OPPORTUNITY
RESOURCE FUND
A CATALYST FOR MICHIGAN COMMUNITIES

Christine Coady Narayanan
President/CEO

December 22, 2014

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20024
email: RegComments@fhfa.gov

Office of Information and Regulatory Affairs, OMB
Attention: Desk Officer for Federal Housing Finance Agency
Room 10102, New Executive Office Building
725 17th Street NW
Washington, DC 20503
email: OIRA_Submission@omb.eop.gov

Re: Members of Federal Home Loan Banks
Notice of Proposed Rulemaking, RIN 2590-AA39

Dear Mr. Pollard and OMB Desk Officer:

Opportunity Resource Fund (OppFund) is a nonprofit 501(c)(3) CDFI, dually headquartered in Lansing and Detroit, Michigan. We are celebrating 30 years of working for social and economic justice, and supporting Michigan's communities via the creation of decent and affordable housing, jobs and great commercial spaces. Our mission is to provide loans, through careful and flexible resource allocation, to benefit Michigan communities. We are a catalyst for positive change.

On behalf of OppFund, I appreciate this opportunity to share our views on the FHFA's proposed changes to the Federal Home Loan Bank membership rules. My comments focus on the proposed membership changes that directly and indirectly affect CDFIs – namely the changes to the Makes Long-Term Home Mortgage Loans Requirement (the "Makes Requirement").

We agree that FHLBank members must demonstrate a commitment to housing at the time of application, but we disagree with applying any initial or ongoing quantitative test to CDFI membership for the following reasons:

- CDFIs, as you know, are specialized financial institutions working in market niches underserved by traditional financial institutions. CDFIs are all financing entities with a primary mission of promoting community development and primarily serving a specialized target market. CDFIs provide a unique range of financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for needed community facilities, along with technical assistance. CDFIs often provide commercial loans and investments to small start-up or expanding businesses in low-income areas. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds, often non-profit. Our missions, and that of the FHLBanks, are similar and we are uniquely suited to assist the Banks with their social mission, even though not all CDFIs provide long term home financing. Given this, maintaining CDFI certification should be the only proof needed for a CDFI to demonstrate its commitment to housing and community development.

- The proposed change to the Makes Requirement will create added economic and opportunity costs for CDFIs who are providing long-term home financing. Ensuring compliance will require stretching limited resources to hire new employees or divert them from other areas of need. CDFIs generally do not have large staffs and added FHFA reporting or portfolio monitoring burdens would be incurred.

- Imposing quantitative and on-going elements to the Makes Requirement could be especially difficult for some CDFIs and completely prohibit membership for others. CDFIs differ in terms of size and types of financial products offered, and need flexibility to fill credit and investment gaps in their communities. Some focus mainly on multi-family rental housing, small businesses, health and educational facilities, community economic development projects, or primarily serve as conduits for other development funds. The specific assets held in portfolio may not meet the strict definition of the Makes Requirement, since many CDFIs may hold only a part of a "participation loan" and may hold business loans and loans to developers of affordable housing units that would not count toward the Makes Requirement.

  FHLBanks are just beginning to recruit CDFIs, and the imposition of regulations over balance sheet and investment activities will discourage some CDFIs from considering membership. In addition, such a significant change to a well-established test creates uncertainty regarding major changes in the future.

Imposing new onerous membership requirements on CDFIs would be in conflict with Congress' stated intent to make CDFIs eligible for FHLBank membership as well as the agency's final rule implementing this statutory provision. Eliminating the eligibility of any CDFIs from membership may leave vital credit and investment gaps unfilled, thereby suppressing housing and worthwhile economic development projects for needy communities.

- When Congress passed HERA and authorized CDFIs to become FHLBank members, it did so with full knowledge of the history, status, nature, and business practices of our nation's CDFIs, and the differing types of financial products offered by them, yet, it did not limit CDFI membership to only those who make a certain amount of home mortgage loans. Congress did not create a membership asset test for CDFIs, and it should not now be created by the FHLBanks' safety-soundness regulator.

With the above reasons and concerns in mind, I respectfully request that the FHFA withdraw its proposal and refrain from imposing a quantitative element to the Makes Requirement.

Thank you again for the opportunity to share our views on the proposed changes.

Sincerely,

Christine Coady Narayanan
President/CEO