



NUESTRA COMUNIDAD DEVELOPMENT CORPORATION
NeighborWorks® HomeOwnership Center

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David Price
Executive Director
Nuestra Development Fund, Inc.
54 Warren Street, Suite 200
Roxbury, MA 02119

Arthur Pollard
General Counsel
Attention: Comments/RIN 2590 – AA18
Federal Housing Finance Agency
Fourth Floor, 1700 G Street NW
Washington, DC 20552

Dear Mr. Pollard,

Thank you the opportunity to comment on the proposed rule published in the Federal Register on May 15, 2009 regarding community development financial institutions' membership in the Federal Home Loan Bank System.

Nuestra Development Fund, Inc. is currently the only residential CDFI in Boston and primarily serves low-to-median income residents in its service area, a portion of which the City of Boston has deemed a "Foreclosure Intervention Target" (FIT) area. Nuestra is the designated CDC/CDFI by the City of Boston for the Dacia FIT area, which has disproportionately experienced the brunt of the foreclosure crisis vis-à-vis other Boston neighborhoods.

Despite these setbacks, in recent years there has been an influx of new families and responsible homebuyers to Nuestra's service areas in Roxbury, Dorchester and Mattapan. To encourage responsible homeownership, Nuestra, of which our Homeownership Center is a division, has successfully promoted and provided affordable housing opportunities within this community for close to three decades and has witnessed these services enhance and improve our community

Nuestra's Comments Regarding the Proposed Rule:

The Nuestra Development Fund's experiences afford it a unique perspective on the challenges and opportunities facing Residential CDFIs in neighborhoods primarily comprised of low-to-median income borrowers. As a NeighborWorks HomeOwnership

Center, Nuestra also strongly supports the following recommendations proposed by the National NeighborWorks Association (NNA). We respectfully submit our comments regarding the FHFA's proposed rule on CDFI membership in the FHLB System.

Long Term Mortgage Loan Requirements

Nuestra seconds NNA's recommendation to include second lien mortgages in the 10 percent long term mortgage loan requirement. Like many similar residential CDFIs, NDFI offers both first lien and second lien mortgages and currently holds in its loan portfolio a higher proportion of second loans.

Net Asset Ratio

Nuestra echoes the recommendations of both NNA and the Opportunity Finance Network to include restricted assets in the net asset ratio. We believe that a 10 percent ratio maximum is a reasonable requirement to set for most CDFIs.

Earnings

Nuestra agrees with NNA on its recommendations to make the proposed earnings measurements more feasible for nonprofit organizations. First, NNA recommends that a longer cycle than two to three years is necessary to show earnings capacity and recommends that CDFIs be allowed to show earning capacity for four out of six years. A longer earnings cycle will allow CDFIs to demonstrate their true earnings capacity from both restricted and unrestricted grants. Second, NNA recommends that the FHFA take into consideration some type of weighted earnings average to demonstrate true earnings capacity, as nonprofit balance sheets often see "spikes" in years in which large grants are received and must be accounted for within a short time period.

Loan Loss Reserves

Traditionally, CDFIs work more closely with delinquent borrowers for a longer period of time than is usual for banks, who tend to be quicker to write-off loans that are 90 days or more delinquent. The practice of working out different options with borrowers to bring their loans current helps maintain CDFIs competitively low default rates. Nuestra supports NNA's proposal of lowering the loan loss ratio from the proposed 30% down to a more reasonable rate of 20% for CDFIs.

Liquidity Ratio

The Proposed Rule defines the liquidity ratio requirement as 1, which would be an appropriate ruling for most banks who need to keep cash on hand to allow for fund withdrawal. However, as most CDFI's business activities are structured differently from those of banks, this high liquidity ratio would be unnecessary and also would create a large barrier to entry for CDFIs. Nuestra concurs with NNA's proposal to lower the liquidity ratio to 0.5.

Character of Management

Nuestra recognizes that character of management can be determined by several different methods, and that there should be no one standard method to be used to determine CDFI membership eligibility.

Self-Sufficiency Ratio

Nuestra, alongside the National NeighborWorks Association, strongly supports the Self-Sufficiency Ratio that is laid out in the Proposed Rule and has no suggested changes regarding this rule.

We thank you for the opportunity to comment on the Proposed Rule, and we look forward to the finalization of the regulations.

Sincerely,

A handwritten signature in black ink that reads "David Price". The signature is written in a cursive style with a small dot above the "i" in "Price".

David Price
Executive Director
Nuestra Development Fund, Inc.