



COOPERATIVA DE AHORRO Y CRÉDITO DE LARES Y REGIÓN CENTRAL

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 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 Cooperativas.

The Puerto Rico Credit Unions (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, the Puerto Rico Credit Unions, 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. Collectively hold a portfolio of \$1.6 billion in mortgages.

The Cooperativa de Ahorro y Crédito de Lares (LarCoop) has been a certified as Community Development Financial Institution (CDFI) since 2020. Currently, we have a membership enrollment of approximately 20,565 members and total assets of \$208,485,755.

LarCoop provides financial services with excellence and effectiveness to the Puerto Rican community. It encourages savings and prudent use of credit through education based on cooperative principles. It proactively contributes to improving the quality of life of the community through innovation and development of social capital. Since 1948, our overall mission is to



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pimprove the quality of life for our members and the broader community, by providing access to low-cost capital and development services that promote savings and the prudent use of credit.

LarCoop serves the municipality of Lares, Utuado and Las Marias. These municipalities rank in the central mountainous rural area and north of PR among 30 of the 78 municipalities in Puerto Rico having 50% or more of the families below the poverty level. One of the municipalities with the highest number of poor families is Lares (58.7%) and Utuado is one of the municipalities with the highest number of communities below the poverty level. Our residents have comprehensive needs for financial products and services, including safe and secure transaction services at no- or low-cost that serve as an alternative to high-cost check cashers. LarCoop provided access to credit builder loans for individuals with damaged credit histories, access to emergency small-dollar loans for consumers and small businesses to promote economic revitalization, access to alternative energy loans to address immediate needs after a natural disaster and provide counseling on financial management.

LarCoop offer financial products and services: deposit accounts, member shares, christmas and summer club accounts and certificate of deposits. We also offer checking accounts for members and for small and medium-sized businesses, as well as wire transfers, checks of management, money orders among other services. Most of our loans are consumer loans (including lines of credit and auto loans) and we offer loans to small businesses and nonprofits. We also offer debt restructuring members who need it. Our loan standards are designed to offer credit to members with imperfect credit or no credit history.

In addition, we offer mortgage loans (compliant and non-compliant). Committed to providing affordable and accessible homeownership financing options that meet the needs of the underserved residents, LarCoop uses flexible underwriting that makes the qualifying process easier for individuals with lower income and lower credit scores. LarCoop wide range of mortgage products include: USDA, VA and Federal Housing Administration (FHA); Conventional Conforming; Conventional Nonconforming, home purchase and refinance for primary and secondary residences. LarCoop staff provide financial pre-and-post homeownership counseling to all applicants in an effort to mitigate any potential loan delinquencies. LarCoop commitment to helping low-income families, meet the needs of low-wealth people who would not otherwise have a path to homeownership. These mortgage loans employ flexible underwriting criteria (lower FICO scores, higher LTV, etc.) and make mortgages more accessible for applicants with a higher risk profile. The mortgage loans will boost loan production for the Cooperativa by attracting more borrowers interested in affordable loans, including many low-income people and those with other barriers not otherwise likely to qualify for mortgage financing.

In conclusion, LarCoop is dedicated to serving residents and businesses in our area that historically lack access to financial services due to their geographic location and the specific needs of our market. In addition, we sponsor different events in our communities, offer financial education in



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local schools and help small businesses with our products. 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 the FHLBanks were created to support, Puerto Rico Credit Unions 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 Puerto Rico Credit Unions could also represent one of the largest expansions of the FHLBNY in its history.

Puerto Rico Credit Unions Are Publicly-Insured and Regulated Institutions

Although the capital structure of the Puerto Rico Credit Unions 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 the Puerto Rico Credit Unions as non-federally insured credit unions, subject to significantly more stringent membership eligibility requirements than federally insured credit unions. Although it is true that Puerto Rico Credit Unions 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 Puerto Rico Credit Unions, and will effectively exclude all Puerto Rico Credit Unions 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 Puerto Rico Credit Unions to participate in the FHLBank System on an equal footing as all other regulated and insured credit unions.



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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 the Puerto Rico Credit Unions 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 Puerto Rico Credit Unions into the Federal Home Loan Bank Of New York for the benefit of low- and moderate-income people in Puerto Rico.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Carlos M. De Jesús Sanchez', is written over a horizontal line.

Carlos M. De Jesús Sanchez

Executive President

Cooperativa de Ahorro y Crédito Lares (LarCoop)