March 17, 2023

Sandra L. Thompson
Director, Federal Housing Finance Agency
400 7th 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 the FHFA's efforts to hear from communities the FHLBank System is meant to serve, and especially appreciate FHFA's organizing the March 8th 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 third largest financial system; the *cooperativas*.

Savings and loans *Cooperativas* are an integral part of Puerto Rico's financial system, serving 1.2 million people and holding almost $12 billion in assets. Despite their regulated status and central role in Puerto Rico's economy, these 102 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.

Cooperativa de Ahorro y Crédito Dr. Manuel Zeno Gandía, also known as **Coop Zeno Gandía** was founded in 1955. As of today, our *Cooperativa* has $272.8

million in assets and serves over 26,000 members in Puerto Rico. We are also a CDFI *cooperativa* that promotes lending and financial inclusion initiatives to low-and-moderate-income people and communities on the Island. Another initiative used in our *cooperativa* resulted being granted the direct endorsement from HUD to offer FHA guaranteed mortgages to our members. We have been an active lender during these last years in the Home Buyers Assistance program under grants from the Disaster Recovery funds of the CDBG approved for Puerto Rico. Under this program, an eligible member is granted certain amount of funds that facilitate the purchase of his home through a mortgage loan with an eligible lender. We are aware of stories of families that have paid rent for over 25 years and, with these initiatives, we were able to help them fulfill their dream of owning their house. We have even reduced commissions, rates and closing costs to help our members achieve their objective.

Membership in the Federal Home Loan Bank of New York (FHLBNY) 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.

The Federal Home Loan Bank of New York (FHLBNY) has the potential to support affordable homeownership and the development of affordable housing in Puerto Rico. Despite serving the communities, FHLBanks were created to support. *Cooperativas* have faced significant challenges in joining the FHLBNY. 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 FHLBNY 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 FHLBNY members according to a recent analysis by COSSEC.
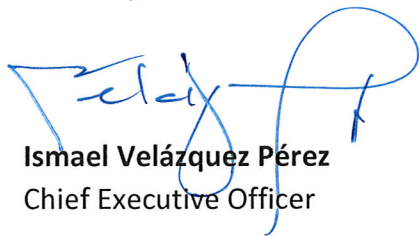
We urge the FHFA to engage in a rulemaking process to update 12 CFR 1263.19 to allow *cooperativas* to participate in the FHLBank System on an equal footing as all other regulated and insured credit unions.

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 FHLBNY 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 FHLBNY 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,

Ismael Velázquez Pérez
Chief Executive Officer