From: Hongqing Chen [mailto:HongqingChen@seattleccd.com]
Sent: Tuesday, June 30, 2009 7:57 PM
To: !REG-COMMENTS
Subject: Re: RIN 2590-AA18

Alfred M. Pollard
General Counsel
Federal Housing Finance Agency, Fourth Floor
1700 G Street, NW
Washington, DC 20552

ATTN: Comments/RIN 2590-AA18

June 30, 2009

Dear Mr. Pollard,

On behalf of Seattle Economic Development Fund (SEDF) and Seattle Economic Development Association (SEDA), I appreciate the chance to comment on the Federal Housing Finance Agency's (FHFA) request for comments on the proposed rule published in the *Federal Register* on May 15, 2009 regarding community development financial institutions' (CDFIs) membership in the Federal Home Loan Bank System (FHLBank System).

Both SEDF and SEDA are private, non-profit 501(c)(3) non-traditional revolving loan funds and Community Development Financial Institutions (CDFI) located in Seattle, Washington. They were formed in March 1997 as sister corporations to another non-profit economic development organization with a combined original mission to provide financing and business development services primarily to small businesses in Seattle's Enterprise Community and other women- and minority-owned businesses that would otherwise not be financed under conventional criteria.

Opportunity Finance Network (OFN) addressed all questions posed by the FHFA regarding the proposed rule and I encourage you to follow the guidance provided by OFN. In particular, I strongly urge the FHFA to consider CDFIs as community financial institutions. Both my CDFIs fall well below the $1 billion asset threshold and we provide all types of lending, not just housing. From inception until July 31, 2008 (the end of fiscal year), SEDF and SEDA have made over $23.9MM micro loans, SBA 7(a) loans, and commercial loans and lines of credit to small businesses and entrepreneurs and created/retained 2,219 jobs in the State of Washington. Close to 50% of our loans were made to minority and women business owners in distressed communities. Our products and services are different from traditional lenders in their underwriting requirements in regard to credit history and capital investment for new and expanding businesses. We offer flexible underwriting criteria to meet the needs of the client, accepts nontraditional forms of collateral, and provides closing costs assistance when necessary. Our primary financial products are working capital loans and term loans. These loan products meet the needs of entrepreneurs and small businesses in distressed and under-served urban, minor urban and rural communities - because its customers can have limited investment (as low as 10%) into starting or growing a business. Traditional financial establishments want a 25-30% investment, especially when dealing with new, unproven businesses. The FHFA should consider CDFIs community financial institutions because they ARE community financial institutions. Not only would this help CDFIs like mine continue to offer much-needed services, but it would also allow us to help the FHLBs fulfill their mission for *both* affordable housing and community investment.

You are also proposing a minimum net asset ratio of 20 percent for membership eligibility. I believe this is unduly high and out of line with other financial entities, which are considered well capitalized with a net asset ratio of three to seven percent. A lower minimum net asset ratio of 10 percent for membership eligibility is more appropriate since my CDFIs have a sound equity base and we use that equity to leverage debt.

I would also like to emphasize the following points that Opportunity Finance Network made in its comment letter:

- I agree with the FHFA that there is no need for a self-sufficiency ratio. My CDFI provides technical assistance and other services to our borrowers as part of our mission. My organization should not be penalized for following CDFI certification requirements.
- CDFIs should be considered in compliance with the community support regulation by virtue of certification as a CDFI.
- The FHFA should require each FHLB to report on how many CDFIs applied for membership; how many were accepted as members; how many were rejected and why; and the CDFI members' use of advances.

Opportunity Finance Network addressed all questions posed by the FHFA regarding CDFI membership, and again, I urge you to refer to OFN's comment letter to provide guidance.

In general, the proposed rule recognizes the unique characteristics of CDFIs and the valuable contribution we make to low-wealth and low-income communities across the nation. I would like to express my gratitude to the FHFA staff who undertook this endeavor to understand CDFIs and their benefit to the Federal Home Loan Bank System. I encourage you to finalize the proposed rule with the changes suggested as soon as possible.

Thank you for the opportunity to comment. Please do not hesitate to contact me at 206-324-4330 x 140 or hongqingc@seattleccd.com if you have questions or need additional clarification.

Sincerely,

Hongqing Chen