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Alfred M. Pollard
General Counsel
Federal Housing Finance Agency, Fourth Floor
1700 G Street, NW
Washington, DC 20552
E-mail: RegComments@fhfa.gov
ATTN: Comments/RIN 2590-AA18

Dear Mr. Pollard:

The New Hampshire Community Loan Fund, a certified CDFI, has had a long and productive relationship with the Federal Home Loan Bank of Boston. We look forward to becoming a member of the bank because membership would increase our liquidity and enhance our ability to achieve our goals of building stronger more stable communities by providing access to capital to those who might not otherwise have it. We appreciate the opportunity to comment on the draft rules that will govern the membership-approval process and will focus on provisions relating to mortgages and manufactured housing: provisions which could profoundly impact the well-being of hundreds of thousands of low-income Americans.

The Community Loan Fund, with the support of the Federal Home Loan Bank of Boston, has pioneered the process of helping residents of manufactured housing parks to buy their parks and establish housing cooperatives. Since 1984, the Community Loan Fund has financed resident acquisitions of 92 mobile-home parks in New Hampshire. These loans have protected the ownership interests of more than 5,100 homes. A study by the University of New Hampshire's Carsey Institute (2005) found that homes in these resident-owned communities sold faster and for prices averaging 12 percent higher than homes in investor-owned manufactured housing parks.

Since 1984, we have partnered with several FHLB of Boston members to deliver more than \$130 million in community acquisition loans, loans which have been remarkably secure. No resident-owned cooperative has defaulted. Our single-family lending within those stabilized communities has also proved to be remarkably secure. Through March of 2009, our loss rate on these mortgages has been less than 0.4 percent. As a result Fannie Mae has started a pilot program offering a single-family product exclusively in approved resident-owned communities in New Hampshire through two of their affiliated banks (who are also FHLBB members).

The story of our work with manufactured housing owners is important because it is an example of the kind of successes that CDFIs have achieved across the country by investing in low-income Americans, neighborhoods, and small businesses. The story is also important because it attests to the sophistication and financial acumen of the Community Loan Fund, a trait we share with scores of CDFIs nationwide. Finally, our work should demonstrate why the Federal Housing Finance Agency should modify the draft Rule to reference manufactured housing explicitly in several key areas.

Manufactured Housing and Home Mortgages

Our interest in manufactured housing is similar to that held by ROC USA™ Capital, and our co-founders of ROC USA, NCB Capital Impact and the Corporation for Enterprise Development (CFED). The Community Loan Fund wishes to add its support to the following suggestion to FHFA by ROC USA President Paul Bradley:

Definition of Home Mortgage Loan at 1263.1. We seek amendment to the Proposed Rule to clarify that the kind of community acquisition loans that the Community Loan Fund and ROC USA™ Capital provide to resident-owned manufactured housing communities qualify as “home mortgage loans.” Clearly, multi-family loans secured by real estate composed of five or more dwellings qualify. It is not clear as to whether the dwellings themselves have to be financed as part of the collateral. While the Community Loan Fund and others provide long-term loans secured by real estate, the collateral secured in fee simple by the Community Loan Fund is land and community infrastructure (i.e. roads, utilities, community buildings) that provide the essential support for the manufactured homes which the low-income homeowners already own. Our borrowers are nonprofit resident corporations, co-ops or homeowners associations, rather than the individual homeowners who have title to their dwelling units. As such, we recommend adding clarity to the definition of “Multifamily Property” to encompass real property that is solely residential or primarily residential which includes five or more dwelling units, or five or more home-sites upon which manufactured homes are sited for long-term occupancy, whether or not such manufactured homes are included as collateral.

This would appear to be consistent with the statutory authority in the Federal Home Loan Bank Act (12 U.S.C. 1422), which defines a “Home Mortgage Loan” as a mortgage upon real estate ... “upon which is located, or which comprises or, includes one or more homes or dwelling units....”

While the Proposed Rule provides within the definition of “Residential Mortgage Loan” at (8): “Loans that finance properties or activities that, if made by a member, would satisfy the statutory requirements for the CIP established under section 10(i) of the Bank Act (12 U.S.C. 1430 (i)), or the regulatory requirements established for any CICA program” and we believe that our loans meet the requirements of the CIP, as they are “targeted community lending” or “commercial and economic development lending activities, including non-residential mortgage loans and business loans, that benefit individuals or families earning up to 80% of the AMI or that are located in neighborhoods in which 51% or more of the households earn no more than 80% of the AMI.”

We much prefer and recommend the more specific inclusion of community acquisition loans for resident-owned manufactured home communities where 51% of the homes in the community are owned by households who earn less than 80% of area median income in one of the definitions cited above. Such an addition will provide clarity to FHLB staff when considering any application for membership or advance requests for manufactured-housing cooperative acquisition or permanent loans.

Our loans have a primary purpose of enabling homeowners in manufactured homes located in land-lease communities to enjoy, as closely as possible, the full benefits of homeownership enjoyed by homeowners on fee simple land. This is why the Community Loan Fund requires all resident corporations that borrow from us to use proprietary long-term leases with their member homeowners. Such proprietary leases better enable homeowners to enjoy security and land tenure in their communities and better gain access to conventional single-family mortgage loans for their homes.

Expansion of the definition of “Home Mortgage Loan” to include “a loan to an organization made up of owners of manufactured homes for the acquisition of real property upon which their homes are located” would appear to be both well within the intent and letter of the FHLB Act and supports “targeted community lending” and the community investment goals of the FHLB System as intended by including certified CDFIs as members.

Financial Standards and Documentation

The New Hampshire Community Loan Fund appreciates the care that the FHFA has taken in drafting the financial condition requirements (at 1263.16 (b)(2)). We support the recommendations offered by the Opportunity Finance Network (OFN) on behalf of all CDFIs and offer the following specific comments.

Net Asset Ratio. We concur with the FHFA decision to include restricted assets in the calculation of net assets. Many of the Community Loan Fund’s assets are permanently restricted specifically for lending and covering loan losses. We would be able to meet the proposed 20 percent ratio of net assets to total assets but concur with the Opportunity Finance Network’s judgment that this standard is unnecessarily high for non-depository CDFIs.

Earnings. The standard of showing positive net income for two of the three most recent years is fair. However, OFN’s suggested use of a rolling three-year average would better reflect the underlying condition of CDFIs by moderating the apparent fluctuations that may result from a CDFI’s receipt of a multi-year grant.

Loan Loss Reserves. The 30 percent reserve standard for loans that are delinquent 90 days or more is reasonable.

Liquidity. The operating liquidity standard of at least 1.0 for the current year and for at least one of the prior two years, measured by unrestricted cash and cash equivalents as a

percentage of average quarterly operating expenses for the four most recent quarters, is reasonable.

Self-Sufficiency or Sustainability Ratio. None is proposed in the draft Rule and we strongly urge the FHFA to maintain that position. The earnings and liquidity standards included in the draft Rule are sufficient. If the Community Loan Fund were able to operate profitably solely on earned income, we would be a for-profit corporation.

The Community Loan Fund was one of the first CDFI's in the country to participate in the "CDFI Assessment and Rating System" (CARS) in 2005 and again in 2008, with annual updates between. The system was developed by the Opportunity Finance Network to provide objective and consistent ratings of CDFIs' financial strength and performance as well as their social impact. Although the system is not equivalent to a regulatory agency's review of a bank, CARS nevertheless provides a rigorous framework that Federal Home Loan Banks could use to evaluate CDFIs for membership or require on an ongoing basis for member CDFIs.

Membership Process and Other Criteria

Jurisdiction and National CDFIs. The New Hampshire Community Loan Fund operates almost exclusively within the state's borders and so would expect to be a member of the FLHB of Boston and only the FHLB of Boston. We would have no objections to CDFIs that operate in several regions or nationally from joining several banks.

Presumption of Non-compliance on Community Support Standard. The regulation setting forth such "community support" standards is at 12 CFR part 944 and it should not be applied to CDFI in a manner that creates a rebuttable presumption against their compliance because they do not have a CRA rating. Although Banks have an obligation to demonstrate within the CRA system that they meet these goals, most CDFIs have already met the standards set forth by the Internal Revenue Service of establishing that their entire operations meet affordable Housing and Community Development standards necessary to be recognized as a tax-exempt charity. Non-profit CDFIs need to maintain this standard in all their activities and report annually to the IRS on a FORM 990. These reports are public documents and are generally easily found by anyone with an internet connection, ensuring a high degree of transparency and public accountability. We strongly recommend that the rebuttable presumption not apply or that the regulation clearly state that it does not apply to any CDFI which is recognized as exempt by the IRS under section 501(c)(3) of the Internal Revenue Code.

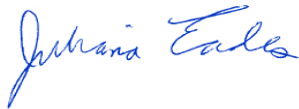
We further believe that recognition of a CDFI's charitable mission of affordable housing and or community development coupled with its continued oversight by the IRS for these purposes should alleviate any requirement that it provide first-time homebuyer education. Although this is one way that banks can meet CRA requirements, CDFIs have many ways to achieve their community support or "charitable" missions through community development activities.

Tracking CDFI Membership. The Community Loan Fund agrees with the Opportunity Finance Network that there is no accountability for the FHLBs in providing access to CDFIs. The FHFA should consider holding the FHLBs accountable to ensuring that CDFIs have fair access to the FHLB System. The FHFA should request a report from each FHLB within 12 months of finalizing the proposed rule that provides information about 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. The Community Loan Fund does *not* suggest that each bank be assigned a target number of CDFIs to accept, nor do we expect complete consistency across the county because of the uneven distribution of strong CDFIs nationwide. We do expect, however, a process that is demonstrably fair and that becomes more consistent over time.

Monitor Stock Purchase Requirement. We concur with the OFN position that the FHFA should ask that the FHLBs provide CDFIs with technical assistance about the FHLB's stock purchase requirements. CDFIs may use funds for stock purchase from profits, capital, mission-related investments from foundations, and other sources that may be new to the FHLBs. If there are structural requirements that do not work for the vast number of CDFIs, the FHFA should share these concerns with the public and consider making changes in either law or regulation to ensure CDFIs' continued access to FHLB System. If the stock purchase requirements are prohibitive, the intent of the law will not be realized.

Thank you for the opportunity to comment on the draft Rule. Please call me if you have questions or would like additional information. I look forward to implementation!

Sincerely yours,



Juliana Eades
President