Enterprise™

July 14, 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, Enterprise Community Loan Fund, Inc., we 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).

Enterprise Community Loan Fund, Inc. (ECLF) is one of the country's largest certified national housing CDFIs, and the lending arm of parent Enterprise Community Partners (Enterprise). Enterprise's broad programmatic focus includes public policy, grant making and capacity building for the affordable housing industry, operating through a national network of 2,500 members and local offices. With our parent organization Enterprise Community Partners, we have a unified strategy to bring capital, solutions and policy resources to expand our affordable housing efforts in all 50 states, specifically targeting results in eight "impact markets" where local resources and leadership can be most effectively leveraged. These impact markets include: New York, Baltimore, Washington, DC, Ohio, Gulf Coast, Los Angeles, San Francisco/Bay Area and the Pacific Northwest.

ECLF had total assets of $205 million at year end 2008. Our financing capacity is greatly extended through off-balance sheet financing pools of capital in New York, Los Angeles, and Louisiana that total over $288 million. Over the course of our 25 year history, we have lent and committed more than $1 billion, and financed close to 96,000 units of housing through well over 1,750 separate loans.

We concur with the comments provided by the Opportunity Finance Network (OFN), of which Enterprise is a member, and we would like to emphasize a number of key issues as you draft regulations on CDFI membership in the Federal Home Loan Banks.

In particular, we strongly urge the FHFA to consider CDFIs as community financial institutions. ECLF falls well below the $1 billion asset threshold and we provide different lending products such as: short-term land acquisition, green financing, predevelopment and construction loans. The FHFA should consider CDFIs community financial institutions because they ARE community financial institutions. Not only would this help CDFIs like ECLF 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.

The FHFA is also proposing a minimum net asset ratio of 20 percent for membership eligibility. We believe this is unduly high and out of line with other financial entities, which are considered well capitalized with a net assets ratio of three to seven percent. A net assets ratio of not greater than 10 percent for membership eligibility is more appropriate since Enterprise has a sound equity base and we use that equity to leverage debt under conservative underwriting standards.

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The FHFA proposes that a CDFI demonstrate that it has generated a positive net income for any of two of the three most recent years to support its earnings measurement. CDFIs should be allowed to include additional years to support a pattern of positive net income. Given the current economy, we believe that it is appropriate to allow CDFIs to provide additional information to prove a history of positive net income rather than relying on just two years. Additionally, loan loss reserves and unrealized income and losses should be excluded from the measurement as these are non cash and unrealized income statement items.

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

- We agree with the FHFA that there is no need for a self-sufficiency ratio. ECLF provides technical assistance and other services to our borrowers as part of our mission. Our organization should not be penalized for following CDFI certification requirements.
- Many CDFIs make commercial purpose loans for land acquisition, predevelopment, and construction. Since this is the first money into a project, the tenure of these loans is generally two to three years. By confirming that CDFIs are indeed CFIs, these types of loans can be made with FHLB advances as small business loans.
- 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 addition, we would like to add that FHFA should be flexible in defining the collateral that is pledged to secure the repayment obligation. For example, ECLF provides a payment guarantee from our parent organization as credit enhancement to many of our loans from banks and corporations. Most of our investor agreements limit our ability to secure our borrowings with our underlying loans.

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. We would like to express our gratitude to the FHFA staff who undertook this endeavor to understand CDFIs and their benefit to the Federal Home Loan Bank System. We 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 410.772.2461 or lchatman@enterprisecommunity.org if you have questions or need additional clarification.

Sincerely,

Lori Chatman

Lori Chatman
President