



GOBIERNO DE PUERTO RICO
CORPORACIÓN PÚBLICA PARA LA SUPERVISIÓN Y
SEGURO DE COOPERATIVAS DE PUERTO RICO
Presidenta Ejecutiva Mabel Jiménez Miranda, MBA mjimenez@cossec.pr.gov

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 participate in the FHLBank System faced by Puerto Rico's cooperativas.

About COSSEC

COSSEC is a Public Corporation of the Government of Puerto Rico, created by Law No. 114-2001 to regulate and supervise cooperatives in Puerto Rico. COSSEC serves as the regulatory body for the island's cooperatives. Our main function is the oversight of both credit and savings and non-financial cooperatives. Our jurisdiction also includes the consolidation of financially distressed cooperatives, technical assistance, and personnel training. COSSEC insures deposits and shares up to \$250,000 per person, a similar coverage as that offered by the NCUA or FDIC. COSSEC is the regulator and insurer of deposits for the cooperative system. Our main powers and responsibilities include:

- Comprehensive oversight and supervision of cooperatives to ensure compliance with regulations regarding their operations, businesses, products, and/or services.
- Providing shares and deposit insurance for savings and loans cooperatives.
- Ensuring economic solvency of cooperatives, particularly credit and savings cooperatives.
- Ensuring rights and prerogatives of cooperatives' members, protecting their financial interests, their right to be informed and preventing deceitful and fraudulent practices in the offer, sale, purchase, and any other transaction of cooperatives.

Asegura sus acciones y depósitos hasta \$250,000



Oficina de Presidencia

PO Box 195449 San Juan, P.R. 00919-5449



787.622.0957



info@cossec.pr.gov




www.cossec.com

Under these guiding principles, it is part of COSSEC's mandate to guarantee the economic stability and soundness of the Puerto Rico cooperatives and, consequently, to protect its members and their deposits. 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.

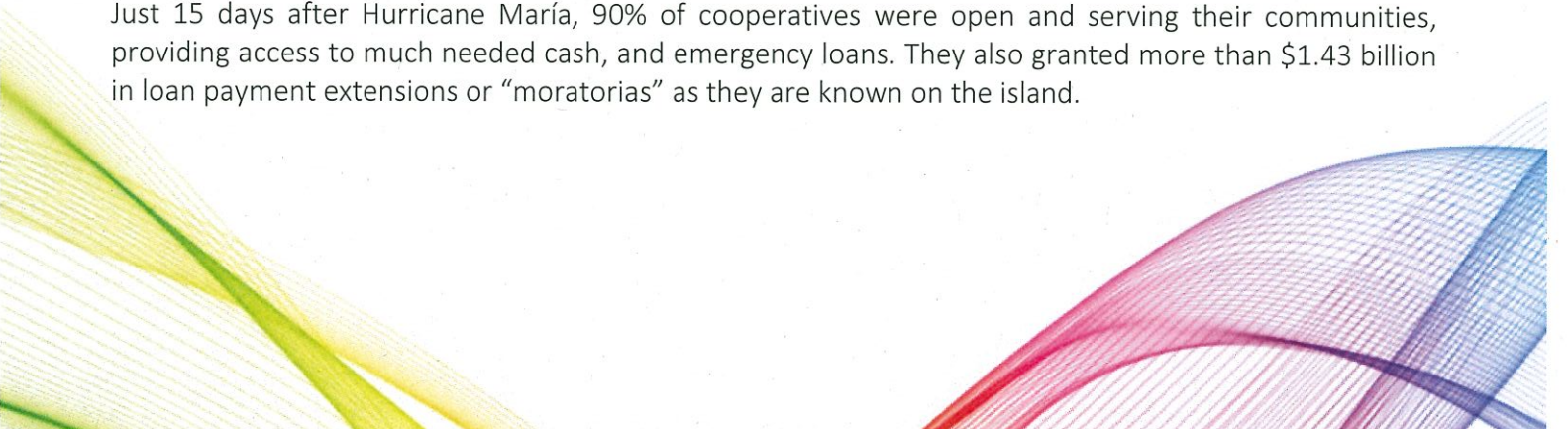
Cooperative system overview

Similar to credit unions on the U.S. mainland, the cooperative system's members are also its owners, and actively participate in the cooperative's governance structure. Cooperativas de ahorro y crédito are an integral part of Puerto Rico's financial system, serving 1.2 million people and holding \$14.9 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 have a collective loan portfolio of 455,964 loans totaling \$6.3 billion dollars.



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. The portfolio is made up of 19,622 loans, of which 16,149 are first homebuyer mortgages, 712, construction loans, 279 FHA and VA, 511 are personal loans with a mortgage guarantee and 1,971 are traditional mortgage loans. As can be inferred from data presented, cooperativas are focused on first time homebuyers and making the dream of homeownership a reality for everyone.

In recent years, Puerto Rico has suffered several natural disasters events that have deeply impacted our residents and communities. Hurricanes María and Irma in October 2017, and the series of earthquakes that hit the Commonwealth for months beginning December 2019 have caused catastrophic damage to Puerto Rico's people and businesses, and left billions in damages. The cooperative system proved to be resilient through these disasters and played an important role in enabling the recovery process to start. Just 15 days after Hurricane María, 90% of cooperativas were open and serving their communities, providing access to much needed cash, and emergency loans. They also granted more than \$1.43 billion in loan payment extensions or "moratorias" as they are known on the island.



This lifesaving work was recognized by the Puerto Rican people, who saw that financial cooperatives were there when they needed them most. Since Hurricane María, financial cooperatives have seen a significant growth of deposits, members, and loans across the island. Since December 2018, membership has increased by 11.75%, assets have grown by 31.08% reaching \$11.4 Billion, and loans have increased by 29.29% (near \$1 billion in new lending). As banks have left the island, and consolidated many of their operations, cooperativas have continued to expand their initiatives. The cooperative system is robust and constantly growing to meet the need of the Puerto Rican people.

The cooperative system continues to attract many unbanked, and underserved people into the financial system, and it continues to stimulate local initiatives and local economic strength, which shows the relevance it has in driving economic development in Puerto Rico and in advancing financial inclusion for its population. Unfortunately, cooperativas are not playing in an even field.

Membership in the Federal Home Loan Bank of New York (FHLBNY) would help cooperativas better serve their members by providing them with more affordable homeownership opportunities and allow them to expand their financial inclusion and community development initiatives. It would help level the playing field, and reach cooperativas' true potential as engines of economic growth and homeownership.

The 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, 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

As stated earlier, although the capital structure of cooperativas is different from that of federally insured credit unions, they are publicly insured and regulated institutions.

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 our recent analysis of cooperative eligibility.

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 are available to meet with you alongside Inclusiv to plot a course towards the equitable treatment of the third largest financial system in Puerto Rico. 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,



Mabel Jimenez Miranda, MBA

Executive President

Public Corporation for the Supervision and Insurance of Cooperatives (COSSEC)

