

Please note that this transcript reflects corrections to inaccuracies in the real time closed captioning in the roundtable video

Joshua Stallings:

Welcome. To those of you watching us live, we are in San Juan, Puerto Rico to discuss access to the Federal Home Loan Bank system. My name is Joshua Stallings. I am the deputy director of the Division of Bank Regulation at the Federal Housing Finance Agency. I'm joined today by Chris Bosland the FHFA's Chief External Risk Officer. This is our 15th round table under our Federal Home Loan Bank System at 100 Focusing on the Future Initiative. More information including the video recording and transcripts of past round tables, as well as information on an upcoming listening session can be found on our website. I would encourage everyone to go to the website and also to consider submitting a written comment and you can also find where to submit that written comment on the website for this event. We also have a Spanish language caption available on the livestream, which is at the fhfa.windrosemedia.com. Folks in the room if you'd like to watch along with the captions, we'd ask that you please mute the speakers on the phone or laptop and note that there is a slight delay in the broadcast.

Welcome. Let me say welcome first to our round table participants and thank you for being here. Thank you again to those that are watching along. We're looking forward to the discussion today and the feedback we will be receiving. Before we get going, let me turn it over to Chris who's going to review some of our rules of engagement.

Chris Bosland:

Good afternoon. Thank you all for joining us today. I'll echo Josh's thanks. We hope today to be having an open and engaging discussion. For that purpose, no recommendation should be viewed as off the table, so we encourage you to offer whatever your best thinking is without regard to whether it's currently feasible or otherwise. The whole point of this is to revision what the banks might look like going forward. While it's relevant what they can and can't do currently, but if you have an idea that's not currently in their wheelhouse that it's certainly a game for today. We want to make sure that everybody engages respectfully. This is not. I don't anticipate having met the most of you beforehand that'll be a problem with this panel. Some of the other panels, it's a little bit, it's been a little bit... Different topics have been a little more contentious, but we want to make sure everybody has a turn to

speaking. As Joshua alluded earlier, if you'd like to weigh in on a particular topic, please turn your placard to the side and then we'll know to call on you. We will have a break roughly halfway through. Finally, for the benefit of those in the audience and on the live stream a remark that the participants have been given a set of prompt questions to which they've provided some earlier feedback and will be referring to that throughout the discussion. Now, for the legal disclaimer that we're obligated to read. I apologize, I've tried to do this in one breath, but it's physically impossible. We have organized this round table to obtain your input on the mission of the Federal Home Loan Banks, including input on several specific questions that were sent to you prior to the meeting. During today's session, FHFA will not discuss the status or timing of any potential rulemaking. FHFA does decide to engage in a rulemaking on any matters discussed today this meeting would not take the place of a public comment process. The rulemaking document would establish the public comment process and you would need to submit your comments, if any, in accordance with the submission instructions in that document. FHFA may summarize the feedback gathered at today's session in the future rulemaking if we determine that a summary would be useful to explain the basis of the rulemaking. Anything said in this meeting and that includes reactions, nodding, eye rolling, questions themselves from us should not be construed as binding on or a final decision by the director of FHFA or FHFA staff. Any questions we may have been focused on understanding your views and do not indicate a policy or legal position. Participants in today's round table may have a financial interest, direct or indirect on outcomes that may affect the Federal Home Loan Banks and their businesses. As Joshua mentioned, today's round table will be live streamed on FHFA's website and video recorded. FHFA may also prepare a transcript of today's session, which would include the names of all speakers and the organizations they represent, if any. The recording and any transcripts prepared will be posted on FHFA's website and YouTube channel along with any materials being presented today or otherwise submitted in conjunction with the round table. With that, I'll turn it back to Joshua.

Joshua Stallings:

All right. As you can see, the eye rolling piece was put in specifically because of Chris. As I mentioned, we have a great panel today. Me and Chris had an opportunity during lunch to meet many of our panelists, but for those of you in the audience and watching on the live stream I'll ask that each of you introduce yourself, and your affiliation, and also any affiliation you have with the Federal Home Bank system past or present for everyone's awareness. Let's do this by starting over here

with Natalia if you want to kick us off and we'll go around the table.

Natalia Zequeira Diaz:

Good afternoon. My name is Natalia Zequeira Diaz. I am the commissioner of the office of the Commissioner of Financial Institution, the state bank regulator of Puerto Rico.

Michelle Sugden Castillo:

Hi, my name is Michelle Sugden and I'm representing [foreign language 00:05:36] and Affordable Housing Fund and the Puerto Rico. I'm an urban planner and the president of the Affordable.

Joshua Stallings:

Here you go.

Michelle Sugden Castillo:

Housing Fund for Puerto Rico, but I've also worked in various capacities with [foreign language 00:05:49] and [foreign language 00:05:51] and Habitat Now Enterprise Community partners, so working with a lot of issues of housing. I've actually submitted Federal home Loan Bank proposals.

Rene Vargas Martinez:

Good afternoon and thank you for the invitation. My name is Rene Vargas Martinez and I am the director of the Puerto Reconnect work for Inclusive. Inclusive is actually a member of the Feral Home Loan Bank of New York as a CDFI. We're a national network of more than 450 mission driven community development credit unions and [foreign language 00:06:25] that for almost half a century has focused on promoting financial inclusion and community development in historically redline communities and other communities shut out from the mainstream financial system.

Carla Haeussler-Badillo:

Good afternoon. My name is Carla Haeussler-Badillo. I am the executive director of Fundacion MMM.

Vannessa Pineiro:

Good afternoon, everyone and thank you for the invitation. My name is Vanessa Pinerio. I lead the CRA Compliance efforts for Banco of Popular de Puerto Rico. Banco of Popular de Puerto Rico is a member bank of the Federal Homeland Bank of New York, and we serve both Puerto Rico and the US Virgin Islands.

Maria Rodrigues-Collazo:

Hi, my name is Maria Rodriguez. I'm the director of housing programs for Parson Corporation. It's a nonprofit based in New York and also doing business in Puerto Rico since 1998. I also served for nine years in the Affordable Housing Advisory Committee of the Federal Home Loan Bank of New York, actually until December 2022.

Aurelio Arroyo: Good afternoon, everyone. My name is Aurelio Arroyo Gonzalez. I am CEO of Cooperative Jesus Obrero and also chair of the Board of Credit Unions and Cooperative Executive Association of Puerto Rico. Thank you for the invitation.

Sasha Davila: Hi, good afternoon, everyone. My name is Sasha Davila [inaudible 00:07:49]. I come here representing the US Department of Housing and Urban Development, the [inaudible 00:07:53] San Juan Field Office. Thank you for the invitation. I'm looking forward to this conversation.

Joshua Stallings: Absolutely. To get us started, I think, the best thing to do will be to level set for those of us that are not as familiar with the lay of the land in Puerto Rico. Start off by what are some of the unique aspects of the housing market in Puerto Rico be that would with the challenges or any potential opportunities that you see that we should be thinking about that that may not be present elsewhere. Maria, I don't know if you want to maybe kick us off with that.

Maria Rodrigues-Collazo: Sure.

Joshua Stallings: Yeah.

Maria Rodrigues-Collazo: Absolutely. Let's start with the opportunities which is easier. Puerto Rico is right now positioning in a good place in terms of the access to federal funds and that it's unfortunately, because of hurricane Maria and Irma. It's known for everybody at the federal and state level that we receive a commitment of \$20 billion. There is an opportunity of funding available. It's a broke area of opportunities because it's from housing, economic development, even tourism. It's a great opportunity for reconstruction. We always mention this is the moment for Puerto Rico, so reconstruct Puerto Rico may be the only one opportunity that we have and it's now. There's an opportunity for the different programs to camp as covering may be only gaps for those funding, but also to support the air force of the nonprofit sectors and the private sector, because most of the CDBGDR they are funding a centralized at the government level in terms of the administration. There's a lot of opportunities right now because there's a lot of things happening out there. There's a lot of programs, new programs and they are already in place. Of course, everything comes with the challenges. Hurricane and Maria bring a lot of funding, but also a lot of challenges that we are facing. Inflation, lack of materials, lack of laborers, lack of expertise in the workers for construction, at least to supply the demand of the programs right now. There is a lot of challenges that we are facing and the pricing, of course,

and the construction is one of them. That's the base of housing and, of course, of affordable housing. There is an immediate need, of course, to deal with everything that is related to those challenges. The nonprofit sector, which is the one that I'm work more directly, of course, is now trying to how to continue with our programs, because CDBGDR, again, is centralized and most of it in governmental agencies. How to continue with our work with the limited funds that we receive, with the limited funds that we have direct access too but receiving the same challenges of the increasing of the cost and the lack of contractors available, because they're all working on the CDBGDR funding. Those challenges are still there. One of the important things about the funds throughout the Federal Home Loan Bank System is that there is one of the few fundings that we have direct access to. Especially, in Puerto Rico. Again, working in a moment that we have a lot of opportunities, we have the work, the need there, but it's at the same time how we deal with those challenges. We are as a nonprofit organization trying to, at this moment, to continue the working, for example, in the rehab programs. It's working directly with families and it's good to see Carla. Carla has worked recently in our program with our organization, and they can tell how costly is to rehab or at least reconstruct a single-family unit in Puerto Rico. It's from \$150,000 from \$175,000 for a single-family housing. That it's talking about low income with a reasonable, and safe, and decent affordable housing. We are not talking about any mansions. We are talking about units with less than 1,000 square feet. Dealing with that and trying to continue on the market and doing our work is one of the biggest challenges that we are facing right now.

Joshua Stallings:

Carla, you want to jump in on that? What you're seeing from your experience?

Carla Haeussler-Badillo:

Yeah. Our perspective is also from the non-for-profit organization. We don't do heavy construction, but we do a lot of repairment on houses. We have the same issues. The inflation, all construction materials are over the top lack of contractors and hand labor. It's one of the challenges that we faced every day. We are, basically, in the same place right now. Although, we received some grants from Federal Home Loan Bank and it was a charitable contribution, so we were able to act fast, because there was no bureaucracy in the middle. We are right now repairing nine houses with that money.

Joshua Stallings:

Okay.

Maria Rodrigues-Collazo:

Yeah.

Joshua Stallings:

When you speak about the contractors, I think, you both have brought this up what delays are you seeing due to lack of availability?

Carla Haeussler-Badillo:

It's not even a delay. It's I can't take any more projects because they also have the same challenges. They lack the hand labor, also. It's a domino effect.

Joshua Stallings:

Got you. Pivoting a little bit but staying in the world of housing. One other issue I think that we did read a little bit about, Rene, I'll ask you to speak to this first, is related to title issues and how that might impact or, I think it was you, or was somebody, submitted something on title issues... Vanessa, you want to...

Vannessa Pineiro:

That's one of the areas where I'll start. I have three areas within affordable housing. No. Hold on. I'm sorry. I will start with the sustainable economic development space. To give a framework of what's happening within the affordable housing market. In terms of opportunities, as Maria mentioned, I guess, events such as hurricane Maria, earthquakes, hurricanes, which have been detrimental to the island have also been an open door to new opportunities, and have provided resources, and also the drive to work within the nonprofit organizations, and to strengthen the ecosystem within the island. I think, that's one of the opportunities that we face, that we have. The ability of the smaller nonprofits to face, to step up and face all the adversities that we have had, and we should further promote in the future, so we have a better system in place to address those challenges. It has been our experience; we've seen it with Maria creating a network. Then we faced the earthquakes. We had something in place smaller, but we were able to deploy resources faster. We had the connections, we had the phone numbers, so people were able to connect and respond faster. Not only to the earthquakes, but the additional to COVID and we keep facing things. In terms of... I'm sorry. In terms of how to sponsor and support those local organizations, which, I think, are the key to the sustainable development on the island and to be able to provide prosperity, and safe housing, a safer environment to our populations and to those more that are disadvantaged. In terms of that same experience, I would say issues in affordable housing, we have title issues and flood vulnerabilities that have limited the possibilities of homeowners to repair their homes, to be able to live in healthy and safe environments, increase their wealth and the social mobility. It's a snowball that keeps affecting those that are mostly in need. There's limited inventory within the affordable housing. Not only that we can't repair, we can't construct, those are available

are very limited. Those are some of the challenges that we are facing. Limited inventory, higher interest rates, absorb utility cost, low wages, and the increase of the cost of living means that less people are able to acquire and maintain a home. That's the bottom line. For me, one of the biggest challenges is the use of the hot's income limits for the homeownership programs that we have. I know that we've, in many of the spaces, there have been many efforts to be able to be more flexible. Particularly, within Puerto Rico and the Virgin Islands, because a person who qualifies for the programs using the hot income limits have limited opportunities to purchase and maintain a home. In other instances, even federal instances, we were just talking to Maria, there have been exceptions. If the federal agencies and HUD can make exceptions, I think, it's a viable possibility that within the federal home loan mag system we can also make changes. Finally, there are two points that I would like, and I know I've spoken a lot, but there's an issue of scale in Puerto Rico. We're small, so our programs are small and sometimes we're not able to compete with other programs. We're not able to have the level of investment to make it viable and sustainable. So, we need to look for other areas where we can leverage. And certainly, the federal home bank system can be and has been a partner, it can be a further partner in that. Helping us perhaps achieve that scale that we need for programs to be successful. Last thing, data. That's a big challenge in Puerto Rico. We don't have reliable data. It's difficult for planning in the first place. On the first hand, we can't plan, we don't have reliable numbers. They're either not reliable, or they're outdated, or both, which is worse. Then if we use them when programs are developed, we cannot measure the progress. That's an even bigger problem. We can plan, but we cannot measure how those different initiatives from the private, public, and nonprofit sector are really making an impact within the community.

Joshua Stallings:

Going back to the piece on the clear title, I guess, can you elaborate a little bit more on what causes that issue?

Vannessa Pineiro:

Many of the... Historically, people have rescued land, or the government has given land to families and in many generations, those plots of land have been split and you know have several families, and it has evolved, and the titles have not been cleared. They have been several efforts in many administrations of trying to help with the title. It keeps coming back. It keeps hitting us in the face. People without titles cannot get the FEMA subsidies, they cannot have mortgages. It's certainly a big problem. There's a big sector in the population in the rural areas

with the parcels and then in the urban mostly with rescued land.

Chris Bosland:

Carla at lunch you were speaking about your experience with some of these. Do you have anything you want to add to this conversation?

Carla Haeussler-Badillo:

Yeah, it's the same thing. It's time. It's a challenge we have in Puerto Rico... Sorry. It's a challenge we have been having in Puerto Rico and it was really clear with Maria and Irma. I don't know how we're going to deal with that. I know that FEMA was flexibilizing some of their criteria with sworn declarations, but I guess it's not for all of them. We still have to find out a way that we can make them... That they can really be able to ask for a loan or other helps for their own houses.

Joshua Stallings:

Pivoting a little bit... Oh go ahead.

Natalia Zequeira Diaz:

Hello I wanted to add that some of the challenges are also change or increased exponentially due to the consolidation of the banking sector in Puerto Rico, because the banks were a huge support in the past. While you have many institutions as the banking sector consolidated, right now we only have three state commercial banks. Therefore, what they can do and provide support through CRA initiatives and support to NGOs as alternate for funding there has been a decrease of what banks can do nowadays. Also, bank regulations has changed significantly from the housing crisis going forward. Now the access to mortgages, and rates, and everything from a commercial bank to low-income housing has significantly decreased. The banks have had to change their programs on how they do CRA and how they support the communities, because of that. Because there's concentration risk. There's only three banks. There's only so much exposure that banks can have to lower and medium housing. Therefore, the support that is being given is through NGOs and their CRA programs and their other market players that have risen to take some of that shortfall, but there's still a huge gap that needs to be met. As mentioned by the colleagues, there's been a lot of funding that came in, but access to the funding has been burdensome. Not that many institutions have risen to fulfill the gap that the bank consolidation created.

Michelle Sugden Castillo:

Hi. I want to also; in terms of challenges we have to describe. We have 1.2 million households in Puerto Rico. We have a high homeownership rate, 68%, which is equivalent to like 800,000 households. Out of those households only very few have mortgages. It's like 38% or something. It's like 351. I agree with

Vanessa, there needs to be research, because Puerto Rico is a different environment from any other jurisdiction in the United States. We're talking about one of the poorest lower than Mississippi. There's very low income, so you can't approach solutions in the same way as you're doing it elsewhere. You really have to understand it's an old... The inventory of housing is very old, and the construction of housing is very expensive and that incomes are very low. You need a very high gap not only in the rehab, which was what... Actually, I work with Habitat and the numbers are right there 173. We are repairing the envelope of the homes of a lot of elderly families that are living across the island to \$30,000. Then you have the rental market, which is pretty much absorbed by the low-income housing tax credit. That's the majority of the affordable housing that's produced, but there's a limit to that. How many Section-8 vouchers are we going to get given to the amount. A strategy that, I think, is important, but you have to look at the market. It's not the same as New York or any other market, because of the issue of the low income. You have to look at how are you attending to keep that homeownership at 68%, because whatever falls from there is going to go to a rental market that is not ready to absorb all those people that are going to be. These are units that are in really dire condition. Also, 53% of their renters pay more than 30% in rent and 42% of owners. You have a high burden and that's being exacerbated in areas of opportunity of San Juan, because there's an influx. The real estate market is hot. Now, I think, we're beginning to see that it's not only impacting low income it's going up to middle income people. You have to look at that too. To give you a statistic, we've been running, we've been doing a repair program in Habitat for Humanity, and we've served 700 families. The average area medium income that we're serving is 26% of area medium income, which is \$7,000 for one person, \$8,000 for two, a year, 10,000 for three. We're looking at very low income and that's a disparity. I welcome if you come back, you have to go outside of San Juan. San Juan is one thing the rest of the island is another thing. That's also the issue of title. Title. You can do it individually, but you need lawyers, and you need [foreign language 00:27:31] surveyors that is a very expensive cost for families. If you have \$7,000 a year to live, I don't think you're going to spend \$3,000 doing this. I think, you have to look at that. You mentioned natural disasters. Well, we had tough ones a couple of days. That doesn't mean that they're going to not going to be back. We had Fiona and so we have to look and build. How do you strategize to build, repair what is there, so that it doesn't go into the rental market, create and the only way to create is building but that needs bigger subsidies, and maintain the rental market, which it's going to

be...? We will produce there, but that's also limited. Do we want everybody as a renter, rather? We have to think about that too.

Joshua Stallings:

Thank you. Thank you very much. One thing I was going to pivot to a little bit is a little bit more related to community economic development. Obviously, these things come hand in hand. It's hard to talk about housing without talking about community or economic development. Wanted to, maybe, pull a string on that a little bit to see what do you think some of the pain points are in community economic development space? Be it infrastructure, financial constraints by a small business owner. What do you think are the major pain points that are in the way there? I'll open that to anyone that wants to jump in. Oh, who's going to do it? You want to start us off? Any thoughts on that?

Aurelio Arroyo:

I think, it's pretty important to add for the information that our table partners has presented today is the importance of construction industry in the island. Economies measure it as a one-point times investment multiplier in every investment multiplier in the economy. Every dollar multiplies 1.8 times in the economy in the island. It very important to sustain the local economies. As mentioned by Michelle, Puerto Rico has a different reality when you go outside the metropolitan area there is other reality. That that's area serves has been served by Cooperative for more than 90 years. We have a strong experience in serving the underserved, serving the people that have lack of access of affordable loans, any consumption loans, but also mortgage loan. We have a strong experience bringing loans, mortgage loans, to underserved and provided affordable housing, working with it. Also, most of the members of Cooperative are related with small businesses locally. They are part of our Credit Unions. They are members of our Credit Union in personal terms, but also uses personal consumption loans, and affordable loans, and products that we provide to serve, to use it as an investment in the local business, to use it as an investment for the business that they sustain, or they have. It's very important to acknowledge that our reality as Cooperative that serve 75 from 78 municipalities in the island and there are more than 103 Cooperative serving 1.3 million of members in the island, more than one third of the population. The reality that they face is the reality of the people that has lack of access to affordable loans, affordable products, and services from the financial industry. Also, as mentioned by Ms. Zequeira we fulfilled this gap. We fulfilled the gap of the people that have been experienced the shrinking process, the shrinking banking industry process and open the opportunities to them to have access. Affordable access to products and services, but also in the area that they live directly connected with the reality

of every community. Also, we have strong ties with nongovernmental sectors, NGOs and non-for-profit organizations that serve our areas. Every community. The reality of the Cooperatives are connected with the reality of the community. This is the strong connection that we have, and we provide the services, but we are looking to expand the access of local capital, of more liquidity. By definition, Puerto Rico is a closed jurisdiction, very closed jurisdiction and the access of this local capital and the access of sources of liquidity is the lifeline for the future expansion of affordable products to our community. Not only in terms of residential home mortgage, loan, mortgage, but also for small businesses in our communities.

Vannessa Pineiro:

Yeah, thank you. Well, for the purposes of this conversation I will focus on the entrepreneurs, because of need rather than those of opportunity and the lowest income communities and individuals. Puerto Rico is full of hardworking people. That's one thing, there's a myth that people don't like to work, and I totally disagree. There is a very large informal, not illegal, but rather informal economy, because there are no incentives for people to become formal and there are a lot of hurdles for them to become formal. If you start earning money you'll lose your housing benefits, you're going to have to start to pay rent right away. You lose that. You lose your food. Other services, your health insurance, so it becomes so expensive for a small business. In order for them to survive they have to stay informal. Not talking about even about all the hurdles in terms of permits and requirements for entrepreneurs to establish a business.

Vannessa Pineiro:

Requirements for entrepreneurs to establish a business. There's a lot of that. And particularly for the smaller one, the ones that are starting, it's very difficult for them. Even for a bigger business or a bigger idea, even with capital, it's difficult to establish a corporation and establish a business in the island. So, can you imagine those who live day-by-day? How are you going to formalize those businesses? I think that's a very big challenge in how collectively we can design the different programs to be able to support that social mobility for people to improve their quality of lives and be supported while they do that. I think that's the biggest challenge. There have been an increase in funding to support entrepreneurship and that's great, but we still have to identify those gaps. Where are they? How can we better serve? And how can we connect the different services that are provided for people to be able to take advantage of them, and not perpetuate the poverty circle?

Natalia Zequeira Diaz:

I agree with what Vanessa just said. There is a need for funding for small and medium enterprises, those sole proprietors that want to start their first business. But it's not only where do you get that first loan, those first \$5,000 for you to get the food truck that you want to start, it's getting access to the credit and also learning how to administer your business. Because there's some lack of knowledge. We have seen many of these loans in the past were given by the Puerto Rico Economic Development Bank, which the last set of loans got sold a couple of years back. New programs are being created that the government is actively promoting along with other tax incentives, to promote entrepreneurship and betterment of the lifestyle. However, we have seen that the best pairing for these loans for you to start your own business must go hand-in-hand with efforts of NGOs that teach those safe business management practices. Because what we have seen over and over again is that you get a loan, you start your business, but if you don't know how to manage your inflows and your outflows, and a balance sheet and inventory, the possibility of the business going to ruin or not having a good business plan is very likely. So, we need to, as we give access to credit for people to start their own business, it's very important to be paired with training for the industry on how to grow your business, and safe business management.

Vannessa Pineiro:

I would like to add, I agree with Natalia. The first five years of a business, when they're starting up, are the most difficult ones. And there have been efforts at the private and the public sector to strengthen and to create and strengthen the business incubators. Now, I'm happy to say that also the accelerators because it's not only to get started. Once you get started, what happens? You can get the training, but you need maybe a holding hand, or just to know that you have a holding hand. What type of business are you going to be creating, and what happens if you need to close your business for two years because you cannot operate? What happens if you have no electricity because we just had a hurricane? Or if your main source of customers come from the tourism or the cruises and they're not coming anymore because the hotel closed because of the hurricane, and it was closed for renovations for two years, how do you help that business maintain? It's not even an issue of getting it started, it's also, how do you help those businesses that do exist to be able to recover, and to be able to thrive during this type of crises?

Joshua Stallings:

Michelle, I know that you have also done some work in California, in Tennessee, in these fields as well. What would you see as some of the differences from your work in those states

compared to what you're seeing on the ground in the community development realm?

Michelle Sugden Castillo:

Well, I would say, well, first of all, the incomes, as I mentioned, you can't compare San Francisco or Tennessee to Puerto Rico. That's definitely one difference. But also, access to capital. I would say that at least the non-pro, and that's where ... I sit in the Affordable Housing Fund of Puerto Rico, which is a newly created nonprofit. It's the operating arm of FIDEVI, which is a housing trust. We've been trying to fund the housing trust. Actually, it was funded by the banking sector in Puerto Rico through arbitrage transactions. So, we were able to have money to then grant to nonprofit organizations. But that dried up when the interest rates decreased. And also, because the regulators decided that, and Vanessa can explain the detail of that because she knows the subject very well-

Vannessa Pineiro:

We suffered it.

Michelle Sugden Castillo:

You what? Yeah, so they suffered it. That source of capital, which was a great source of capital for PASTONE and Habitat, DESOI who's here, dried up. So, we have to look. We've created this Affordable Housing Fund of Puerto Rico, which will be the operating arm for the trust. And then we're looking to become A CDFI, to be able to tap into other sources of capital. But I think where you can help, I think this is an opportunity, I have in my notes, I think we have to compare. Although we are different, we have to compare. And I think you are in a great position to do that. How does Puerto Rico compare to other markets or similar markets? Because we need to compare, are the banks doing enough in Puerto Rico? Is the source of capital at the same rates that you find in Tennessee or Nashville? We have to start to compare and look at data and see, how does Puerto Rico stand in comparisons to others? Also, regarding the differences, of course. That's what I would say.

Rene Vargas Martinez:

I'm going to Sorry. I'm going to speak from the perspective of our network of Cooperatives and CDFI credit unions in Puerto Rico. I want to say that the challenge that Michelle brought forward, which is the challenge of access to capital, is really, for us, defining at this moment. I just wanted to retake a bit of what Aurelio said. Just for those that don't know, Puerto Rico has three commercial banks. There are many loan funds and other nonprofit organizations. And then there is a network of 103, let's say, state credit unions. We call them [Spanish 00:43:11] that serve one-third of the population. They have about \$7 billion in loan portfolio, 1.7 of which are in mortgages. They have around \$11.9 billion in community-owned assets. 74

of 78 municipalities have a Cooperativa credit union branch. They're basically everywhere on a staple of Puerto Rico. They have been around for almost 100 years. And if you ask in any of the towns here, they know what a Cooperativa is. But Cooperativas have grown throughout their history in a separate, let's say, road than the Federal Credit Union system in the United States. Everything was done internally. They grew with their own capital. Every investment and expansion they did was with their own capital, which is their members' capital, which is their community's capital, which is Puerto Rican capital. In that process, it created its own regulatory systems based on local law. They're regulated and insured, and this is very sui generis because Puerto Rico is very sui generis. We have our own institutions. That's not bad. It's about, as Michelle said, how we connect those institutions and make other federal regulators and organizations that don't know us, understand them, and how we can work together. And we've been able to do that with, for example, the Department of the Treasury and the CDFI Fund. We've been able to certify 83 Cooperativas. They're now receiving capital from the CDFI Fund, a public source. But in terms of private sources, it's a lot more complicated because of those regulatory differences. Now, when you look at the regulations, even Federal Home Loan Bank regulations, we can talk about that later on, I'm not going to take this turn for that, they do not consider the existence of this network because it just is in Puerto Rico. You talk about federally insured credit unions, but those credit unions that are insured in Puerto Rico and regulated by the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico and have this huge role in our economy, are left out of everything because of that. And that capital's fuel, with that capital, you can flexibilize loans, you can create new loan products. You can go further, lower interest rates, and we just don't have the same access than in other jurisdictions. It just doesn't exist. For many reasons, some are cultural, some are what we've talked about here with titling issues, et cetera. Others have to do with language. Something as basic as the main language in Puerto Rico, we have seen as a main challenge, even when interacting with websites, which is the bare minimum. But when you look at, many of these programs have pretty complicated requirements. The language is pretty technical. Even for those that speak English in other jurisdictions, participation is not easy. And so, coming here to Puerto Rico and understanding those differences and the importance of opening that access, and again, in terms of homeownership, capital is so important, especially for financial institutions. I think that the Federal Home Loan Bank system could play such an important role in boosting capital in the island. Again, I'll go over the membership eligibility discussion

later, and it's a conversation we've had with the Federal Home Loan Bank of New York and we're working towards it, but it's something that across the board, I think we need to look at closely. Why are other institutions not investing in Puerto Rico? And then, look at those problems and solve them. If the treasury can invest in Puerto Rico and put money into loan funds and CDFIs, why can't other banks outside of the island? Why can't other institutions outside of the island do so? There's not a secret sauce. It just takes time and investment.

Chris Bosland:

That's certainly something we want to get into probably after the break, the membership issue and your experiences, because I think that is something that's very relevant. But I do want to quickly circle back. I'm sorry, there's something. I just want to clarify. When earlier, Natalia, you said, "With the consolidation, other institutions were growing, but there weren't enough," are we talking about Cooperativas? Or are you talking about other things as well?

Natalia Zequeira Diaz:

We're talking about Cooperativas. We are talking about mortgage banks that have also taken a great chunk of mortgage originations in the island, but they sell the mortgages. And the banks end up acquiring them as more of the process to issue the origination of the mortgage. We have also seen an increase in financial intermediaries that have funds state side, but the intermediaries in the island deploy those funds. I want to add, this wasn't something that was very common, but after Hurricane Maria, the banks in the United States had the opportunity to invest for Puerto Rico and for CRA purposes. As a type of relief that the federal government gave the island banks throughout the nation, even though they did not do business in Puerto Rico, any investment that they did in the island counted for CRA purposes.

Rene Vargas Martinez:

Actually, there is one investment in the Cooperativa system from that process. We can talk about that later, but that's-

Vannessa Pineiro:

Yeah. Unfortunately, that did not work that well.

Joshua Stallings:

Why don't you go ahead and talk about it now?

Rene Vargas Martinez:

The investment?

Joshua Stallings:

Yeah, go ahead.

Rene Vargas Martinez:

Sure. This had its genesis, and I'll pass it over to Aurelio because his institution is one of the institutions that participated in this.

Actually, before Maria, the New York Federal Reserve Bank hosted an event here called Investment Connection. They brought in all of the banks, including the banks in Puerto Rico, nonprofits, Cooperativa. There was a huge pitch event. And there were some banks from the New York area that came and heard some of the pitches. After that process, COVID came. That complicated things dramatically. But one of the investments that survived was an investment by the Deutsche Bank Americas Foundation for Cooperativas in Puerto Rico, with the purpose of expanding the resiliency lending in the island. Be it green lending, rooftop solar, et cetera. That investment is actually right now active, Aurelio. Of course, we hope that capacity to be able to invest CRA dollars in Puerto Rico continues, and we've used this as a pilot to continue to encourage banks in the United States to move their CRA dollars to Puerto Rico as well.

Aurelio Arroyo:

Yes, investment was made on December 16th, last year. It's \$250,000 from the capital relation note. This is a kind of secondary capital for us to expand our resilience in lending solar loans and other kind of lending, especially for affordable housing also, that we have a strong problem promoting the affordable housing. Through our credit union, through our Cooperativa, [Spanish 00:50:51], and it was the first experiment of this kind through the help and the assistance of Inclusive. We use Inclusive as intermediary for that investment in the island. And it was the first one of this initiative, and the only one of this initiative that started in 2019.

Joshua Stallings:

Okay. Thank you. One thing that's come up a few times, not quite in passing, but it's come up in several comments, is obviously, the natural disaster events that the island has experienced, and some of the work that has to be done related to that. Maria, can you speak a little bit about the added challenge of resiliency when it comes to trying to work in housing and community develop more broadly? Like, the need for resilient housing and structures and everything that comes along with that. Which, obviously, comes with expense. Can you speak a little bit about the added challenge that provides?

Maria Rodrigues-Collazo:

I remember something that Michelle mentioned. It's, you have a family that earns \$7,000 in a year. And having, for example, solar panels at the home cost \$20,000. It's obvious that they can't afford any resiliency at all. So, they depend, of course, in the government programs, in the nonprofit sector and in some of the community type of organizations, and of course, in the philanthropy sector to be resilient in some way. But it is important. Puerto Rico is separated from the States because of

water. Every single side of our island is surrounded by water, so we don't have the same opportunity to have at national level to respond to the disaster as they can do between the States. We need to wait and that, of course, it comes with the nature of our geography and our location. We need to be resilient. And it's now. We can't wait anymore. One thing that happened when the earthquakes came and then Fiona came is that, even when we are not resilient, but we are in a very position because now we understand how important it is to be prepared. But again, at a governmental level, at the nonprofit level, that is something that we can do because we can access some funding. We can try to access program; we can create programs. But for the families, for the low-income families and the very low-income families, it's just impossible. So, when we talk about resiliency, and also Michelle mentioned, you have the metropolitan area, but you have the central part of the island, you have the south part of the island, and it's like trying to work in Arkansas and in Florida and trying to believe that it's the same. It's not the same. It happened to Puerto Rico. We are only an island and it's small. But trying to believe that you can work in the north area and in the south in the same way, it's not real. Resiliency around the island looks different. And if we go to the conversation of [\[Spanish 00:54:20\]](#), that take us to a different scenario. Because those municipality islands are actually more similar to a US Virgin Island than are actually to the rest of the [\[Spanish 00:54:30\]](#) in Puerto Rico. Again, there is an immediate need, more than paper, more than war books that talk about resiliency and how to do it. We need to go and implement resiliency in low-income communities, and the communities can't do that by themselves. They can talk about their needs. There have been hundreds of tables similar to this one in the communities, but how to do it, how to access the fund. That is something that is an immediate need for Puerto Rico. But also, not only for a family or an individual level, but also at community level, how to respond to emergency. Since we have received, for example, PESCO received our funding, and I know that a lot of other nonprofit organizations do work in the communities, again, how to teach them, how to organize. But there there's a need for access to capital. And that bring me to an important subject related to the federal bank system. When they do these contributions, these private discretionary contributions, that means a lot to the nonprofit sector. And I know not only for Puerto Rico. I know that in Fiona, at least the Federal Home Loan Bank of New York did a lot of contribution to nonprofit organization and made a huge difference in different programs. Actually, for homeless programs, that is one of the population sectors that suffers in a dramatic way after a disaster. Because they are actually suffering. So, it's taking them

to another level of suffer. That type of contribution are important because they give you the flexibility. And flexibility is something that, for me, tie the entire of this conversation. It's the difference, how we are different, but also the type of flexibility that we need. That type of contribution and private contributions are actually very important in this process of resiliency. How we bring resiliencies to the community, we need private funding for that. And we need the flexibility that the private funding came with. That is, of course, more, much, much difference when you are talking about federal dollars.

Vannessa Pineiro:

Yeah. I just wanted to add to what Maria was saying. Not only the family has difficulties, but when you look at the smaller, local community-based organizations, they are the first responders. They are there. They're doing the work. They cannot be in San Juan looking for funds, talking to people, providing visibility to what's happening. They are in the war zone. They are working, and it's very difficult. We want to make sure that funds deployed, and that Fiona experience was very good because it was fairly distributed. It was smaller dollar amounts and it was better. It was distributed to many more organizations. But we need to make sure that not only the larger organizations with a better infrastructure receive the fundings, but that funding trickles down to the ones that are doing the work.

Joshua Stallings:

Thank you. We're going to pivot a little bit now. The last conversation we have before the break is the current presence of the Federal Home Loan Bank here in Puerto Rico and the support that it currently provides in its programs, or in areas where maybe it doesn't. We can talk about both. René, I know you had something that you were holding there on a prior comment, so maybe it's time to bring that one out, in terms of what you're seeing in terms of membership requirements for the Federal Home Loan Bank and how that's limiting maybe some capital distribution here.

Rene Vargas Martinez:

Sure. I do have to start by saying that this whole situation has been discussed and is currently in conversations with the Federal Home Loan Bank of New York. It is a constructive conversation where we're trying to find ways to be able to include Cooperativas into this process. Now, I can't speak, although I've heard great things about the other things the bank does here in Puerto Rico, and their grant programs and the other members they have. But in terms of Cooperativas, since around 2018, we have engaged the bank to find ways for Cooperativas to be able to participate as members of the Federal Home Loan Bank of New York. There are challenges,

and it goes back to what I said initially. Puerto Rico is very sui generis. We have our own institutions and financial cooperatives, even though they are insured, and they are regulated by what's called in Puerto Rico COSSEC. They are not federally insured institutions. So, deposits are not insured by the federal government, they are insured by Cooperativas basically, because they pay the fund. But it's under the government. It's just the same thing, sort of a similar structure to the NCUA. Now, this causes a problem, because even though Cooperativas are credit unions, many of them, 83 are now CDFIs. They are not considered, or they're not treated in the same way as federally insured credit unions. What that means is they're considered privately insured institutions, and the requirements are more stringent. Some of them, we run the numbers on it under those particular guidelines, Cooperativas would never be able to join the bank. Many of them don't even make sense to the business model of the Cooperativas. And granted, in the past, there had been some ... There are issues related to, how does this system work? This is different. This is something that we don't see in any other state. But from our perspective, the Cooperativas, and Aurelio can follow me after on this, he's the expert on homeownership, Cooperativas are so intertwined with the communities and offer so many homeownership opportunities, particularly nonconventional loans. That being able to join the bank and participate in the different programs that the banks provide currently, would go a huge, a big way into expanding those initiatives and expanding homeownership. Because the mission of the bank and the mission of the Cooperativas is really similar when it comes to this. Also, it's been a bit frustrating in part because the Cooperativas support the mission of the Federal Home Loan Banks so much that they are an investor in Federal Home Loan Bank's bonds. They have around 400 million in Federal Home Loan Bank bonds, but they do not have access to the institution. And that is a structural issue. And we hope that as part of these conversations, that structural issue can be solved. I know that the regulator here in Puerto Rico is available and open and eager to work on this particular issue with the Federal Home Loan Bank and the FHFA if necessary, so that we can integrate. Because this is a problem where you have players that want more of the bank, that want to participate in the bank, that really, really, really want to engage with the bank. But because of those differences that have to do with our structures here in Puerto Rico, and again, that's not bad, it's just, we're not able to do that. Aurelio, I think you can.

Aurelio Arroyo:

We have \$1.7 billion in our portfolio in conglomerate of Cooperativas of mortgage loans. We have strong experience providing mortgage loan more than 40 years, more than almost 30, most Cooperativas provide mortgage loans. And also, our loans are confirmed. Some of our loans are confirming for Fannie and Freddie, with the same standards as any other institution. We sell to local banks like Popular and other banks. We have the experience, the experience, but we don't have access to be member of the Federal Home Loan Bank right now because of the particularities that René expressed. We have been doing with our own capital. We create a system, an ecosystem of cooperatives and Cooperativas with our own. It's a real Puerto Rican capital, working for Puerto Ricans, but we don't have access at the same level as other financial institutions to expand. Imagine, we have been impacting our communities with our lack of access of these locals' capital and other opportunities to access sources of recreating capital. Imagine what we could do if we have access of those opportunities. That's our dilemma right now.

Joshua Stallings:

Vanessa, you want to speak to some of your experience working with the Federal Home Loan?

Vannessa Pineiro:

Sure. As a member bank, I would say that we've had a long relationship, and the staff and the different programs has been very accessible and responsive. Despite the distance, they come periodically to discuss and to touch base, and to see what's going on really on the island. Discuss opportunities, discuss challenges, and try to implement programs or support not only with creation programs, but also creating connections among stakeholders. I think that's a very important aspect of the Federal Home Loan Bank. I'm not going to say that it will be nice to have presence in the island. That always helps. But I feel that they are as present as can be, and they're very responsive. Whenever we call for a need, for an idea, they're there. So certain needs for a program, to be able to either understand, improve, make use of, really, they have the people. They're responsive. They're trying to make things happen, and they're trying to fill the gaps that perhaps Puerto Rico has when competing in some of the programs. We have been working on that as well.

Joshua Stallings:

Okay. I will note that you didn't say that you wouldn't like someone being here, but we'll bring that up at another time. Was it Natalia? Yeah.

Vannessa Pineiro:

I wouldn't mind.

Natalia Zequeira Diaz:

I believe that the role of the Federal Home Loan Bank in Puerto Rico has changed significantly throughout the decades. Primarily, the Federal Home Loan Bank is a very important source of liquidity for all the banks in the island. In the past, there were more banks, so therefore there was more need for liquidity. There was more exposure that the Federal Home Loan Bank had to Puerto Rico. As previously mentioned, the banks consolidated, so there was less members. On top of that, thanks to all the economic upstream that we've had in the island, deposits have been at record high in the financial institutions. So commercial banks currently have less demand for liquidity because they're using their own source of liquidity. But the Federal Home Loan Bank has been able to pivot and been able to identify other opportunities within Puerto Rico. It has also become a source of liquidity for the insurance companies in the island and has also become a source of liquidity for federally insured credit unions. They've been able to take the marketplace change, let us change with it. However, the support that it grants to the Puerto Rico financial system continues to be huge. Because when the government bank closed, the three banks on the island became the bank of the government. Bank of Popular is the biggest depository institution in the island that has the biggest exposure to government deposits. Government deposits must be 100% collateralized, and the banks are using municipal bonds from the Federal Home Loan Bank as collateral for those deposits. And that has been a great opportunity for the island in general.

Joshua Stallings:

Maria, I feel like I have to pull you in here because of your time with the council. I guess, your view on some of the efforts from the bank.

Maria Rodrigues-Collazo:

The first thing, as a member of the AHEC, what I can tell you, I'm for nine years. And I'm sad they actually kicked me out because that's the maximum years you can stay there. But it's because you enjoy being there. One of the things that, for those that have been in different boards and in different type of groups, having conversations, one of the most important things in the Federal Home Loan Bank, at least in New York, in the AHEC, is that actually the feedback that you provide on the inside from the communities and what is happening at local level is actually implemented. And I see the bank fighting actually against or trying to create a balance because this is not cash contribution. This is money that is actually very regulated, and it's actually restricted. So, trying to create that balance and satisfy the needs of the different jurisdiction, especially for the banks that

are in different districts, like US Virgin Island, Puerto Rico, and New York, and New Jersey are actually very different, it's a challenge. Having around the table, the different incident, to see the bank trying to fight for making programs that actually meet the needs of all the district is something that I saw in the past nine years. And especially in the last years. The last two years, we made a lot of progress in trying to see why projects from US Virgin Island and Puerto Rico were not actually even submitted. So, the application never came. And what was happening there? So, they did a huge exercise, meeting with developers, governmental agencies at local level and community level. And what exactly is happening? And it's actually when you are trying to develop in Puerto Rico, the developer sometimes.

Maria Rodrigues-Collazo:

You are trying to develop in Puerto Rico, the developers, sometimes we have four funding sources in a project, so it looks more like Frankenstein in the financial part and trying to add one more restricted and differently regulated funding source, sometimes it's exhausting. And sometimes you decide why to do it because it's gap funding. So, I think it's important again, and that brings you to the same word, flexibility. I think one of the things that the Federal Home Loan Bank may need to play a larger and more important role in terms of affordable housing development in Puerto Rico is that flexibility on working on what the regulation may need to let them do to meet the needs in Puerto Rico. And that will bring me to a specific example, income limits. And I know that we have mentioned income limits in a different way, but for us in the development side as developer, income limits are really important. Again, you need to serve as much people as possible. You don't want to develop a project that is sitting there, is restricted and you cannot complete the project because of the income limits. That is just sad and that doesn't meet the effort that the developers are doing. And in terms of the home ownership side, you have the same and the Federal Home Loan Bank of New York is right now trying to make attractive products like at the DHP and the Home Buyer Dream program in a market where there's a lot of federal dollars from CDBG-DR, again with an income limit that are specific and are much, much higher than hard income limits. But also, for example, the Home Buyer Assistance program will serve similar to Home Buyer program is for closing costs and down payment is up to 120% of the area median income. So that brings you to a noninterest from the members bank in pursuing something that is up to \$10,000 when you have a subsidy that can go up to \$50,000 and 120 of their median income. So, trying to create that balance of serving the very low income on low-income communities, which we completely

agree again as a nonprofit organization, that's our mission. But understanding that there is a huge lot of the population in Puerto Rico that right now because of the increase of the minimum wage in construction that is right now different from the minimum wage because of a local executive order and having a family for example, that because again, if you have people waging a minimum of \$15 per hour in the other industries and especially the small business, can't pay the minimum salary because it is not competitive. So, you have the minimum salary, again, it's going up in every single area of the economic development and it's because again, they are fighting. You go to a fast food for example, and you have this pamphlet, we are looking for labor, but you have one more interest and it treated people well because they wake up today to come to work and serve you. And that is they don't have enough employees in the area. So, trying to create that because now that people are earning a little more, and like Vanessa said, that creates you the problems of the people deciding to have a full-time job or a part-time job because I lose my benefits and other benefits that I will not be able to afford even when I have the full-time. That brings you to the conversation. You still have the families that even when they are earning more, they can't afford to buy a home. They can't afford to pay the full rent, so they still need the subsidy. So, flexibility on the income level is something that is urgent. We know that at hard level we need a congressional decision and that it's going to take a lot of time, a lot of effort that actually is in place and running right now, but it's going to take time. But how we allow Federal Home Loan Bank system to do it immediately when the restrictions can be passed in a faster way because of the funds can be more flexible and those changes in the regulation can be a little easier than going and waiting for high. So that's an area and just an example, we can have days talking about different opportunities on how to see the flexibility operating directly on the needs for Puerto Rico, at least in terms of affordable housing and access to safe and decent housing.

Joshua Stallings:

Okay. Go ahead Michelle.

Michelle Sugden Castillo:

Hi. I mean I want to add that these issues, I mean it's good to have flexibility. I think you have to address if these are statutory regulatory district level compliance issues. But I mean if you're involved the Federal Housing Finance Agency, maybe you can look at these specific examples. I mean I don't think we should talk, but this is a perfect example about the down payment assistance, I mean I had not understood that, but you can't combine CDBG with the Down Payment Assistance program from the Federal Home Loan Bank. Well, that doesn't really

make sense in the practical, when we have a very high construction cost and very low income, you're going to need a bigger gap. So instead of maybe having 30 40, you need 60 70 if you're going to bridge that gap for some families to become homeowners. But you have to look at it at the very specific level because we keep saying, so generally you have the 10-year issues. It doesn't mean that they're not owners. I mean they are, it's just that the way that you prove your ownership is different. So, you have to look at it specifically. And I know that's a lot of work because Puerto Rico is a small island and I mean we're going to be looked over if you're looking at markets in San Francisco, New York, very smart market. But at the same time, we're an underserved market. If you look at the performance of the AHP program of the Federal Home Loan Bank, Puerto Rico systematically does not participate and systematically does not get. And there's things that the Federal Loan Bank, I know that they come, and we talk, but I mean you have to look at, is this statutory, is this regulatory or is this district in very specific ways? And the issue of language I think has had impact on ways to interpret. We had a project disqualified because they didn't understand the as of right issue and it was a perfectly great project, and it was not funded. So, I think you have to go to the very specific and then tackle it. It's like where is it actually the leverage where you can actually change it?

Joshua Stallings:

And I think that that is a great segue to our break. So, we're going to take a 20-minute break and on the backend so that you all have time to think about it. We're going to be talking about what we should be thinking about as we're looking forward and what we should be thinking about from the Federal Home Bank system and how to achieve better access for the people in Puerto Rico or even in the Virgin Islands and what that looks like if it's membership questions, if it's product questions, if it's current products that could be improved questions. I mean all these things are on the table and we want to hear feedback from all of you on that topic. But we will break for 20 minutes, so let's call it 3:38 return and thank you all.

Chris Bosland:

Joshua will join us in a minute. He's out taking the New York Bank to task for all the things that you said they should do. No, I'm just kidding. He is a working man, and something's come up so he'll join as soon as he's able. So, as he pre previewed, we want to get to things that the home loan banks, the New York Bank in particular could be doing better to help you all, whether that's products or services of one sort or another. We'll circle back to the membership issue I think as well. But Michelle, in your written response, you made a remark that caught my eye

and you said that we should be doing more. I might want to get the quote right, innovative capital instruments. So, I think we're all about innovative capital instruments, but I was hoping you might be able to elaborate a little bit of what you had in mind.

Michelle Sugden Castillo:

Well, I think specifically I think the nonprofit sector needs pre-development finance. She's laughing. So, I think that's definitely interesting thing to explore. And I think maybe CDFIs or [foreign language 01:20:02], I mean I think additional competition is always great so if they can join that would be good. Or ways to create, like Maria was saying, direct access to the nonprofits or maybe create a product at the Federal Home Loan Bank level that can be used as a pre-development fund. Also, I mean micro mortgages. I mean I don't know if there's a way to incentivize micro mortgages. I mean for the banks is the same, a bigger and a smaller, but how can you incentivize smaller mortgages for the market, which in Puerto Rico is more prevalent then. So, I think those two things.

Chris Bosland:

And Rene just, you made a comment about the current terms offered as a member of the system not being perhaps as optimized for the needs that you're trying to meet. And I don't know whether Vanessa as a member whether you have a similar issue.

Rene Vargas Martinez:

Yeah, so this particular comment is around Inclusiv's nature as a CDFI and our relationship with the bank as a CDFI, not the case of the competitive. I just wanted to say that. So, there are three specific issues that we would like the FHFA to address through this process. The first one is extending the terms on and reducing the CDFI haircut on advances, removing the requirement to provide physical documents when pledging whole loan collateral and allowing the Mortgage Asset program to purchase loan secured by cooperativas. The current maximum in terms on the advances to CDFIs is 10 years. But we believe that a longer term would be significantly more supportive of home ownership programs. We would also recommend adopting a term of at least 20 years and allowing prepayable advances. We believe this would be an important improvement that would allow the bank to more effectively support mission-driven lenders. In addition, the terms are less attractive. Those are available to CDFIs. The bank charges an additional 5% haircut which disadvantages CDFIs compared to other members, and we believe that is unwarranted given the CDFIs strong track record of responsible lending. And of course, the other aspects on the physical documents. It's really an administrative burden for the smaller members and also allowing CDFI borrowers to use listing status collateral will be a

great step in that direction. Many of our members are really small institutions, so the more complicated these programs are, the harder, not because they don't want to engage with them, it's just harder in a capacity sense to be able to engage with these programs. And also, in addition to the policy changes, we believe that streamlining the application process would also be beneficial to help small community-based lenders access to the bank.

Chris Bosland:

And in terms of the streamlining, just to probe a little bit, are there particular things that were hang-ups in that process that you feel that would be streamlined?

Rene Vargas Martinez:

Just the time it takes from the presentation of the application until determination is made?

Chris Bosland:

Okay. I mean Vanessa, as a member of the system, how do you feel the current products from the banks meet your needs?

Vanessa Pineiro:

I think that in general they do meet the needs of the community, but I would piggyback with Michelle's comment in terms of innovative instruments, not only she used as an example, the pre-development fund, but as I mentioned in our challenges we don't have scale and Natalia mentioned there are only three commercial banks and in order for us to develop more instruments, we need to develop the capacity or collaborate with the cooperativas or with perhaps the insurance sector to create more funds to create more instruments that we can certainly deploy capital to the communities and not in a traditional way. I would add not only the pre-development funding, but I would add liquidity to nonprofits, and I know they're not members, but through the members and perhaps through a program we can help. Maria started with mentioning the CDBGDR. That's a perfect example. You have many nonprofits. There are medium size under Puerto Rican standards, probably small to the mainline standards that are managing one, two, three, perhaps five CDBG-DR funds. And it's really challenging to have the liquidity to be able to manage effectively those programs. These are all done by reimbursements. So, it really strains the nonprofit sector. And I'm afraid that if we don't do something in the short term, in the long term, we are going to be seeing organizations that are not going to be able to manage and are not going to be able to continue to use the fundings and are not going to be able to help and contribute to the community. So those are the type of things that we can certainly work together, create a new product, but also the infrastructure for us to collaborate among partners.

Michelle Sugden Castillo:

Yeah, I mean, Puerto Rico is in a very special condition. We actually now have a lot of money, but like Vanessa said it's reimbursements and really the nonprofits don't have the depth in terms of cash flow. I mean, so they're running these programs and then they're being paid at a later date. And so, this type of length of credits would be very, very good. And actually, FIDEVI and the affordable housing fund of Puerto Rico, we have been in conversations with the Department of Housing to actually do that, to be able to step in. But these things have to happen fast because the funds will go fast. So, I mean that's maybe a collaboration and talking amongst industry and maybe at the Federal Loan Bank level now. But I mean if it's regulatory it might take longer. We might lose that opportunity.

Chris Bosland:

Thanks. It's come up a few times. And Maria, you mentioned earlier and as Michelle just said, now is a key time and there's a lot of money and you raised a few things that might be helpful now, but are there other things, setting aside a new government program, regulatory through the home loan bank system may take a while but the banks have some flexibility to do voluntary programs in a timelier fashion. Are there, and this is to anyone, are there opportunities that we should be seizing now or that you would think to make sure that right now we get something done quickly and make use of the funds that are there, but perhaps provide key pieces elsewhere, gaps or otherwise?

Maria Rodrigues-Collazo:

I want to start with saying the system work. That's my personal opinion and representing pass on the Federal Home Loan Bank system and it works, and the results are there. So, what we are saying is we need to define what is doing more. Maybe we are doing a lot, but it's how we create again the flexibility. And I will say that word a lot because it's exactly what we need and when we are saying pre-development loan, for example, during COVID charitable contribution, the Federal Home Loan Bank did it with one organization. So, they have been hearing, so what I believe is this conversation of that they are having and what they are hearing is having the opportunity and the flexibility to continue doing it and how this can be converted to, and I know it may take more time, but we need to do it, we need to convert that to any specific program. Pre-development loan that is actually a challenge for every single nonprofit organization in Puerto Rico who is doing affordable housing developments. One of the things that could happen is that that could come as a pre-development loan initially but can be converted as part of the permanent subsidy into the project when the project is awarded. And that is not new actually the home program did it in Puerto Rico, but for many years. But then they did suspend it

because actually that funding came from the operational part of the home programs. But other district, other regions are doing it. So, it's trying to see what works and what can satisfy the need and trying to implement it. In terms of the charitable donations allowed to the Federal Home Loan Bank system, it's a significant amount of money, but we can work with the money from the programs and trying to convert the traditional program in something that is innovative, but it's innovative in the sense that is satisfying the need again to make it more attractive to the developers because that is exactly what is happening in Puerto Rico. It's how the programs can be sufficiently attractive to the developers to go for it and to use it not only in Puerto Rico but also US Virgin Islands because we have been having hearing these same conversations here from the developers on the area and also that the programs are competitive enough, so the developers and the members banks decide Federal Home loan Bank program is an option and or is a better option. So again, it works. The system is there, it works, the outcomes are amazing, are just amazing. It's how we translate those results to Puerto Rico because actually again, sometimes not even one application from the island came to the competitive frow.

Chris Bosland:

Thanks Natalia. I mean, in your role, are there things that the home loan banks could be doing to help you ensure liquidity to... I mean with three commercial banks maybe it's pretty straightforward on that score, but are there other things that they could be doing to help you in your mandate and getting the liquidity where it needs to go?

Natalia Zequeira Diaz:

We do believe that there are other institutions that could be eligible. Right now, they're not eligible based on the membership requirements, same as cooperativa. But we do believe that another mortgage banks could be a key player in what deploying the grants that the Federal Home Loan Bank offers because they are a huge source of mortgages in the island. They could also become a huge source for low-income families to participate in the First Home Buyers program and other community development. And as same as that, there are other institutions as the Federal Home Loan Bank, the grants that are issued for socioeconomic developments, meaning micro loans for start the business and everything. I believe that we should consider the options of expanding the memberships and the eligibility requirements so other smaller players could go in and meet the needs and the gaps that have been identified in this round table and throughout the INM. Because as a regulator we do identify that there are needs and that there are market segments that are not being adequately

attended by the commercial banks. That is a fact. The cooperativas come in and have closed the gap a little bit, yes, but there is still more that can be done. Institutions regulation is not that flexible as a general rule, regulations applies to banks, it's not flexible, it's pretty straightforward. Banks need to monitor credit risk, asset portfolio risk, the credit scores. So, they cannot participate, but they do other things. Banks have had the opportunity to invest in certain funds that they cannot sign up for CRA purposes. And then those funds through Financial intermediaries are able to deploy the C CRA programs. But we still need to see more. We need to see more. And since NGOs, there are a few that focus on this. There are some CDFIs that do have access, but we need to see more of this targeted mission in the island through more channels. So, it might go hand in hand with training or it might go hand in hand with membership, but we need to close the gap in that way. So, we need institutions that can teach developers, people the building, working with Habitat and Humanity and other NGOs, how to request these funds. We need to have people addressing them. And at the same time, there are institutions that already exist that have the framework to receive the grants. It's just that they're not eligible to participate in it and be a source of liquidity.

Chris Bosland:

Thanks. And on the CDFI point in Rene, you may have brought it up as well, we have had several of these round tables specifically on CDFIs and if anyone is watching and is curious, I'd encourage you to go check out our website where those things are recorded. And there was a much more fulsome discussion about CDFI issues specifically. And I apologize you guys covered so much in the first part. This is a little bit scattered. I'm trying to fill in the questions that I had. But Rene, I wanted to get back and just make sure I understand the cooperativa issue. Maybe you could explain too, just a little bit how they're structured and what makes them unique in that way as well. And then we can talk about again, just a little bit on the membership issue and what the challenge there as being locally state insured as opposed to federally insured.

Rene Vargas Martinez:

Excellent. Okay. So, credit unions can be across the United States and Puerto Rico, they can be state chartered, meaning they're organized under the loss of the state, or they can be federally chartered, which means chartered under the NCUA. But those that are state chartered are generally, not all are generally insured by the NCUA. And so, they are known as federally insured credit unions. So regardless of the charter, a credit union is generally insured by the NCUA and thus has the full faith and credit of the federal government, voila. There are

some credit unions that have private insurance. There are some in the Midwest and that's an operational decision that the credit union can take. In the case of Puerto Rico, there are four federally insured and chartered credit unions and 103 state chartered but state insured cooperativas. Puerto Rico is the only jurisdiction in the United States that has its own state insurance fund. And that is COSSEC. And the reason that happens, I think has to do with a lot about what we have spoken about here, about our own ways of doing things are the differences and how some federal institutions are able to work with that and others do not. And how we decide to then do things ourselves.

Chris Bosland:

I think I've heard the word *sui generis* more time since I've been in law school. That was a long time ago.

Rene Vargas Martinez:

Excellent, yes. I actually love that in law school. One of my favorite concepts, but anyhow, so in the case of Puerto Rico, we have this network of 103 credit unions. And for normal observers, they would automatically think those credit unions are federally insured but they're not. Because they're not, most of the regulations and laws that are approved in Congress don't include them. We were lucky enough that the CDFI legislation does include them because the CDFI funders with loan funds, banks, and other institutions. So, some people are open, but in the case of cooperativas, that is not the case. So cooperativas have traditionally been, because of the fact that they decided to self-insure, have been excluded from opportunities that banks and other financial institutions have been able to take advantage of. This has created a system, which as Aurelio said, is a closed system that uses its own capital, its own member's capital, its own committee's capital, to be able to expand, to expand their financial inclusion initiative, to expand their homeowner initiative. They all have to take their own money and do it. There is no bailout, there is no investment. It doesn't happen that way. They do things themselves. They go through hurricanes, financial crisis, the money comes from their own pocket. Government hasn't invested a dollar in them, much in the contrary, I'm not going to go into that. That's a topic for another conversation. But because of the fact that they're not privately insured, the deposits are not privately insured, but they're not federally insured. That is a problem when it comes to approaching different agencies and programs and in this case men membership in the Federal Home Loan Bank of New York. So, they technically, we've been informed that they're considered to be privately insured credit unions and their requirements are more stringent than with a federally insured credit union. Now, cooperativas are bonafide financial institutions. They're highly regulated financial institutions. They

meet all of the different rules and regulations that traditional financial institutions have to meet, offer several of the same products and go above and beyond on that. But in these particular issues, even though they're bonafide financial institutions, they're not treated as bonafide financial institutions. And I think, it's an issue of, I think, equity across the board. And that's what I was saying, and I keep saying since I started this conversation, having our own structures is not bad. It's good. I think that if agencies want to come into Puerto Rico and engage with Puerto Rican organizations and work in this economy to help this economy, they need to invest in understanding how it works and give their resources and provide those resources to the different players that are here so that they can then work with those different ways of doing things that are very different from here in Puerto Rico. So, we have been working actively with the bank in New York to see a way to work with this. And of course, in terms of our position, what we would like is for there to be clarity on this particular aspect. Is it a decision of the bank in New York? Is it a regulatory decision that ties the hands for the bank? We understand that. What needs to change? Do we need to ask for a legal interpretation somewhere? What needs to change? And again, we're not asking for all of the institutions to be admitted. You do your due diligence, you decide who's on solid footing, who's not on that foot, that's okay. But for them to have the opportunity to access those resources and then be able to use them towards their home ownership activities in the island. And not only cooperativas, also there are CDFIs in the island that operate here and loan funds that operate here that do an amazing job where the banks don't do the job, but they also have the same issue we have. They're not depository institutions, so they're not treated the same way. And they have to do much more to be able to get a fraction of the capital, of the resources or of the opportunities to then do a lawnmower because a lawnmower is expected of them because of their non-profit nature.

Chris Bosland:

And just to be clear, and I'm looking at Rene just to weigh in here, but it's in the name, so I'm assuming these are cooperative institutions, meaning a cooperative structure, is that right?

Rene Vargas Martinez:

Yeah.

Chris Bosland:

Okay.

Aurelio Arroyo: That's correct. We have our institution founded to pursue the universal cooperative principle and the values that a cooperativas pursuing the whole world. So, we have the same structure. We have a presence in Puerto Rico. This year we are celebrating 150 years of presence of cooperativas in Puerto Rico. Not financial cooperativa. Our financial cooperativa were founded in 1891 in Bayamon, Puerto Rico. And we have a strong ties and relation with our communities by definition because this is part of our DNA as an institution, adding what Rene was explaining in terms of our sui generis nature, we have it is a kind of mix of circumstances. Not only we are sui generis, we have our own structure and our own ecosystem, but also, we comply with other...

Chris Bosland: This is an innovation for [inaudible 01:43:26].

Aurelio Arroyo: We comply with other licensing requisites like FHA, rural development, BA administration to provide affordable home loan mortgage complying with the requirement of that agencies that provide guarantee for our loans. So, we comply with Fannie Freddy to sell to secondary market. We have other requirements to comply with the licensing for guarantee for home mortgage loans, but also fill a very important gap for non-con confirming loans in the island for people that are LMI, low to medium income persons in our communities and needs access to affordable home loans mortgage.

Rene Vargas Martinez: Aurelio, can ask you a question because I didn't answer the capital structure part of it, and I think the best person to answer. I think there's two main differences in the capital structure between cooperativas and federal credit unions. Could you go over that?

Aurelio Arroyo: Yeah. We do not consider our insurance as deposit. And in terms of general accounting principles, it is considered a variation or from gap principles. And the other one is because we are-

Aurelio Arroyo: GAAP principles. And the other one is because we are considering an amortization of a special investment in Puerto Rican bonds and amortization with that bond. This is a local law that obligated us to amortize these special losses, and this is two variations from gap principles. This is the only difference.

Chris Bosland: But do you prepare GAAP?

Aurelio Arroyo: Yes, equivalent financial reports. And we present to our membership, annually, directly, because we are democratic control institution, and every credit union cooperativa in the whole world, every cooperative institution in the world.

Joshua Stallings: So, coming back earlier on that point about the kind of mortgage lending that you do. So, you were kind of speaking to the more ... well, it would be traditionally considered conforming, so Fannie and Freddie eligible kind of loans, but also non-traditional. Can you go more into the other kind of loan products? What kind of lending activities that the cooperatives are able to do as you are in the communities?

Aurelio Arroyo: First resident, second resident, investment. Also, for construction loans. In Puerto Rico, there is a special market of construction loans for residential purposes. Also, by business, by small business, but specifically for residential purposes. That cooperativas is the leader in the industry to provide this construction loans. People that have access to the land and needs a construction line want to build their houses in the land that they have available. So, this is a very important part of our loan portfolio right now. And not only right now. After the 2008 crisis mortgage crisis, the traditional banking system closed this gate to the construction loans, small construction loan in the island. And we provide, we fulfill, and we continue to provide this need to provide loans for these needs of our members and our community. Also, we produce conforming loans, and we also have license requirements. So, with guaranteed loans like FHA, rural development, and BA also, better administration.

Joshua Stallings: And Vanessa, I know you touched on a little earlier though. At least you said you had it on your list, pre-development funding. So, can you talk a little bit about where the shortfalls are and who is providing that kind of financing if anyone?

Vannessa Pineiro: Nobody.

Joshua Stallings: No one. Oh.

Michelle Sugden Castillo: The affordable housing of Puerto Rico is trying to-

Joshua Stallings: Microphone.

Michelle Sugden Castillo: Oh. The FIDEVI and the affordable housing fund of Puerto Rico is trying to create a product for that. But no. I mean, like Maria said, the home program used to do some funding that could be used for operational expenses. So therefore, that causes a lag in

the pipeline that these organizations can have in terms of building production of affordable housing. So definitely that's a gap and nobody's providing.

Chris Bosland:

Carla, I wanted to get you back in here. We talked about some needs, but your organization services seniors.

Carla Haeussler-Badillo:

Mostly seniors. Mostly seniors.

Chris Bosland:

And I just wanted to give you a chance to talk about the particular needs of that population and some of the challenges there.

Carla Haeussler-Badillo:

Well, it was recently highlighted in the press that Puerto Rico is the fourth in the Latin market and seventh in the whole world with the largest growing elderly population. So, we definitely have a challenge in our hands. This elderly population have so many needs. Most of them don't have the money to provide for themselves and to have quality of life. So that's why we are targeting this population. Although we also service women and children. But we have a special focus on the elderly and it's the population, it keeps growing. So, I know that US and across the world, I think this is a challenge we have all that we have to tackle and develop programs and instruments that these population have access to and easy access to.

Chris Bosland:

Now do they tend to be lower income or lower means than the rest of the population at large?

Carla Haeussler-Badillo:

Most of them.

Chris Bosland:

I assume so.

Carla Haeussler-Badillo:

Yes. Yes.

Chris Bosland:

Michelle?

Michelle Sugden Castillo:

Yeah. We've been working in this repair program. And I told you 700 families have been served and actually ... so elderly our served with special urgency or families that have some type of disability in the household. And so, what I said before is that this average income is 26% of area medium income. And so, you're finding a lot of elderly in very rural areas of Puerto Rico. And we're talking about across the island where these people own their homes that I think they're part of that legacy, that 68%. There was a lot of building done by different programs in Puerto Rico where the cooperativas actually would fund

construction loans little by little. So, people build little by little their homes because they don't have enough money to pay mortgages. And I guess that's it.

Joshua Stallings:

This is a first.

Chris Bosland:

Second. It's the second.

Joshua Stallings:

Man, it's the second.

Carla Haeussler-Badillo:

It's two genres.

Vannessa Pineiro:

Well, I just wanted to add, and I don't want to be overly dramatic, but when you talk about seniors, Puerto Rico comes from a tradition of large families which no longer exist in the first place. We've had migration problems. So, people are leaving. So not only there are more seniors, but they're also poorer seniors and they're alone. Even in the middle-income families, their sons, grandsons, granddaughters are leaving, and they stay behind. So, it is a big issue and it's going to be an even bigger issue in the next decade.

Chris Bosland:

Anybody want to expand on that point? Well said enough.

Vannessa Pineiro:

Mm-hmm.

Chris Bosland:

Okay, got it.

Michelle Sugden Castillo:

Well, I think it's tied to economic development, right?

Chris Bosland:

Yeah.

Michelle Sugden Castillo:

I mean, we have the ability to leave very easily to the States. So, if there's hurricanes or downturns in the economy, people can move and actually they get better pay elsewhere. So, there's a disincentive to come back to the island because you have lower wages, and I would say less opportunity in terms of growth or economic development growth. So, these older people like Vanessa said are left behind kind of to fend for themselves.

Chris Bosland:

Well sadly, that's a story we've heard in many particularly rural and other unreserved areas. The story is similar. The facts are different but it's certainly a challenge for a lot of, not just in this case the New York Home Loan Bank members space, district space, but the other banks as well. So I want to give everyone a chance to raise anything that they haven't had a chance to, that

we didn't bring up that you would like to use this forum to make sure that we and the people on the livestream walk away with.

Vannessa Pineiro:

I guess I'll start. I just want to reemphasize. Federal Home Loan Bank of New York has been a partner and it's trying within their restriction to address Puerto Rican needs. In terms of the mix of programs, I think there is a healthy mix between ... you have the liquidity programs, you have a AHP at the development level, you have the home buyers at the individual and family level, and then you have the charitable contributions and the smaller targeted grants or initiatives that have done, for example, for Maria or for COVID or helping small business nonprofits, individuals. I think that that balance needs to remain and be available and certainly I'm really looking forward and nobody has spoken about this but within the plan, there is another priority in terms of the climate change and I'm really looking forward to that program. I think as an island, we're particularly vulnerable to climate change. So certainly, that's a priority and I'm really looking forward to that. I just also wanted to mention that we're looking at the AHP round that is active currently, and we're really looking forward to seeing how the changes that benefit not only Puerto Rico but other territories as well, how that helps to bridge that gap that has happened throughout the years. And we'll see. And I know that we'll be trying to make adjustments and hopefully, we'll have more people applying and more people getting the subsidies that we really need.

Chris Bosland:

Well, thank you for bringing up the climate change issue. Is there something in particular? You mentioned that you're looking forward to what comes out, but is there something in particular that you would like to have come out of that specifically?

Vannessa Pineiro:

Disadvantaged people, low- and moderate-income people are most affected by climate change. There is certain disparity of impact there. So, we're not only looking at ... oh, but I would also like to say not only looking at perhaps what we traditionally think about renewable energies, or we have to deal here with the increase of the sea level. We have many issues and many areas that have been or are being addressed locally at a very small level. And I think we have ... there are people that are working on solutions, locally driven community-based solution. So, I would like to see more of that. I would like to see how we can better leverage that program together with the banking institutions that exist and together with other partners, how we can better provide the support needed to be more ... I don't want to use to be stronger, I don't want to use resilient, but to

be able to recover, to be prepared and to be able to address the challenges that are coming.

Chris Bosland:

Next. Michelle, you were ...

Michelle Sugden Castillo:

Good. I think Vanessa said it at the beginning, but I think there's a value in research and transparency and data presented spatially in Puerto Rico because there is such differences between urban and rural and what's within the metropolitan city. And I would encourage, and I don't know if you can, but look for resources and fund organizations that are outside of government to be able to research housing issues and present data throughout the years. So, I think that that's an opportunity that I think, and I don't know if that's something that you could help with. Also, these pilot proof of concept issues, low-hanging fruit, we were talking about this, that there's a down payment assistance. We know we need more of a gap filler and those are easy wins that maybe if we look at it as a proof of concept like a pilot and you actually work very concretely to solve that problem at whichever level you need to solve it. But there's definitely a need and there's definitely people that can implement it but it's just that I think it's at the regulation level or even program level, you can't do the coupling of these funds. So that's something that's pretty easy to solve. So, looking at those things.

Chris Bosland:

Well, we are from Washington. Nothing is easy.

Michelle Sugden Castillo:

Yeah.

Chris Bosland:

But your point well taken.

Michelle Sugden Castillo:

Uh-huh.

Chris Bosland:

Does anyone else want to go?

Aurelio Arroyo:

Yes. Following the Vanessa's comment about climate change and adding information. Puerto Rico, 60% of the population lives in the coastline. So not only Puerto Rico is one of the most impacted jurisdictions, not only US, in the world by the climate change and the natural phenomenon. And I prefer to say natural phenomenon, not natural disaster because my philosophy is that the natural disaster, the human being that interact wrongly with the nature. But this natural phenomenon has impacted Puerto Rico in the worst way than any other users in the world. And affordable housing means safe housing also. You move people from weak infrastructure. You move people

from housing that are vulnerable to a safe house. And I suppose ... maybe you agree with me, and the audience will agree with me that this is a wiser investment from federal government or the other important player. Invest in affordable housing is less investment in FEMA, less investment in claims, less investment in other federal money problems. And it is cheaper also. So, I think that the promoter for the affordable housing in the island, to LMI, to the vulnerable communities and to the people, other people, we are becoming a jurisdiction of other and poor persons is a huge step to have economic development. Also, we have to acknowledge, as Vanessa mentioned also, is the new composition of a Puerto Rican family. The affordable housing provide space for people that are single parents, single mothers as couples or married person or not with no kids or people living alone that decide to have the independence. And also, this independence build as strong economic development is a very important investment for the family no matter the composition. And it lasts not only for the life of the couple or the life of the family, it lasts for generations to come. It is a strong construction that we are promoting through our affordable housing programs in the island. And I think that the role that could play for the Home Loan Bank in this process is very important, not only for now for the generations to come.

Chris Bosland:

Thank you. And we had a meeting earlier this week on climate issues and there was a discussion of increasing investment and supply, safe housing supply, but not just safe housing but affordable housing in safer areas. So, point well taken.

Joshua Stallings:

Yeah, but back to the point you were making there. Obviously, 60% of the population lives on the coast and we're talking about working on having safe housing. How do you bridge the gap of incentivizing folks to live in an area where they don't live today? Because obviously, people live where they do because that's where they want to be. So how do we go about creating the right incentives that would allow for folks to take that safer option if that's not necessarily what they would want to do on their own accord?

Vannessa Pineiro:

And that brings another issue, the issue of displacement.

Joshua Stallings:

Right.

Vannessa Pineiro:

You take perhaps poor communities, poor families, you take them off the coast and then there's land for development, beachfront. So, what happens then and how do we take care of our natural resources? And we have those buffer zones to be able to protect our families, our environment, our resources.

Joshua Stallings:

Okay.

Michelle Sugden Castillo:

Okay, I think it's a big challenge. There's a lot of communities that are in floodable areas. I mean, apart from ocean, we have a lot of rivers. If we were ... I also work with the conservation trust, and I'll show you a little map. There's a lot of water in Puerto Rico, lots, and lots of water. So, I think we need ... and it is up to ... not everything is solved at your level. There needs to be a lot of planning at the local level to decide where you are going to build and incentivize that way. You can use the programs and that's the money, but you still need planning to guide where you're going to incentivize the low-income housing tax credits to occur. So, it's a combination. It's not only financing. So, I think there's a lot of work to do and I think based on our experience with Maria and Fiona, we know where things are going to flood in the future. So, we have to do it at the local level and plan smart so that these investments are used and are there for the long term.

Chris Bosland:

Yeah. Presumably that includes infrastructure, transportation and those things that go along with-

Michelle Sugden Castillo:

Yeah, and services, hospitals, schools. So, there's a lot to do.

Joshua Stallings:

Okay, so as we're wrapping here ... so I would say that let's go around the table really quick one last time and have all of you give us ... because this is something that Chris has been saying a lot so I'm going to repeat it because I kind of like it. Since we're from Washington, while there's a long list of things you might like, we're going to ask all of you to give us one thing that you think is the most vital thing that we should take away from this discussion today for our considerations so that we can consolidate everything we have. I will say this has been a great conversation and there are several things I have in the back of my mind, but I want to make sure that we let you actually tell us which ones you think are the most important. And Natalia, I know that you got the start last time, but you're going to get the start again. What would you put on?

Natalia Zequeira Diaz:

I would say that the key takeaways from a government official perspective, first of all would be the support the Federal Home Loan Bank provides to the commercial banks in the island. And also, it provides support in a matter that allows the government to be serviced by the local banks in Puerto Rico, by the three commercial banks. That is key right now. Their support as collateralized municipal bonds and the liquidity source not only to the commercial banks but also to the insurance companies. That is very important. We do believe that there are

opportunities out there that haven't been maximized in both the membership side and in the grant side that should be more tailored to Puerto Rico and its uniqueness just because of natural disasters and the low-income levels and the needs of society in general. So, there's room there for us to continue to work together and collaborate and evolve going forward.

Joshua Stallings:

All right, thank you. [inaudible 02:08:05].

Michelle Sugden Castillo:

I will say capital specifically this pre-development funding for the nonprofit sector so that they can move those federal funding sources that are coming in more quickly. And like I mentioned before, look at low-hanging fruit specific things that you can actually look at and change quickly.

Rene Vargas Martinez:

Oh, first of all, again, thank you for this. It has been really an important experience for many of us here at the table. What I would say is I have to concur with both Michelle and Natalia. Access to capital is really important. I think it's one of the main takeaways and not only ... and access doesn't mean that you send out an email saying, "We have this particular program, Please apply if you want to." It means also making sure that that communication is in a language that people understand that the terms are terms that people that are going to benefit from that program can understand, that if they want to go online and check it out and get more information, it's in a language that they can understand in a website that they can understand or that it's easier to understand. And also, that if they want to engage with the institutions, the requirements actually correspond to the reality of those particular institutions that are in the island and the bank wants to impact as well. And lastly, I would just like to say that if possible in the development of new programs or of these new vision of the bank, that we look at making sure or trying to make as sure as possible that all of the players in the home ownership space get similar access to the resources than one players because maybe of how they're considered because of risk or the structure or if their depository or not depository or loan finance, that all of those opportunities are the same across the board. So as Natalia said, other players that are doing an amazing job right now in Puerto Rico and that people have come to rely on in Puerto Rico because of the consolidation of the banking sector can actually have access to that capital and those resources needed to be able to do more of what they're doing.

Carla Haeussler-Badillo:

Flexible requirements pertaining Puerto Rico reality.

- Vannessa Pineiro:** I shouldn't have to speak but ... Carlos said it all. No, I would say low-hanging fruit, I'll be blunt and specific. I would like to see for Washington to approve the Federal Home Loan Bank's petition for more flexibility in the house income limits.
- Maria Rodrigues-Collazo:** I agree with Vanessa.
- Chris Bosland:** That's cheating.
- Maria Rodrigues-Collazo:** No, but I will say more so ... but also to remember, we need to be aware that housing is one of the primary factors that determinate health. So, we are risking lives here. Puerto Rico needs more than 20,000 units to meet the current need. So, every single effort that we do that can translate in a safe and affordable housing on the island, it's important but it's also urgent. And it's also our responsibility from the federal government to the local nonprofit organizations and to everybody involved. So, we are risking lives. And that's the message. We need to remember that this is a matter of life.
- Aurelio Arroyo:** I think that Federal Home Loan Bank could expand the low-cost capital and liquidity. That means affordable housing for LMI in Puerto Rico, low to medium income persons in Puerto Rico and communities. And also, and cooperativas are ready. We will keep not knocking the door, pushing the door to have access of the program because we are convinced that this is the correct way to create an economic development through our communities and also to expand and to serve the people that we serve every day.
- Sasha Davila:** So, as another federal agency, this conversation has been very informative. I've been taking notes. We work on a pretty regular basis with a lot of the organizations here. We've heard a lot of this before, but it's always good to hear it again, take the message again. One thought that I did have, maybe going a little bit back to the climate changes. We're from Puerto Rico, we love our island, and we work very hard for it and for our people. And we always say we're a little different and we do things a little different and it's a truth. We're also an important market in a lot of regards. So, when working with climate change and generally with other programs, please consider to the extent possible or allow flexibility for the things that make us for the particularities of our island, the laws, the climate, the type of construction. Because a lot of programs come with, let's say cookie cutter solutions that don't necessarily apply to us and maybe put us at a disadvantage. And we get that feedback as well. So, I appreciate being here and being able to take some of this feedback and again, share the table with our partners.

Joshua Stallings:

So-

Chris Bosland:

I was just going to say, I just want to say thank you to you all. This has been I think a really great round table for us. We have not heard, at least I have not heard some of this before. And so, the passion and the concern and the pride and the ideas, it's been great for me.

Joshua Stallings:

Yeah, absolutely. And I'll say thank you as well again to everyone that came here and took time out of your day to help us. I think that at the end of the day, this is an initiative to try to position the Federal Home Loan Banks to improve. And not that necessarily what they're doing is bad, but maybe what they can do better. And I think that's something that I got some good feedback on today. So, I appreciate everything that we heard here. I would also say to everyone in the room and listening live that we have other opportunities for people to provide their feedback. We are accepting written comments right now and I would ask everyone to consider providing that feedback because I think there is some clarity of thought that comes through, written documents that can be very helpful and particularly if we're hearing similar themes across different areas. And we also have a listening session that anyone is free to join and speak in coming up as well towards the end of the month here. If you want to sign up for a short speaking slot on that, that's also available and it's something that you can do virtually. We don't have to show up in DC for that. You can do it online. So, it's something I would also ask everyone to consider as well, to continue to make your voices heard in this process. So, all that said, we're going to wrap it up and thank you again and keep leaning in with us as we keep working through these issues and seeing what we can do better. So, thank you very much.

Vannessa Pineiro:

Thank you.

Michelle Sugden Castillo:

Thank you.

Chris Bosland:

Cue to music.