



January 31, 2019

Mr. Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA82
Federal Housing Finance Agency
400 7th Street SW, Eighth Floor
Washington, DC 20219

RE: Federal Home Loan Bank Housing Goals Amendments Comments/RIN 2590-AA82

Dear Mr. Pollard:

The National Community Stabilization Trust (NCST) appreciates the opportunity to comment on FHFA's recent Notice of Proposed Rulemaking for the Federal Home Loan Bank Housing Goals Amendments. We believe that this proposed rule will help the Banks achieve greater progress toward the community-oriented aspect of their mission by establishing a mandatory AMA mortgage purchase goal without a volume threshold and by creating a new small member participation goal. However, the proposed percentages should be a baseline and not a final target.

As an organization committed to combatting community blight and vacancy through the rehabilitation of foreclosed and vacant single family homes, NCST strongly believes in the importance of small member institutions and the Banks' role in strengthening communities. We serve as a bridge between financial institutions and community-based housing providers ("Community Buyers") to ensure that distressed properties are responsibly redeveloped as affordable homes, and in that role, we consistently see our Community Buyers struggle to access sufficient capital for acquiring and properly rehabilitating properties.

Increasing small member participation will likely create a positive downstream impact for neighborhood stabilization. Our Community Buyers primarily work with lending institutions that meet FHFA's definition of small member "community financial institutions," including CDFIs. In a Community Buyer survey, while approximately 37% of our respondents reported a financing relationship with one or more CDFIs, 61% cited a lack of appropriate and reasonably priced capital for acquisition and rehab activity. We believe that establishing a mandatory mortgage purchase goal, and setting a robust small-member participation target in particular, will encourage the Banks to focus specifically on loan purchases from small members, providing these smaller institutions with the liquidity needed to make more capital available to mission-oriented organizations such as our Community Buyers.

Although setting a small member participation goal at all is very useful, Table 6 in the proposed rule shows that nine out of the eleven Banks would have met the 50% participation target in 2017. While it is important to lock in existing good practices, this target is not likely to motivate the Banks to try harder in this area. Existing data from the Federal Home Loan Banks' Office of Finance demonstrates the need for increasing small member participation, especially with CDFIs. According to the 2016 Q4 Combined

Financial Report,¹ the FHLB system had just 45 CDFI members, or 0.6% of total membership. In 2018,² there were 55 CDFI members – out of a total of 1,000 CDFIs³ operating nationwide – or 0.8% of total membership. Establishing a higher participation target would better encourage the Banks to engage in the work and outreach needed to increase the number of small members overall.

We have similar concerns about the proposed 20% mortgage purchase goal, which eight of the eleven Banks would already have met each year since 2011. One potential way to encourage Banks to measurably increase their affordable housing loan purchases and small member participation would be to set incremental targets to reach a more rigorous goal. FHFA may also want to consider adding specific subgoals around types of small member institutions or geographic areas (e.g. small members located in rural areas) based on the needs of a given Bank’s district.

While the small member participation goal is of the most direct importance to NCST and our Community Buyers, we wish to incorporate by reference the National Community Reinvestment Coalition’s comment with its more extensive discussion regarding the mortgage purchase goal. We particularly would like to underscore our support for FHFA’s proposal to ensure that no more than 25% of loans made in low-income areas to families with incomes above the low-income level will count toward the housing goals, given data showing that the majority of loans counting toward the Fannie Mae and Freddie Mac underserved areas goals are not made to low-income individuals.⁴

Thank you again for the opportunity to provide feedback. Please contact us if you have any questions or wish to discuss further.

Sincerely,

Julia Gordon
Executive Vice President
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¹ FHLBanks Office of Finance. “Combined Financial Report for the Year Ended December 21, 2016.” (2017) p. 30. Available at http://www.fhlb-of.com/ofweb_userWeb/resources/2016Q4CFR.pdf.

² Federal Home Loan Banks Office of Finance. “Combined Financial Report for the Year Ended September 30, 2018.” (2018) p. 62. Available at http://www.fhlb-of.com/ofweb_userWeb/resources/2018Q3CFR.pdf.

³ U.S. Department of the Treasury Community Development Financial Institutions Fund. “What are CDFIs?” Available at https://www.cdfifund.gov/Documents/CDFI_infoqraphic_v08A.pdf.

⁴ Zonta, Michela. “Do the GSEs Meet the Credit Needs of Underserved Communities of Color?” (2015) Housing Discrimination Today, Vol. 17, No. 3, pp. 193-218. Available at <https://www.jstor.org/stable/26326970>.