



March 30, 2023

Sandra Thompson, Director  
Federal Housing Finance Agency  
Constitution Center  
400 7th Street, SW  
Washington, DC 20219

Dear Director Thompson,

Community Investment Corporation (CIC) is a non-profit Community Development Financial Institution (CDFI), and an active and engaged member of the Federal Home Loan Bank System. Since 1984, CIC has financed \$1.6 billion to preserve over 67,000 units. CIC finances affordable multifamily rental housing, making loans to small, local business owners. These types of owners privately own and operate the vast majority of unsubsidized naturally occurring affordable housing (NOAH) units across the country. Over half of CIC borrowers are minority and women-led companies. In CIC financed buildings, 92% of households earn incomes less than \$40,000, and one-third earn incomes less than \$20,000. About 86% of CIC loans are made in majority Black census tracts.

The FHLBank of Chicago has been a strategic and important partner to CIC. We very much appreciate the FHFA seeking feedback and ideas about the FHLBanks, including visiting Chicago in November for one of the FHLBank System at 100 Roundtable discussions, and joining CIC and other organizations to tour our community where FHLBank programs have impacted, or have the potential to impact neighborhoods in need of investment.

Even before CIC joined in 2015, FHLBank Chicago leadership and staff were extremely supportive of our efforts to become members. Local FHLBank Chicago leadership worked closely with the FHFA to ensure CIC's unique structure was taken into consideration in order to facilitate CIC membership. Since then, CIC has been grateful for the creativity and flexibility of the FHLBank Chicago, and CIC has taken advantage of FHLBank Chicago membership in a number of different ways. CIC's partnerships with the Chicago Bank, including the Chicago Bank's exceptional efforts to understand the local market, and to partner with CIC and others with its Voluntary Funds, are outlined below.

### **CIC Partnerships with the FHLBank Chicago**

The following list of CIC partnerships with the FHLBank Chicago starts with the most valuable program: FHLBank Chicago advances. The Community First Fund has also been a huge asset to CIC, and the entire Chicago community benefited from the FHLBank Chicago's creativity in crafting programs that respond to immediate market needs, especially during COVID.

### **FHLBank Chicago - Advances and Community First Fund:**

- **CIC has drawn an average of \$29MM of advances per year, for a total of \$178MM drawn since becoming members.** On average, we hold approximately \$15-20MM of advances outstanding (though at the peak of COVID our average of advances outstanding dropped to \$5-6MM). These advances provide critical liquidity to enable CIC to reach our low and moderate income communities.
- **CIC benefitted from FHLBank Chicago capital with \$10.5 million in Community First Fund Program Related Investments,** which provide a consistent source of low-cost, patient capital that can be used for longer term projects. This critical resource helps fuel CIC's efforts to finance affordable housing in the low- and moderate-income neighborhoods we serve by enabling us to provide more flexible capital to our customers.

### **FHLBank Chicago - Flexible and Speedy Response to Market Needs:**

- **During COVID, the FHLBank Chicago provided a number of flexible and creative programs to support and sustain non-profit community development organizations** as they struggled to cope. This included a Capacity Building Grant to fortify infrastructure and IT, and a Targeted Impact Fund grant that enabled CIC to support three nonprofit community organizations with a total of \$15,000 in relief funds. CIC also secured \$20,000 in FHLBank Chicago COVID Relief Grant funds that we were able to pass through to 12 partner organizations.
- **CIC enthusiastically supports the FHLBank Chicago's recognition of the important role that local BIPOC developers play** in buying, rehabilitating, and operating quality smaller (1-4 units, and 6+ unit), unsubsidized buildings in low income communities. The FHLBank Chicago demonstrated their commitment to these types of developers when they launched a creative and innovative program called the Diverse Developers Initiative. This program funded efforts to support and build the capacity of diverse owners, which, as vulnerable small businesses, need support and training in order to grow.

### **FHLBank and CDFIs**

In terms of the broader FHLBank system across the country and CDFIs in general, CDFI FHLBank members are Bank partners as conduits to help provide capital in low-income communities. As mentioned earlier, the Chicago FHLBank has been extremely responsive to local market needs with local programs. CIC has been fortunate in drawing a significant volume in FHLBank advances over the years, thanks to our loan portfolio that is a good fit with FHLBank advance parameters. Unfortunately, although CDFIs around the country were created to fill market gaps with creative financing products that provide critical capital in low-income communities, some of their housing loans, especially those in larger subsidized transactions, are not eligible for meaningful advances from FHLBanks. FHLBank advances to CIC mean

increased liquidity, which has a multiplier effect for investments in low-income neighborhoods. This increased liquidity and multiplied impact could also be deployed by other CDFIs if reasonable advance rates were made available to them.

### **Recommendations:**

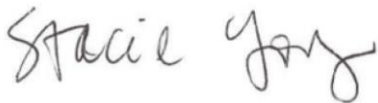
As highlighted above, CIC appreciates FHLBank Chicago offerings that have helped to expand CIC's capacity to serve our clients and make an impact in low-income neighborhoods. In order to broaden the FHLBank's ability to serve low-income communities, below are some recommendations to help increase access to financial tools for underserved communities, grow CDFI capacity for impactful investing, and streamline processes for efficient deployment of capital.

- **Allow eligible collateral to include loans in construction.** While CIC is grateful to have been able to take advantage of FHLBank advances over the years, increasing our advance potential by allowing loans in construction to be eligible collateral would help to further enhance our liquidity and institutional strength. Even if subject to a lower advance rate, this additional capacity would enable CIC and other CDFIs to better serve clients and make an impact in low-and moderate income neighborhoods.
- **Consider other vehicles to support CDFIs.** Knowing the substantial retained earnings of the FHLBanks, we believe the development and/or expansion of other programs outside of AHP grants could be beneficial to expanding FHLBank's involvement in affordable housing and overall community development. A pilot program might include providing equity investments and/or grants annually specifically to the FHLBank's CDFI and community bank members. These investments and grants could help support a CDFI's work within and outside of the FHLBank system's traditional housing lending platform, while not exposing the system to undue risk since the funding would be from a portion of the excess retained earnings of individual banks. In particular, equity capital and grant funding could assist CDFIs with capital required when utilizing FHLBank advances.
- **Explore meaningful advance rates that are based on the security and risk of potential collateral.** Many CDFIs who finance subsidized affordable housing projects supported by LIHTC believe that the FHLBank should establish higher advance ratios on these loans, due to the higher credit quality of the collateral, as well as the public purpose of the projects.
- **Provide more flexibility within the AHP program**
  - **Allow CDFI FHLBank members to apply for AHP to be used to capitalize loan loss reserves,** in order to attract private capital into creative funds to meet market needs.

- **Simplify AHP compliance and application requirements to create an avenue for smaller, local developers to access grants through the AHP program.** This will better position the FHLBank system to more effectively promote community development in lower-cost, historically disinvested neighborhoods. A broader set of smaller developers and buildings would have access to the funds, thereby expanding the impact of the FHLBank System on both neighborhoods and local small businesses. The vast majority of CIC’s work is in these neighborhoods, with CIC financing these small developers and owner-operators. Historically, over half of CIC’s borrowers are led by people of color and women. The impact of including these small owners and developers in AHP, or by facilitating smaller grants for unsubsidized NOAH (or subsidized) properties would include:
  - Improving more buildings with responsible stewardship over the long haul throughout low income communities, and
  - Helping to build the capacity of small to mid-sized local BIPOC businesses, which will also build local – and generational - wealth.
- **Leverage FHLBank membership to facilitate more collaboration.** All FHLBank members would benefit from regular engagement with their member CDFIs to discuss loan products that would benefit community development efforts that are consistent with the FHLBank purpose and system. FHLBanks could also help connect members across the system by introducing CDFIs and community bank lenders to the larger banks and insurance companies to support each of their missions. For example, CIC’s ability to grow depends on commitments and investments by many of the FHLBank’s banking and insurance members. In turn, these members look to CDFIs to assist them in various community development initiatives.

In closing, CIC values our partnership with the FHLBank Chicago, and appreciates the FHFA’s responsiveness and collaboration in exploring even more opportunities for CIC and other CDFIs to achieve our mission to serve lower income communities. Thank you again for the opportunity to participate in the FHFA’s listening tour in November of 2022, and to submit this input through the FHLBanks at 100: Wrap Up and Comment Letter request. We look forward to continuing our community development efforts with the support of FHLBanks for years to come.

Sincerely,



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