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July 1, 2009

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

ATTN: Comments/RIN 2590-AA18

Dear Mr. Pollard,

On behalf of my organization, Rural Electric Economic Development, Inc. (REED), 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).

REED is a certified CDFI that has been lending since 1997 to both business and community sponsored projects, including housing development. We have issued over $43 million in loans in eastern South Dakota and southwestern Minnesota and have a strong track record of collections (over 99%) and partnerships with commercial lenders and other non-profit lenders.

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. My CDFI falls well below the $1 billion asset threshold, at $23 million, and we provide all types of lending, not just housing. REED's primary lending is to business borrowers, including agribusiness. Our borrowers are primarily small businesses, with 92% owned locally. Eighty-eight percent of our lending is in communities of less than 4,000 persons. REED also has a strong portfolio of community loans primarily for health care, education, public safety and recreation/arts. Our housing lending is to finance infrastructure for development and multi family real estate.

The FHFA should consider CDFIs community financial institutions because they ARE community financial institutions. Not only would this help CDFIs like ours 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 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 net asset ratio of 10 percent for membership eligibility is more appropriate since my CDFI has 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. CDFIs 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.

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 605.256.8015 or lsalmonson@eastriver.coop if you have questions or need additional clarification.

Sincerely,

Linda J. Salmonson

Economic Development Manager