



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 the Community First Fund, 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).

Community First Fund is a CDFI serving a 13 county area of Central and Eastern Pennsylvania. We have made over 700 loans totaling over \$22 million. Community First provides capital for affordable housing, commercial revitalization of small cities and new and emerging entrepreneurs, especially persons of color, persons of low wealth and women owned enterprises.

Opportunity Finance Network (OFN), of which we are a member, addressed all questions posed by the FHFA regarding the proposed rule and we encourage you to follow the guidance provided by OFN.

On particular importance, we strongly urge the FHFA to include CDFIs as community financial institutions as defined under the law. As required in the regulations for CFI's, Community First and other CDFI's fall well below the \$1 billion asset threshold and provides all types of lending, not just housing. In addition, our lending is focused in low wealth communities and focuses on providing capital to persons of color, lower income individuals, and community based organizations. The FHFA should consider CDFIs community financial institutions because they ARE community financial institutions. Not only would this help CDFIs like Community First Fund 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 regulations are 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 asset ratio of three to seven percent. A lower net asset ratio of 10 percent for membership eligibility is more appropriate since our CDFI has a sound equity base and effectively utilize that equity to leverage debt for lending.

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. Community First provides technical assistance and other services to our borrowers as part of our mission. These services are not fully subsidized by self-generated income but are important in maintaining low delinquency rates and working with nascent entrepreneurs and housing developments. Community First 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.



We would like to offer one additional suggestion. The FHLB system has offered a very successful grant program known as the Affordable Housing Program. This program provides grants which are used to supplement funding for affordable housing developments thereby insuring that the project can serve low income families and individuals. The FHLB should consider setting aside a certain percent of profits for a similar program which would provides grant funds to community and economic development projects, particularly those that serve low-wealth communities and individuals. These grants could be targeted to needs of each FHLB region as are the Affordable Housing Grants.

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

We would also like to express our appreciation to the Pittsburgh FHLB staff members who have taken the time to solicit input directly from several CDFI's in Pennsylvania, including Community First. These visits were extremely helpful in explaining how Community First could leverage financing from the FHLB for its many important lending projects. It is clear that the Pittsburgh staff are committed to the requirements of the new legislation and want to make this new partnership with CDFI's work for the benefit of the communities we serve.

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 appreciation 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 717 393-2351, ext 101 or via e-mail at [Betancourt@commfirstfund.org](mailto:Betancourt@commfirstfund.org) if you have questions or need additional clarification.

Sincerely,

Daniel Betancourt  
President and CEO