



Tu Cooperativa, tu futuro económico.

March 17, 2023

Sandra L. Thompson
Director, Federal Housing Finance Agency
400 7 th Street, SW
Washington, DC 20024

Dear Ms. Thompson:

Thank you for the opportunity to comment on the FHLBank System at 100: Focusing on the Future. We appreciate FHFA's efforts to hear from communities the FHLBank System is meant to serve, and especially appreciate FHFA's organizing the March 8 th Regional Roundtable on Access to the FHLBank System held in San Juan, Puerto Rico. We urge the agency to increase access to affordable homeownership in Puerto Rico by addressing barriers to participation in the FHLBank System faced by Puerto Rico's cooperativas.

Cooperativas de Ahorro y Crédito are an integral part of Puerto Rico's financial system, serving 1.2 million people and holding \$12 billion in assets. Despite their regulated status and central role in Puerto Rico's economy, these 103 financial institutions, 83 of which are Community Development Financial Institutions (CDFI), have been excluded from tools available to mainland credit unions and access to federal and private community development and capital opportunities. For decades, cooperativas have provided affordable asset-building opportunities and financial services by leveraging their own capital. They have supported homeownership, resiliency initiatives, green lending, loans for consumers without credit histories, and more. Cooperativas are very active in the mortgage market, offering opportunities for non-conforming mortgages to low- and moderate-income and underserved members of their communities. Cooperativas collectively hold a portfolio of \$1.6 billion in mortgages.

La Cooperativa de Ahorro y Crédito de Oficiales de Custodia de Puerto Rico, also known as CUSTO-COOP was founded in 1967. As of today, our cooperativa has \$25millions in assets and serves approximately 2,000 members in San Juan and South Zone, Puerto Rico. Also, we are a CDFI cooperativa that promotes lending and financial inclusion initiatives to low-and moderate-income people and communities on the island. Membership in the Federal Home Loan Bank of New York (FHLNBY) would help us better serve our members by providing them with more affordable homeownership opportunities and allow us to expand our financial inclusion and community development initiatives.

CUSTO-COOP has structure for origination and service of mortgage loans originated by us and through an affiliate (Multimortgage) of a 2nd Degree Organization (Multiple Insurance Cooperative Group). This has allowed us to provide conventional mortgage loans (conforming and non-conforming) that remain in our portfolio and as a referral of partners to Multimortgage so that other mortgage loan products can be provided (FHA, RURAL, etc). We are also part of the AFV (PR Housing Finance Agency) CDBG-DR Program which provides housing accessibility funding to first responders (COVID 19) as well as others who qualify. These funds are given for purchase (prompt or purchase option) and for payment of closing expenses. The funds are awarded based on the qualification of our members or clients and offer up to \$ 45 thousand. We have managed to finance several mortgage loans under this program, and we plan to increase this opportunity.

We are on track to be able to do more but we need viability to grow our structure and be able to develop a mortgage center for greater accessibility for our members and clients and be able to provide more moderate- or low-income people with adequate affordable housing financing.



Urb. Reparto Metropolitano, 1100 Calle 54 SE, San Juan, PR 00921-2731
Tel. (787) 751-7480/7894 • Ponce (787) 841-8880 • Fax (787)766-2061 • www.custo-coop.com

The Federal Home Loan Bank of New York (FHLB NY) has the potential to support affordable homeownership and the development of affordable housing in Puerto Rico. Despite serving the communities the FHLBanks were created to support, cooperativas have faced significant challenges in joining the FHLB NY. We urge FHFA to address the challenges laid out below so that the FHLBank System serves residents of Puerto Rico equitably. In addition, extending membership to cooperativas could also represent one of the largest expansions of the FHLB NY in its history.

Cooperativas Are Publicly-Insured and Regulated Institutions

Although the capital structure of cooperativas is different from that of federally insured credit unions, they are publicly insured and regulated institutions. They are regulated by the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (COSSEC), an agency created by state law, and whose assets are guaranteed by the Government of Puerto Rico. COSSEC is considered equivalent to state credit union regulators by the Department of the Treasury's CDFI Fund and works closely with the Federal Reserve Bank of New York, NCUA, and other federal agencies.

The FHLBank System treats cooperativas as non-federally insured credit unions, subject to significantly more stringent membership eligibility requirements than federally insured credit unions. Although it is true that cooperativas are not insured by the National Credit Union Administration, they are government insured rather than privately-insured. This government oversight means that the standards required for privately insured credit unions, for example, a net worth ratio of 12% or more in 4 of the last 6 quarters, are not necessary for cooperativas and will effectively exclude all cooperativas from becoming FHLB NY members according to a recent analysis by COSSEC.

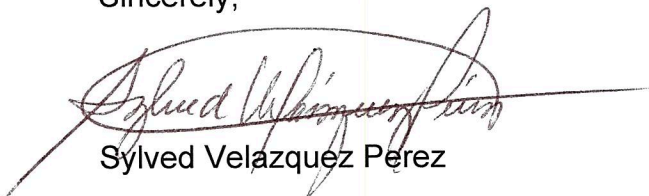
We urge the FHFA to engage in a rulemaking process to update 12 CFR 1263.19 to allow cooperativas to participate in the FHLBank System on an equal footing as all other regulated and insured credit unions.

Ensure Equitable Language Access

Many federal programs are made available in Puerto Rico but few invest in the translation and interpretation services needed to ensure that there is broad and equitable access to the resources the programs provide. The FHFA should ensure that FHLB NY program materials are made available in Spanish to support cooperativas in accessing all programs in which they are eligible to participate and should ensure that FHLB NY is appropriately staffed with Spanish-speaking staff who have programmatic expertise.

We look forward to working together to help the FHFA remove barriers to the admittance of cooperativas into the Federal Home Loan Bank Of New York for the benefit of low- and moderate-income people in Puerto Rico.

Sincerely,



Sylved Velázquez Pérez

Executive President

Cooperativa A/C CUSTO-COOP