENT TEST

Ally Bank's performance relative to the investment test is rated Outstanding. The 2014-2016 Strategic Plan established performance thresholds as follows:

Community Development Investments New Investments and Grants Made in the Assessment Area and Broader State and Regional Area ($ in Millions)				
Year	Low Satisfactory	High Satisfactory	Outstanding	Actual Performance
2014	$240.5	$264.6	$288.6	$298.6
2015	$246.4	$271.0	$295.6	$313.2
2016	$255.0	$280.4	$305.9	$312.4
Total	**$741.9**	**$816.0**	**$890.1**	**$924.2**

Actual performance exceeds the number of dollars in new investments needed to meet the threshold for Outstanding in each year of the plan. The bank's investments and grants further highlighted a commitment to responding to identified community development needs, particularly in leadership positions and in complex areas. Notable examples include:

- Three investments totaling $10.0 million in Small Business Community Capital II (SBCC II), the first Latina-led Small Business Investment Company (SBIC) in the country and an SBA designated impact fund. SBCC II specializes in providing debt financing to new, small businesses between $100K and $1MM. This size of small business loan was identified within the community needs assessment as being particularly responsive. Ally investments in SBCC II have a purpose, mandate, and function of serving businesses in Utah. As the bank is not an SBA lender, investment through an SBIC is a particularly innovative way of meeting this assessment area need.

- Two venture capital investments totaling $10.0 million in the University Growth Fund (UGF). UGF is a successor to the University Venture Fund (UVF), a student-led venture capital fund that was recognized as a Community Development Venture Capital (CDVC) fund. As a CDVC fund, investments are predominately focused in CRA qualifying activities. UVF's investments were 98 percent CRA qualified, and UGF's investments are 78 percent CRA qualified to date. Ally Bank's participation as a lead investor in UGF evidences an innovative way to provide equity to small businesses.

- A $3 million venture capital investment in Kickstart Seed Fund II, a seed capital fund that provides equity financing to specifically new small businesses that may otherwise be too unseasoned for traditional venture capital firms. Kickstart's focus is on providing technical assistance to first-time entrepreneurs. Additionally, 68 percent of companies had revenue of less than $1 million, and 64 percent of employees were LMI. Ally Bank's investment in this seed capital fund is particularly responsive to assessment area needs as it funds small investments to entrepreneurs coupled with technical assistance.

- Donations totaling $60,000 to the Road Home and First Step House. The Road Home provides rental assistance and case management for the persistently homeless. First Step House provides intensive, targeted treatment, housing and case management for high-risk, high-need offenders. Both organizations are participants in Salt Lake County's Pay for Success project. Ally Bank's donations to these organizations coupled with lending to them through the PFS model evidences a high degree of involvement and impact.

SERVICES TEST

Ally Bank's performance relative to the service test is rated Outstanding. The 2014-2016 Strategic Plan performance thresholds and performance are as follows.

Community Development Services Service Hours Performed in the Assessment Area and Broader State and Regional Area				
Year	Low Satisfactory	High Satisfactory	Outstanding	Actual Performance
2014	650	700	750	841
2015	700	750	800	811
2016	750	800	850	979
Total	**2,100**	**2,250**	**2,400**	**2,631**

Actual performance exceeds the number of hours needed to meet the threshold for Outstanding in each year of the plan. Service hours performed evidenced a high level of involvement on Boards of Directors for organizations that promote the provision of financial services, and in providing technical assistance regarding financial services. Examples include:

- Board of Directors membership on the University Growth Fund. Ally Bank's Board membership, coupled with its investments, evidence a high level of participation and an ongoing commitment to its initiatives.

- Board of Directors membership on and teaching of financial literacy classes through the Arizona Auto Dealer Association. Through a collaborative effort with this organization, Ally Bank delivered budget and credit lessons using financial literacy curriculum that it developed (Ally Wallet Wise) to students in vocational schools located in LMI areas.

- Board of Directors membership on and technical assistance provided to Women of the World, an organization that provides services to refugee women, including housing, job placement, and English classes. Ally Bank employees served on the Board, helped prepare impact reporting metrics, and prepare budgets. Ally Bank further provided $40,000 in grants during the review period to this organization.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	2014-2016		
FINANCIAL INSTITUTION Ally Bank			PRODUCTS REVIEWED Small loans to business Consumer auto loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
Ally Financial, Inc.	Parent Company		Small loans to business Consumer auto loans

IDENTIFICATION OF ASSESSMENT AREAS			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Salt Lake City-Provo-Orem CSA #482	Full Review	N/A	N/A

APPENDIX B – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

   Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

   1) Low- or moderate-income geographies;
   2) Designated disaster areas; or
   3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:
      a. Rates of poverty, unemployment or population loss; or
      b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

5. Loans, investments, and services that –
   i. Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
   ii. Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees, and
   iii. Benefit low-, moderate-, middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Development Loan: A community development loan means a loan that:

1) Has as its primary purpose community development; and
2) Except in the case of a wholesale or limited purpose bank –
   a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
   b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service: A community development service means a service that:

1) Has as its primary purpose community development; and
2) Is related to the provision of financial services.

Consumer loan: A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other consumer secured loan, and other consumer unsecured loan.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male household and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;
3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Loan location: Under this definition, a loan is located as follows:

1) Consumer loan is located in the census tract where the borrower resides;
2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (**MSA**) or a metropolitan division (**MD**) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending.

Qualified Investment: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of $1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.