

July 9, 2009

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

ATTN: Comments/RIN 2590-AA18

Dear Mr. Pollard,

Coastal Enterprises, Inc. (CEI) appreciates the opportunity to comment on the Federal Housing Finance Agency's (FHFA) request for comments on the proposed rule published in the *Federal Register* on May 15, 2009 regarding membership of community development financial institutions (CDFIs) in the Federal Home Loan Bank (FHLB) System.

Founded in 1977, Coastal Enterprises, Inc. (CEI) is a 501c3 private, nonprofit community development corporation (CDC) and community development finance institution (CDFI). CEI's mission is to help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential. With Maine as a primary market, CEI provides financing and technical assistance to small, medium and micro enterprises, natural resource ventures in the farm, fish and forest sectors, community facilities such as health and child care, and affordable housing. CEI also engages in state and federal policy research and development, fostering policies that create resources for the CDC/CDFI field and promote triple bottom line investing practices that combine financial returns with social and environmental benefits.

CEI has a 17-member board, 85 staff members, eight departments, and 13 locations throughout the state. One of the nation's leading rural CDFIs, CEI creates assets for people with low incomes, while benefiting the wider economy and residents of the communities in which it operates. CEI's development philosophy is based on strategically combining the market interventions of finance, development assistance and policy for social and environmental benefits. Since 1977, CEI has provided over \$460.7 million in financing to 1,989 enterprises with 23,266 jobs; created/preserved 1,261 units of affordable housing; provided training and counseling to 29,931 individuals and small businesses; created/preserved 4,599 child care slots; and provided leadership on a range of policy initiatives, including one of the nation's most stringent laws regarding predatory mortgage lending. Overall, CEI has mobilized and leveraged \$1.8 billion in private and public capital from diverse funding sources: public entities; private foundations; insurance companies; financial institutions such as banks; religious institutions; and is one of the nation's larger allocatees of the high-impact New Markets Tax Credit program covering rural northeast and other rural regions throughout the U.S.

Opportunity Finance Network (OFN) addressed all questions posed by the FHFA regarding the proposed rule and I encourage you to follow the guidance provided by OFN. In particular, we strongly urge the FHFA to consider CDFIs as community financial institutions. As a CDFI, CEI falls well below the \$1 billion asset threshold and, as indicated above, we provide all types of lending, not just housing. CEI provides 'gap financing' for businesses unable to obtain all or part of their financing through conventional sources. CEI offers a continuum of lending and investment from microloans of up to \$35,000 to loans up to \$500,000 for job-generating small businesses, community facilities or affordable housing, to \$1 million in venture capital and more for New Markets Tax Credit projects meeting CEI's social and environmental criteria.

Clearly, CEI and other CDFIs are community financial institutions and should be considered as such by the FHFA. Not only would this help our industry continue to offer much-needed services, but it would also allow us to help the FHLBs fulfill their mission for *both* affordable housing and community investment.

You are also proposing a minimum net asset ratio of 20 percent for membership eligibility. I believe this is unduly high and out of line with other financial entities, which are considered well capitalized with a net asset ratio of three to seven percent. A lower net asset ratio of 10 percent for membership eligibility is more appropriate since CEI has a sound equity base and we use that equity to leverage debt.

We would also like to emphasize the following points that Opportunity Finance Network made in its comment letter:

- We agree with the FHFA that there is no need for a self-sufficiency ratio. CEI provides technical assistance and other services to our borrowers as part of our mission. CEI should not be penalized for following CDFI certification requirements.
- CDFIs should be considered in compliance with the community support regulation by virtue of certification as a CDFI.
- The FHFA should require each FHLB to report on how many CDFIs applied for membership; how many were accepted as members; how many were rejected and why; and the CDFI members' use of advances.
- The FHFA should modify the definition of "long-term mortgage" to allow for shorter-term loans of two to four years. For CEI and many other CDFIs, the bulk of our housing lending is in construction loans, along with some predevelopment bridge lending. This type of lending is highly effective in producing affordable rental and homeownership opportunities and in leveraging additional, long-term financing from other sources.

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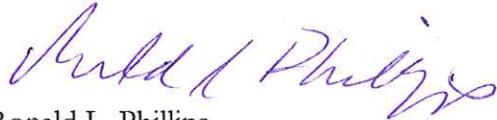
Opportunity Finance Network addressed all questions posed by the FHFA regarding CDFI membership, and again, I urge you to refer to OFN's comment letter to provide guidance.

CEI has an additional concern, however, regarding the threshold eligibility requirements (this concern applies only if CDFIs are NOT approved as CFIs). Because CEI's financing activities are multi-faceted and not limited to housing, it would be a challenge for us to meet the 10% threshold of housing lending. Although the original purpose of the FHLB system was to create liquidity for member banks in the housing mortgage, in recent years the system has become more attuned to community development overall. Commercial lending falls into this category. We urge you to consider a lower threshold in terms of percentages and to take into account other measures of housing activity such as units produced.

In general, the proposed rule recognizes the unique characteristics of CDFIs and the valuable contribution we make to low-wealth and low-income communities across the nation. We would like to express our gratitude to the FHFA staff who undertook this endeavor to understand CDFIs and their benefit to the Federal Home Loan Bank System. We encourage you to finalize the proposed rule with the changes suggested as soon as possible.

Thank you for the opportunity to comment. Please do not hesitate to contact me at (207) 882-7552 or rlp@ceimaine.org if you have questions or need additional clarification.

Sincerely,



Ronald L. Phillips
President and CEO