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July 10, 2009

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

Attention: Comments/RIN 2590-AA18

Dear Mr. Pollard:

The Enterprise Corporation of the Delta / Hope Community Credit Union (ECD/HOPE) is pleased to respond to the request for comments published in the Federal Register on May 15, 2009 regarding the proposed rule governing Federal Home Loan Bank (FHLB) membership for Community Development Finance Institutions (CDFIs).

ECD/HOPE is a regional financial institution, intermediary and policy center that has been dedicated to strengthening communities, building assets and improving lives in economically distressed areas in Arkansas, Louisiana, Mississippi and Tennessee. ECD/HOPE provides affordable financial products and related services; leverages private, public and philanthropic resources; and engages in policy analysis for the purpose of addressing development hurdles facing low-wealth people and communities. Through ECD/HOPE's efforts, over \$1 billion in financing has been provided to entrepreneurs, homebuyers and community development projects, benefiting more than 70,000 individuals in the Delta, Katrina-affected areas and other distressed communities throughout the Mid South.

The Enterprise Corporation of the Delta is a certified Community Development Finance Institution and the sponsor of Hope Community Credit Union (HOPE). HOPE is a state chartered credit union that is regulated by the National Credit Union Administration. HOPE is also a member of the Federal Home Loan Bank of Dallas and successfully borrowed money from the FHLB to support HOPE's mortgage lending programs.

In the comments below, ECD/HOPE draws on its experience as a CDFI and a member of the Federal Home Loan Bank of Dallas to recognize three areas in the proposed rule that could be revised to maximize the opportunity for successful partnerships between CDFIs and FHLB around the country.

Proposed Net Asset Ratio

The proposed rule requires a CDFI that applies to a FHLB for membership to have a net asset ratio of at least 20%. **ECD/HOPE views the proposed net asset ratio of 20% for FHLB membership as too high and recommends a net asset ratio of 10%.**

Understanding that the FHFA needs to mitigate the risk associated with extending membership to a non-regulated financial institution, a net asset ratio of 20% will restrict membership to the detriment of productive partnerships between the FHLBs and CDFIs. As a result, fewer community development loans with the ability to repay will be extended.

Currently, the highest net asset ratio required for membership in the FHLB system is 7%. While certainly more CDFIs could apply for membership to the FHLB with a ratio of 7%, ECD/HOPE understands that the 7% ceiling applies to regulated financial institutions and that regulation mitigates some of the risk associated with granting membership to non regulated CDFIs.

Hence, ECD/HOPE recommends a net asset ratio of 10%. A net asset ratio of 10% demonstrates the application of strong financial management practices while not restricting the flow of capital available for community development lending. At 10%, CDFI's and the FHLB will maximize the number of CDFIs that can take advantage of FHLB membership while not overly exposing FHLB capital to risk.

Earnings

The proposed rule requires a CDFI that applies to a FHLB for membership to have a positive net income for any two of the three most recent years. **Given the nonprofit status of the vast majority of CDFIs, ECD/HOPE recommends a positive net income demonstrated over a rolling three year average as an appropriate earnings measurement.**

ECD is a nonprofit CDFI. As such, the organization receives grant funding to support its operations. However, when ECD receives grant funds, it must show the grants as temporarily restricted income in the year committed. Nonprofit accounting standards call for the releasing of the grant funds when the grant conditions are satisfied. As a result, in some years, income may be positive as grants are released from restriction and negative when grants are expended at a greater rate than new restricted funds are raised. Hence, a three year rolling average to demonstrate positive net income is appropriate for nonprofit CDFIs.

Community Financial Institution Amendments

ECD/HOPE recommends that CDFIs should be considered Community Financial Institutions (CFIs) as defined by the Federal Home Loan Bank.

As CFIs, CDFIs will be eligible to receive advances from the FHLB for community development activities and pledge community development loans as collateral for FHLB advances. CDFI's have a long and positive track record engaging in community development activities. For example, according to the Opportunity Finance Network, CDFIs were responsible for the following:

- \$6.4 billion outstanding in small business loans at the end of 2007;
- 8,954 small businesses financed in 2007;
- 34,276 jobs created and maintained in 2007;
- \$5.6 billion outstanding in mortgage loans at the end of 2007.
- 15,546 mortgages were closed in 2007.
- \$506 million outstanding at the end of 2007 in community service loans.
- 685 community service organizations financed in fiscal year 2006.

It is important to note that CDFI's pulled off these community development accomplishments while managing losses prudently. In FY2007, CDFI's net charge-off rate was 0.55 percent, compared to 0.59 percent for all FDIC-insured financial institutions.

As a result of the CDFI industry's track record, CDFI's should be included in the definition of CFI's. Ultimately, CDFI's will compliment, and forward the homeownership, affordable housing and small business development goals of the FHLB System.

ECD/HOPE commends the FHFA for the thoughtfulness of the proposed rule and is grateful for the opportunity to comment on it. By implementing the changes highlighted above, ECD/HOPE believes that both CDFI's and the FHLB system will maximize the opportunities for effective and productive partnerships in the future.

Please feel free to contact me at (601) 944-4152 or wbynum@ecd.org with any questions.

Sincerely,



William J. Bynum
Chief Executive Officer
Enterprise Corporation of the Delta / Hope Community Credit Union