



# Corporate Trust **CONNECTION**

spring 2010

## Support for State and Local Housing Agencies **U.S. Bank Is Appointed on HFA Initiative**

U.S. Bank was selected by Fannie Mae and Freddie Mac (government-sponsored enterprises, or GSEs) to act as administrator and closing agent for the Temporary Credit and Liquidity Program (TCLP) and the New Issue Bond Program (NIBP) for housing finance agencies (HFAs). The programs are part of a comprehensive federal plan to help stabilize the U.S. housing market and provide families with access to affordable rental housing and homeownership.

These programs, collectively referred to as the HFA Initiative, will enable state and local HFAs to continue making available the financial support needed in today's housing market. The HFAs will accomplish this by providing low-interest-rate mortgages and by expanding resources for low- and middle-income borrowers to purchase or rent homes that are affordable over the long term. Both programs were designed and implemented by the U.S. Treasury, Federal Housing Finance Agency, U.S. Department of Housing and Urban Development, Fannie Mae and Freddie Mac to provide greatly needed financial support to state and local HFAs.

### **The U.S. Bank Role**

In its role as closing agent, U.S. Bank provided operational support for the New Issue Bond Program. "We performed

certain cash and security settlement activities on more than 100 HFA bond issues that closed on just two days, December 23, 2009, and December 30, 2009," says Eve Kaplan, Senior Vice President and Manager, Structured Finance, U.S. Bank Corporate Trust Services. "It was a one-time role, but a demanding and time-sensitive one."

However, Corporate Trust Services will also have a continuing role performing administrative duties for both the New Issue Bond and Temporary Credit and Liquidity Programs. The TCLP is an ongoing program that involves certain single-family and multi-family mortgage bonds. These bonds are variable-rate demand obligations where liquidity had been problematic due to failed remarketing of the securities. The GSEs stepped in as liquidity and credit enhancement provider to help relieve current financial strains experienced by the HFAs due to the failed remarketing of these securities.

As administrative agent, U.S. Bank collects credit enhancement and liquidity fees, holds securities that can't be remarketed, collects payments due on those securities and forwards proceeds due to the GSEs and Treasury. When the program was announced, HFAs had to submit a program participation request and

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## Did You Know?

### U.S. Bank Is Now the Fifth-Largest Commercial Bank

Fueled by acquisitions in fourth quarter 2009, U.S. Bank had \$281 billion in assets as of December 31, 2009, which was reported in its earnings release on January 20, 2010.

With the latest statistics, U.S. Bank has moved from sixth-largest to fifth-largest commercial bank in the United States.



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## U.S. Bank Facilitates Creative Financing Solution

With credit tight for nonbank mortgage lenders, some are seeking creative ways to obtain financing. The Station Place Securitization Trust 2009-1, originated by Provident Funding Associates, L.P., is one such solution.

“The Station Place deal is a \$297 million revolving securitization facility made up of agency eligible mortgages,” says Nancie Arvin, Vice President. “Provident Funding, based in Burlingame, Calif., hired Jefferies & Company as underwriter and placement agent. Because of our longstanding relationship with both parties and our ability to serve in multiple capacities, U.S. Bank was chosen as trustee, custodian and back-up servicer.”

The securitization closed December 30, 2009, and has a term of one year. The Class A Notes carry an Aaa rating by Moody’s and AAA by DBRS. The first loans were funded within a couple of weeks of closing.

### Creating a “Way Station” for Financing

The financing structure requires Provident Funding to originate first-lien fixed-rate mortgages secured by residential properties in accordance with strict criteria established by Fannie Mae or Freddie Mac. These loans serve as collateral for the deal which effectively functions as a revolving warehouse line

of credit for Provident Funding as the loans are sold into the trust, repurchased and sold to agencies or other take-out investors.

“The trust serves as a way station for Provident Funding,” Arvin says. “Loans originated by Provident Funding are sold to the trust. The intent is that they remain in the pool for no more than 30 days before Provident Funding repurchases and then sells the loans, typically to Fannie Mae or Freddie Mac. The proceeds from the sale will then be reinvested in new loans to be sold into the trust until they, too, are repurchased. No loan can remain in the pool for more than 60 days.”

### The U.S. Bank Role

U.S. Bank Corporate Trust Services is the custodian of the mortgage files as well as the trustee, paying agent and registrar for the notes issued through the securitization. “As trustee, we determine the eligibility of each loan to be sold to the trust and the market value of each loan in the pool on a daily basis,” Arvin says. “It is necessary to have \$300 million in collateral backing the \$297 million of notes issued. To meet this require-

ment, our First Security Investor Reporting (FSIR) group marks to market each loan in the pool every day. If there is a margin deficit, we must notify Provident Funding to send cash and/or additional eligible assets to cure such margin deficit.”

In addition, U.S. Bank Home Mortgage acts as the back-up servicer and would step in if a servicer termination occurred.

### Our Tools Provide Solutions

“This arrangement is unique,” Arvin says. “In a tight credit market, it is solutions like these that can help organizations find alternative ways to fund their operations.”

To learn more about how U.S. Bank can help you with creative financing solutions, please contact your Account Manager.



In a tight credit market, U.S. Bank can help find creative financial solutions.

## U.S. Bank Shines in 2009 American Customer Satisfaction Index



U.S. Bank customers are increasingly loyal and satisfied, and they consider U.S. Bank’s services to be of high quality and value according to the American Customer Satisfaction Index (ACSI) research conducted in the fourth quarter of 2009.

U.S. Bank surpassed industry averages and topped the four largest banks in the country in customer satisfaction, customer expectations, perceived quality, perceived value and customer loyalty. U.S. Bank scored 77 in overall ACSI customer satisfaction, compared to the next highest reported score of 73 and the industry average of 75. U.S. Bank exceeded reported industry averages in the important categories of loyalty, quality and value by seven or more points.

“We’ve experienced a flight to quality for many months, and now these results are evidence of our success,” said Richard Davis, chairman, president and chief executive officer of U.S. Bancorp. “Our company has been a source of strength and stability and as these scores demonstrate, customers are taking notice. At U.S. Bank, they find high quality service and value, and perhaps most importantly, our customers are very loyal. As now the fifth largest commercial bank in the United States with the fourth largest branch network, we are very pleased with our results, and we know that this positive momentum is just the beginning. We are focused on customer loyalty with a number of new programs aimed at moving us from very good to great.”

ACSI independently surveys customers of the largest companies in consumer goods and services industries. U.S. Bank has engaged ACSI to survey its retail customers over the last several years and continues to improve its scores.

## U.S. Bank Named Trustee in Build America Bond Deal

Late last year, U.S. Bank was named trustee for \$218.3 million in bonds for the Massachusetts Bay Transportation Authority (MBTA). The bonds are Build America Bonds (BABs), a program created by the American Recovery and Reinvestment Act of 2009, the \$787 billion economic stimulus bill signed into law in February 2009.

“We have a long-standing relationship with the MBTA,” says Susan Freedman, Vice President, U.S. Bank Corporate Trust Services. “The relationship dates back to the 1960s through predecessor banks. They’re a major client; U.S. Bank serves as trustee and fiscal agent for the more than \$5.4 billion in total debt outstanding issued by the MBTA.”

The October 29, 2009, bond issue was the second BAB to be issued in the Commonwealth of Massachusetts. The bond program was created to help states pursue infrastructure projects that can revitalize American communities while putting Americans back to work. *Time* magazine calls BABs “one of the economic recovery effort’s biggest successes.”\*

### BAB Benefits

BABs lower borrowing costs for states, municipalities and other local governments with federal subsidies. They are similar to municipal bonds, but the income generated on a BAB is taxable. They can be issued in 2009 and 2010, with no volume limitation.

There are two ways BABs are offered: In the first, BAB issuers receive a subsidy from the federal government for 35 percent of the interest paid to investors. This is the type of BAB that the MBTA issued last fall. In the other kind, BAB holders receive a tax credit for 35 percent of the interest they earn from the bond each year.

“From our perspective as trustee, the only difference in a BAB offering is that we’re getting debt service funds from another source – the federal government – in addition to the MBTA



funding,” Freedman comments. The MBTA provides paperwork to the U.S. Treasury to have funds sent to U.S. Bank.

The MBTA finances and operates mass transportation facilities in 175 cities and towns in the greater Boston metropolitan area. It is the oldest and fifth largest transit system in the U.S., operating subway, trackless trolley, trolley, bus and commuter rail services throughout eastern Massachusetts.

To learn more about BABs or trustee services offered by U.S. Bank Corporate Trust Services, contact your Account Manager.

\* Source: *Time.com*, November 17, 2009.

## U.S. Bank Is Appointed on HFA Initiative *continued from front*

certain other information to the Treasury and were approved a specific number of dollars available to the individual HFA for each program. In its role as administrator, U.S. Bank ultimately performs a significant number of back-office operations for the benefit of the GSEs and Treasury Department, including collecting information and reporting activity on the securities issued and collecting and disbursing payments for security positions.

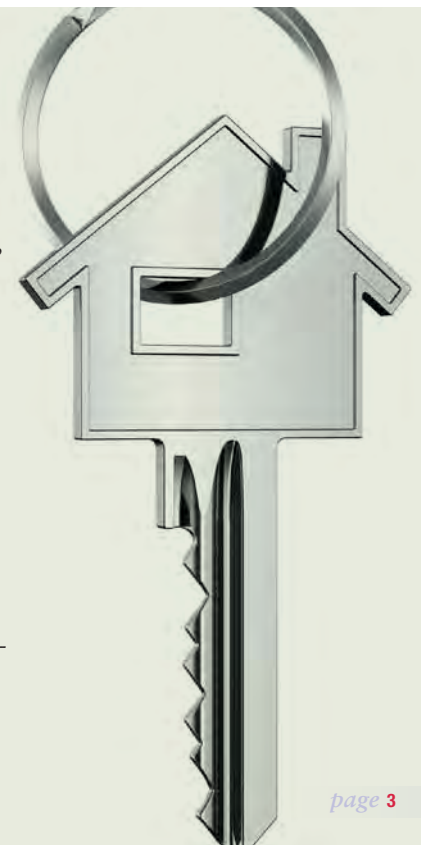
In most traditional corporate trust arrangements, documents clearly specify what the bank’s role is going to be, and those documents serve as a guidepost to deliver the necessary services.

“In this case, however, U.S. Bank was actively involved in helping to define what some of the operational procedures and processes would be for these programs,” Kaplan says. “We partnered with the GSEs in communicating and implementing those processes with the program participants: the HFAs and their trustees.”

### Leveraging Our Experience and Expertise

U.S. Bank is proud to work with the Treasury Department and GSEs on these important programs.

“Our depth and breadth of experience in corporate trust, as well as the operational and technological expertise of U.S. Bank, helped us land this appointment,” Kaplan says. “In addition, we have a longstanding relationship with Fannie Mae and a significant presence as trustee for HFAs across the country, which gives us a great deal of credibility in the marketplace. We’re pleased to play our part in helping to provide access to affordable housing.”



# Spotlight on the Hartford Office

First settled in 1623 as a Dutch trading post, Hartford, Conn., is now home to some of the nation's largest insurance companies, as well as a U.S. Bank Corporate Trust Services office. The U.S. Bank employees at the Hartford office share a history of working with loyal, long-term customers.

"Most of the employees in our office have worked together for decades," says Andrea Turlo, Vice President, Manager of the Hartford office. "We have a very loyal client base that has followed us through a number of acquisitions. While other corporate trust providers have come to Connecticut and then left, we remain committed to our product and location. This commitment and our strong focus on customer service have made us the leading municipal trustee and paying agent in the state."

Some of the Hartford office's long-term customers include housing agencies, health and educational facilities authorities, development authorities, resource recovery authorities and student loan agencies. "We also have a respectable book of corporate clients, including a number of insurance companies," Turlo adds.

## Capitalizing on a Niche

Although the Hartford office handles the full gamut of corporate trust services, including trustee, paying agent and escrow services, one of its niches is leveraged leasing. "Our office acts as indenture trustee or owner trustee on leases of big-ticket items, such as rail cars and aircraft. We are one of only three major players in the U.S. who handle leveraged leasing," Turlo says.

The Hartford office also boasts a Trust Financial Management (TFM) unit, which provides much of the processing and administration of cash- and asset-management functions. "In addition to an administrative staff of 16, including 11 Account Managers and three Account Set-Up people, we are fortunate to have a staff of



eight TFM professionals on site who lend support to our clients and share equally in our valued, longstanding customer relationships," Turlo says.

## Connecting in Connecticut

"We have a great group of people here," Turlo says. "Many of us have been here over 25 years. Our customers appreciate the expertise and experience we bring to the table, as well as the technology and financial strength of U.S. Bank."

If you find yourself in Connecticut, please stop by the Hartford office to say hello. If you would like to learn more about any of our products, contact your Account Manager.

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60 Livingston Avenue  
EP-MN-WS3W  
St. Paul, MN 55107

