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January 2, 2015

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

RE: Notice of Proposed Rulemaking, request for comments: Members of Federal Home Loan Banks

Dear Mr. Pollard:

Thank you for the opportunity to respond to the Federal Housing Finance Agency (FHFA) notice of proposed rulemaking regarding revised membership regulations. On behalf of Ohio Capital Finance Corporation ("OCFC"), a certified Community Development Financial Institution (CDFI) of the US Department of the Treasury, I am particularly grateful the FHFA extended the comment period in light of the fundamental membership changes proposed.

OCFC appreciates the FHFA's intent to ensure that the benefits of Federal Home Loan Bank System (FHLBank) membership are being used to further the statutory mission of the FHLBank, however, OCFC disagrees with the proposed threshold tests for members. To the contrary, we are concerned that these new membership rules, as proposed, would undermine the FHLBanks' mission of providing a reliable source of housing finance to its members, like OCFC. It could also unnecessarily prevent new, private capital from supporting the affordable housing finance market.

Since OCFC's certification as a CDFI in 2002, OCFC and its affiliated loan funds; the Ohio Affordable Housing Loan Fund I LLC; the OCFC Loan Participation I, LLC; and the Ohio Preservation Loan Fund, LLC have loaned over \$245 million to spur the preservation and creation of over 18,000 units of affordable housing in Ohio and Kentucky. This represents over 370 loans closed which has leveraged over \$2.0 billion in funding for affordable housing.

As a CDFI, OCFC obtained membership in the FHLB of Cincinnati on December 27, 2012 following the passage of the Housing and Economic Recovery Act of 2008 and subsequent rules issued on December 23, 2009 by the Federal Housing Finance Agency and the Federal Housing Finance Board.

As a Member of the Cincinnati Bank, OCFC has accessed and received multiple Affordable Housing Program ("AHP") awards for use in the production of affordable housing. Additionally, OCFC served as the replacement Member for one of the top seven largest banks in the United States for an affordable housing project which

serves mentally ill and homeless people. The bank removed itself from the project due to the small size, complex nature of the deal structure, and lack of fee revenue that project would generate; leaving the nonprofit developer with an AHP award, but no Member bank. As a mission driven lender, OCFC replaced the bank as the Member and assisted the nonprofit developer in completing the much needed project in Xenia, Ohio. Without OCFC as a CDFI and as a non-traditional member of the FHLB, this project most likely would have failed, and the grand opening would not have occurred on December 19, 2014 providing 6 residents with a home for the holidays rather than spending it in a homeless shelter.

The AHP remains one of the most important, enduring sources of funding available to the non-profit housing community. By having a variety of participants including CDFIs, the 10 percent annual AHP set-aside allows for broad participation to small and large lenders, who serve varied, but equally important roles in affordable housing development. OCFC like other CDFI Members have established long-term and deep relationships in the capital markets by providing access to private capital and leveraging low-income housing tax credits. CDFI Members like OCFC bring an important diversity to the complex funding networks of affordable housing development.

If the proposed rule requiring all FHLB Members to meet one or two ratio tests of mortgages-to-total assets, ranging from one to 10 percent, depending on charter type or asset size, would go into effect, OCFC would be forced to terminate its membership with the FHLB of Cincinnati, as OCFC would not meet this test, because it does not hold mortgages.

The ongoing asset tests fail to recognize the many ways in which Members support housing finance, including pledging mission-assets to borrow advances; selling mortgages into the secondary market; and investing in low-income housing and community investment through the AHP or other targeted investment programs. OCFC's lending is structured primarily through loan pools funded by financial institutions therefore making it more difficult to pledge acceptable collateral to the FHLB. As noted earlier, OCFC is able to utilize the AHP and assist in the creation and preservation of affordable housing.

Thus, OCFC may likely fail to meet the proposed asset ratio test, and its membership would be terminated. Termination of membership appears to be in direct conflict with the intent of the Housing and Economic Recovery Act of 2008. Membership termination is an unacceptable penalty for non-compliance, especially for an organization like OCFC whose mission is to provide affordable housing to those in need.

We thus respectfully ask you to reconsider this set of proposals or, in the alternative, further open the discussion to public debate. Please do not hesitate to contact me at 614.224.8446 or [jwelty@occh.org](mailto:jwelty@occh.org) if you have questions.

Regards,



Jon Welty  
President