

Comments RE: RIN 2590-AA18, Federal Home Loan Bank Membership Request for Input June 22, 2020

Fahe writes respectfully to respond to the Federal Housing Finance Agency's (FHFA) Request for Input (RFI) on Federal Home Loan Bank (FHLB) membership. Fahe is a regional Network of 50+ organizations throughout Appalachia making our communities and economies work. Since 1980, Fahe has reached over 763,000 people with over \$3.7 billion in investments throughout the region. This investment was channeled through our Network of organizations working in some of the hardest-to-reach places in Appalachia. In general, we support the current membership framework and requirements.

Part of Fahe's mission on behalf of our neighbors and organizational members is the work we do through our Community Development Financial Institution (CDFI), and Member of the Federal Home Loan Bank of Cincinnati. We write today to highlight the importance of the partnership between CDFIs and FHLBs, including the investments into housing such partnerships are able to achieve, and to discuss the strength of existing membership requirements and CDFI oversight.

To strengthen the work of our CDFI, Fahe became a member of the FHLB of Cincinnati in 2011, and since that time, the FHLB has become a crucial partner in our work with low- and moderate-income people in our region. The bulk of our work to make capital available is targeted to the areas of housing and community

development, matching exactly the FHLB mission. Fahe has made great use of the Affordable Housing Program (AHP), financing the construction and rehabilitation of housing for low-income residents of Appalachia across several states. As part of the AHP, Fahe utilizes the Welcome Home program to provide down payment assistance and closing cost assistance to low-income homebuyers, as well as the Carol Peterson program to supply low-income homeowners with grants to complete critical home repairs. This kind of housing finance is not readily available through other avenues in much of our region.

The unfortunate truth about our region is that much of it is underbanked, making the location of any credit difficult, let alone affordable credit designed in the best interests of our low-income residents. The Fahe-FHLB partnership is working exactly as designed in this respect: Fahe has relationships with low-income residents in communities across Appalachia, and is able to deploy the housing finance made available by the FHLB for the purposes of furthering or protecting home ownership. This partnership has been bearing fruit for the people of our communities for nearly ten years.

As stated above, Fahe supports the current membership framework and requirements for CDFIs to join FHLBs. We want to highlight some of the requirements our CDFI currently must, and does, meet to retain our membership. CDFIs must maintain a ratio of net assets to total assets of at least 20 percent, have a positive net income, hold loan loss reserves of at least 30 percent of loans and leases 90 days or

more delinquent, and operate liquidity of at least 1.0 for the four most recent quarters and for one or both of the two preceding years.

Outside of the FHLB system, CDFIs must be certified by the U.S. Department of Treasury, which evaluate the CDFIs lending practices and commitment to community development. Moreover, Fahe has chosen to have its CDFI additionally audited and reviewed by entities such as NeighborWorks America and Aeris, which many CDFIs do. Furthermore, CDFIs that engage in single-family lending, like Fahe's CDFI, are also supervised by the Departments of Financial Institutions of the states in which they are registered with the Nationwide Multistate Licensing System (NMLS). Finally, to further Fahe's mortgage lending work, our CDFI was recently accepted as a Fannie Mae/Freddie Mac seller-servicer, which also entails strict oversight.

As our nation faces huge economic shocks from the pandemic, which threaten to reverberate for years, CDFIs have sprung into action as America's economic first responders. Much of the work currently being done to intervene on behalf of our neighbors in the greatest need is done in partnership with FHLBs.

Fahe supports the current membership framework and requirements for CDFIs to be members of the FHLB system. We have been proud of the work we have been able to accomplish in partnership with the FHLB of Cincinnati over the last decade. Now, in this time of national economic pain, we look to this partnership growing stronger.