**Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20024**

**Re:** Notice of Proposed Rulemaking covering membership in the Federal Home Loan Bank system (RIN 2590-AA39)

**Dear Mr. Pollard:**

The Housing Development Fund (HDF) appreciates this opportunity to provide you with comments on the Notice of Proposed Rulemaking covering membership in the Federal Home Loan Bank system (RIN 2590-AA39). I urge the Federal Housing Finance Agency (FHFA) to reevaluate its position in this rule as I believe these new additional FHLBank membership requirements will have negative consequences on the availability of funds for FHLBank’s programs ultimately impacting funding for affordable housing opportunities.

**Housing Development Fund**

The Housing Development Fund, Inc. was established in 1989 as a nonprofit organization to finance the development of affordable housing. The organization was founded by a group of government, business, and community leaders in Stamford, CT. Over the last twenty five years, it has grown in impact and operates two loan funds with over $120 million in funds under management that encompasses programs for pre-development, acquisition, rehabilitation, and construction of affordable housing as well as down payment and closing cost assistance loans to low- and moderate-income families. With a core belief in the value of homeownership for both families and communities alike, HDF has set about working to promote sustainable homeownership for low- and moderate income families and individuals. Over 1,000 high-quality homes have been built with HDF financing, including senior housing, special needs housing and supportive housing. HDF has helped over 1,850 individuals and families purchase homes with $79 million in financing provided or administered by HDF that has, in turn, leveraged over $292 million in conventional first mortgage activity (as of 9/30/14).

I am currently serving my third term on the Federal Home Loan Bank of Boston’s (FHLBB) Board of Directors as a Public Interest Director and am the Chair of the Housing and Community Development Committee for the FHLBB. As a board member of FHLBB, I am engaged in expanding their Affordable Housing Program funding to include revolving loan funds as an eligible use of funds.

I am concerned about the potential negative impacts of the proposed rule and request that the

FHFA reconsider its proposed changes covering membership in the Federal Home Loan Bank system. I am especially concerned that the proposed changes institutes for the first time, on-going mortgage asset test requirements. The proposed rule could make it more difficult for many financial institutions to obtain and maintain their Federal Home Loan Bank membership and access to FHLBank liquidity. By imposing ongoing, strict, quantitative asset-based tests, the proposed rule could limit bank member’s flexibility to manage their business in response to changing market conditions, restructure their investments, and balance sheet structure.

The new requirements could hinder the ability of members to borrow under all economic scenarios. The changes may also discourage potential members from joining an FHLBank, limiting the ability of the FHLBanks to serve the housing and homeownership needs of their districts. A rule that requires ongoing compliance with an asset test will increase costs of compliance and could affect the choices a CDFI makes between management strategies to meet the test and other strategies related to mission or risk management. Decisions to lend into a non-housing asset class, to sell mortgages, or to participate in mortgages with other investors, for example, could be affected by an organization’s need to meet new regulations. In addition, the proposed rule counteracts actions of Congress over the last 25 years to expand FHLBank membership, mission, and members’ access to liquidity.

The proposed rule could limit the ability of local lenders to manage their balance sheet in response to changing market conditions. Instead being responsive to their community needs, these institutions may manage their lending to meet regulations in a way that could weaken their financial condition. The additional regulatory requirements could also prove particularly costly to small- and medium-sized members.

I have serious concern about the effects of the proposed rule on CDFI membership in the FHLBank system and request that FHFA reconsider moving forward with this rulemaking. I also am concerned that this proposal could set a precedent that could enable additional limitations in the future. I request that FHFA instead engage in a series of public hearings and roundtables to solicit a variety of viewpoints that may be impacted by this wide-ranging proposal.

Thank you for the opportunity to submit a comment.

Joan Carty
CEO, Housing Development Fund