

July 7, 2009
Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency, Fourth Floor
1700 G. Street, NW,
Washington DC 20552

Attn: Comments/RIN 2590-AA18

Clearinghouse Community Development Financial Institution (Clearinghouse CDFI) is grateful for the chance to respond to the notice of proposed rulemaking establishing requirements for Community Development Financial Institutions (CDFIs) to become members of the Federal Home Loan Bank system.

Please note also that Clearinghouse CDFI is a member of the Opportunity Finance Network (OFN). The OFN has previously addressed all of the questions posed by the FHFA regarding the proposed rule and Clearinghouse CDFI is in full support of the comments contained therein.

We would like however to comment on two points in particular; first, the minimum net asset ratio requirement and secondly, consideration of CDFIs as Community Financial Institutions (CFIs).

Net Asset Ratio

The proposed rule, part 1263.16 (2)(i) states that an applicant's ratio of net assets to total assets must be at least 20%. This requirement appears to us to be particularly out of line when compared to the regulated depository institutions' "adequate" and "well capitalized" Tier 1 thresholds of 4% and 5% respectively. Even when considering other existing capitalization thresholds such as total capital to risk weighted assets of 8% and 10% for "adequate" and "well capitalized" respectively, a 20% net asset requirement for CDFIs appears overly restrictive.

Clearinghouse CDFI is a California based, for profit CDFI with total assets of \$84.8 million and equity of \$14.7 million. We have been profitable for seven consecutive years and have established loan loss reserves totaling 4.77% of loans outstanding. We strive to serve our communities by making appropriate loans while leveraging our equity to prudent levels. In spite of our strong track record and carefully considered asset/liability management practices, the 20% net asset ratio requirement would put FHLB membership beyond our reach. We believe that a 10% net asset ratio represents a prudent threshold in this regard and we would encourage the Federal Housing Finance Agency (FHFA) to consider this ratio as more appropriate than the proposed 20%.

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CDFIs as Community Financial Institutions

We agree with the OFN that the FHFA should consider CDFIs community financial institutions because they are community financial institutions. In particular, Clearinghouse CDFI (like many other CDFIs) makes commercial purpose loans for land acquisition, predevelopment, and construction. These loans are often made to nonprofits that build affordable housing for low-to moderate income people or the acquisition and construction of much needed community facilities. Since this is frequently the first money into the project, the loan terms are often from two to five years. By confirming that CDFIs are indeed CFIs, these types of loans can be made with FHLB advances as small business loans.

Clearinghouse CDFI applauds the effort of the Federal Housing Finance Agency (FHFA) to incorporate CDFI's into the Federal Home Loan Bank system. The current proposal clearly attempts to recognize the unique characteristics of CDFIs and the benefits they bring to the low-income communities they serve. By changing the net asset ratio as outlined above, and confirming CDFIs as CFIs, the FHLBank system could become a usable and valuable tool for CDFIs to expand their missions and the benefits they bring throughout the nation.

If you have any questions, please do not hesitate to contact me at (949) 525-4952 or Dbystry@Clearinghousecdfi.com.

Sincerely,


Douglas J. Bystry
President/ CEO

