



July 13, 2009

*Building Healthy Communities  
Where Low-Income  
People Live and Work*

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ATTN: Comments/RIN 2590-AA18

Dear Mr. Pollard,

We appreciate the opportunity to comment on the Federal Housing Finance Agency's (FHFA) 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).

Boston Community Capital is a 25-year old national CDFI with a mission to build healthy communities where low-income people live and work. We are a diverse and large-sized, sophisticated CDFI that has invested over \$435 million in loans and investments to support organizations that benefit underserved communities.

We have been pleased to have a strong relationship with the FHLB Boston and look forward to future membership so that we may enjoy the opportunities afforded by the Bank's many programs.

We have a number of comments on the questions posed regarding the rule and strongly urge you to consider our response when crafting your final rules and regulations.

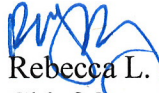
- It is reasonable and appropriate to establish financial tests for CDFIs; sustainability of our organizations is critical to our ability to deliver services. We are, however, more than financial institutions. We deliver critical services and products to a population and growing proportion of this country: low and moderate income families. Our work fills a critical need that the federal government cannot and traditional financial institutions do not. We believe it is appropriate for the FHFA to consider CDFIs as community financial institutions.

- Your proposal to set a minimum net asset ratio of 20 percent for membership eligibility is too high. Given the standards set for credit unions (7%) and for all but the most highly-rated institutions (4%, Tier 1 capital to total assets), and savings associations (3%- 4%), the 20% is inconsistent with these. We suggest that a not greater than ten percent net asset ratio is appropriate and aligns CDFIs with the current regulation for other financial institutions. In addition, the rules should outline the consideration of equity equivalent investments (EQ2), which is unsecured debt that has some of the same advantages of equity because it is subordinate to all other debt and carries a rolling term, the investor has a limited right to accelerate payment, and interest is not tied to income. As such, most audits count EQ2s as capital for the purpose of calculating capital ratios (the percentage of the CDFI's total assets unencumbered by debt) or the audits will allow CDFIs to count subordinate debt with indeterminate terms as net assets.
- Regarding the self-sufficiency ratio, we believe the other Financial Condition Requirements are better indicators of financial strength, such as demonstrating a pattern of reliable, positive net income, given some CDFIs provide non-revenue generating technical assistance and other services.
- Given CDFIs must meet specific requirements of the CDFI Fund in order to be certified as a CDFI, CDFIs should automatically be considered in compliance with the community support regulation.
- The Loan Loss Reserve requirement of 30% based on loans 90 or more days delinquent is appropriate.
- The FHFA should hold the FHLBs accountable in providing access to CDFIs. Each FHLB should be required to provide, at a minimum, an annual report regarding its CDFI membership and CDFI member use of advances, and within six months of finalizing the proposed rules, provide a report detailing how many CDFIs applied for membership, how many were accepted and rejected and why.

As you know, the CDFI industry has provided more than \$30 billion in financing to low and moderate income and economically distressed markets in the nation that would otherwise not have been provided by conventional lenders. BCC alone has provided over \$400 million in loans and investments in underserved communities in the past twenty-five years to build or preserve affordable homes for 9,500 families and individuals, strengthening over 300 community organizations, supporting child care facilities serving over 5,300 children and creating more than 1,400 jobs in low-income communities.

Access to FHB capital will allow us to have great impact and leverage our resources further. We appreciate the opportunity to comment. Please do not hesitate to contact me at (617) 933-5852 or [rlregan@bostoncommunitycapital.org](mailto:rlregan@bostoncommunitycapital.org) if you have any questions.

Sincerely,



Rebecca L. Regan  
Chief Operating Officer  
Boston Community Capital