



Dana A. Yealy
Managing Director,
General Counsel and
Corporate Secretary

July 13, 2009

Alfred M. Pollard, General Counsel,
Attention: Comments/RIN 2590-AA18,
Federal Housing Finance Agency,
Fourth Floor, 1700 G Street, NW.,
Washington, DC 20552

**Re: Comments on Federal Home Loan Bank Membership for Community
Development Financial Institutions; RIN 2590-AA18**

Dear Mr. Pollard:

The Federal Home Loan Bank of Pittsburgh ("FHLBank") appreciates this opportunity to comment on the Federal Housing Finance Agency ("FHFA") proposed rule to amend its membership regulations to authorize non-federally insured, CDFI Fund-certified community development financial institutions ("CDFIs") to become members of the FHLBank. Under the proposed rule, the newly eligible CDFIs would include community development loan funds, venture capital funds and state chartered credit unions without federal deposit insurance.

We support the extension of FHLBank membership to CDFIs. Their mission to offer credit and financial services to underserved populations is consistent with our own mission to ensure the availability of funds for housing, community and economic development. The Federal Home Loan Banks have operated for more than 76 years without experiencing a single loss on a loan to a member. Our ability to recover outstanding advances from members going through insolvency is critical for the protection of our members. This is one of the principal reasons why the FHLBank can provide members with low rates on advances, which makes us an attractive funding source to our members and prospective members like CDFIs. While the FHLBank favors expanded membership opportunities for mission-compatible entities such as CDFIs, we encourage the FHFA to provide clear guidance in its final rulemaking on minimum CDFI membership standards to ensure that CDFI membership and lending to CDFI members is performed safely and soundly to ensure that the FHLBanks are able to continue to provide attractive low-cost funding to all of their members.

Newly Eligible CDFIs—Unique Issues Resulting From Their Status

The newly eligible CDFIs are not subject to the same federal and state supervision, examination, and safety and soundness requirements as existing members of the FHLBank. The FHLBank currently relies on reports of examination and any resulting enforcement

actions taken by federal and state regulators of our existing members, including insurance company members. These examinations provide the FHLBank with detailed information regarding a member's financial condition conducted in conformance with a CAMELS analysis (or other regulatory system in the case of insurance companies) and rating. Additionally, examinations provide an important assessment of a member's management and its ability to manage risk, which may not be evident from financial performance metrics. Regulatory examinations are a critical risk management tool in assessing member risk that will not be available for the newly eligible non-credit union CDFI members. For newly eligible CDFIs with little or no regulatory oversight, the FHLBanks will need flexibility and time to determine how to best monitor the financial and overall condition of these members. Additionally, we believe that the final rule should require CDFI members, both in the membership application process and on an ongoing basis, to provide the FHLBank with all financial and other information about the CDFI and its activities as the FHLBank may request.

Current FHLBank members are subject to well-defined and predictable regulatory structures and resolution processes in the event of a failure. The statutory and regulatory protections for the FHLBanks that are applicable in an FDIC or NCUA resolution process are not available with respect to CDFI members of an FHLBank. In the event of the failure of a CDFI member, the failure is likely to be governed by bankruptcy proceedings, including the automatic stay and voidable preference provisions. In contrast, in the case of the failure of FDIC- or NCUA-insured FHLBank members, the FDIC and NCUA resolution processes apply. Imposition of an automatic stay in a CDFI bankruptcy could, for example, result in a time delay of the CDFI's resolution and in repayment of obligations to the FHLBank. Bankruptcy proceedings and state-initiated resolutions of state-chartered credit unions, present the FHLBank with risks that FDIC- and NCUA-insured members do not present.

The FHLBank has experience with managing similar risks with respect to its insurance company members who are subject to insolvency or other resolution proceedings under applicable state law in the event of their failure. An area that the FHLBank has identified that will be critical to managing the risks of lending to CDFI members is that of collateral delivery/control and the maintenance of perfection of the FHLBank's security interest in the CDFI member's collateral. The FHLBank must maintain strong authority to require collateral delivery from CDFI members as well as the ability to restrict or limit lending and FHLBank products offered to these members to effectively manage the FHLBank's risks.

Finally, the FHLBank asks that the FHFA provide guidance to the Federal Home Loan Banks in the preamble to the regulation on whether and when the FHLBank must file a New Business Activity Notice relating to CDFIs. While the FHLBank believes that the Federal Home Loan Banks should make their own determinations on when to file New Business Activity Notices based on its experiences in managing similar risk issues, FHFA guidance would be helpful.

CDFI Membership Standards

In general, CDFIs should be subject to similar standards as other FHLBank members. We also believe that the FHFA should provide clear guidance in the final rule on the types of documentation acceptable in regard to the FHLBank's analysis of a CDFI's satisfaction of the membership standards.

With respect to specific membership eligibility standards set forth in the proposed rule, we have the following comments:

Audited financial statements: We believe the final rule should require CDFI applicants to submit independent audited financial statements for the three years preceding the date the FHLBank receives the application. This requirement relating to the prior three years' audited financial statements currently applies to all other non-insurance company member applicants.

Fund certification: The final rule should require that CDFI applicants whose CDFI Fund certifications are more than three years old at the time of membership application be required to obtain re-certification under the CDFI Fund requirements and to submit the new certification with the application.

CDFI Minimum Financial Condition Standards Under the Proposed Rule

In the proposed rule, the FHFA has requested comment on certain minimum credit underwriting standards. While the FHLBank believes it can prudently lend to its CDFI member, we believe it is important that the FHFA incorporate in the final rule minimum underwriting standards for establishing the financial condition for CDFI membership. From these standards, an FHLBank could then establish additional credit underwriting that is specific to its CDFI members to further protect the FHLBank in its relationship with CDFIs. We propose the FHFA incorporate the standards we have set forth in this letter along with any others that the FHFA develops in consultation with parties with expertise in evaluating the various classes of CDFIs.

FHFA Specific Requests for Comment

In addition to the foregoing comments, the Bank submits the following comments in response to some of the FHFA's specific requests for comment set forth in the proposed rule:

FHFA Question

Is it appropriate to apply the current community support requirements to CDFIs or is it appropriate to adopt an alternative community support standard for CDFIs?

FHLBank Response

The FHLBank believes that a community support requirement is not necessary due to the varied missions of all CDFIs. In the alternative, the FHLBank believes that the community support requirement could be conclusively evidenced via certification from the United States Department of the Treasury.

FHFA Question

Is there any basis in the legislative history of HERA or otherwise on which it could reasonably rely to construe the new CFI provisions as applying to CDFIs as well as CFIs?

FHLBank Response

While the FHLBank does not offer an opinion on whether HERA expanded the definition of CFIs to include CDFIs, the FHLBank believes that CDFIs could find FHLBank membership less valuable if they are not permitted to pledge the same collateral types as CFIs. Much of the collateral currently held by CDFIs in the FHLBank's district cannot be pledged unless the FHFA finds that Congress has expanded the definition of CFIs to include CDFIs.

FHFA Question

FHFA requests comment on the inclusion of restricted assets in the net asset ratio. As part of the calculation, the FHFA proposes to define "Gross Revenue" as "in the case of a CDFI applicant, total revenues received from all sources, including grants and other donor contributions and earnings from operations."

FHLBank Response

While the FHLBank offers no comment on whether the FHFA should include restricted funds in the definition of "Gross Revenue," in the event that the FHFA chooses to do so, the FHLBank asks for specific guidance on how to properly classify restricted assets.

FHFA Question

The FHFA requests comment on what other documentation such entities would prepare that would provide the Banks with comparable information about their financial condition.

FHLBank Response

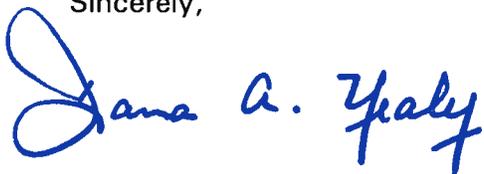
The final rule should permit the FHLBank to require that CDFI applicants submit a CDFI Assessment and Ratings System (CARS) report performed by the Opportunity Finance Network (OFN) (or similar analysis and report conducted by another CDFI group network determined acceptable by the FHFA) that is dated no more than

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three years prior to the date of application and that the CARS report be the most recent obtained from the OFN. The final rule should also specify that the FHLBank may, in its discretion, require a more recent CARS report on a case-by-case basis prior to acceptance for membership. [In addition, because these reports are costly, the Federal Home Loan Banks should be permitted to require reimbursement from the applicant.]

The FHLBank appreciates the opportunity to comment and the FHFA's consideration of these comments.

Sincerely,

A handwritten signature in blue ink that reads "Dana A. Yaly". The signature is written in a cursive style with a large, looping initial "D".