



MIDWEST HOUSING  
DEVELOPMENT FUND, Inc.

July 14, 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,

On behalf of my organization, Midwest Housing Development Fund, Inc., I appreciate the chance 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 community development financial institutions' (CDFIs) membership in the Federal Home Loan Bank System (FHLBank System).

Midwest Housing Development Fund, Inc. is a revolving loan fund that was established in 2000 to promote sustainable community development and quality of life in the Midwest by providing resources for the development of affordable housing. Since our inception, we have provided 71 loans that have helped finance the development of 2,000 affordable rental housing options for lower income individuals and families. All of these loans have been provided to affordable rental housing properties that house individuals and families earning at or below 60% of the area median income. In connection, with our financial products, we also provide technical assistance to the sponsors of the housing to ensure a successful property.

I strongly urge the FHFA to consider CDFIs as community financial institutions. My CDFI falls well below the \$1 billion asset threshold and we provide many different types of lending, not just traditional conventional mortgages supported by a real estate lien. For instance, Midwest Housing Development Fund provides predevelopment loans to sponsors of affordable housing properties, land acquisition loans to obtain site control as required for application for permanent financing and deeply subordinated loans that are critical to making an affordable housing property possible. The FHFA should consider CDFIs community financial institutions because they ARE community financial institutions. Not only would this help CDFIs like mine 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 proposing a minimum net asset ratio of 20 percent for membership eligibility. I believe this is high and inconsistent 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 my CDFI has a sound equity base and we use that equity to leverage debt. Another important factor for Midwest Housing Development Fund in this type of calculation is that much of our debt is in the form of Equity Equivalent Investments (EQ2's.) EQ2's are structured to have many of the benefits of an equity investment, however, they are carried on our books as subordinated debt.

Lastly, I would like to request that CDFIs be considered in compliance with the community support regulation by virtue of certification as a CDFI. Midwest Housing Development Fund is extremely active in our communities assisting nonprofit organizations, housing authorities and city governments in

bringing affordable housing to their communities. However, currently we are focused on affordable rental and rent to own housing and possibly would not be able to meet the first-time homebuyer lending standard.

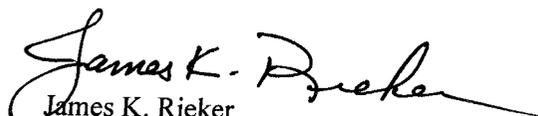
Midwest Housing Development Fund, Inc. has a very strong and positive relationship with our District Federal Home Loan Bank. Because of this relationship and experiences with the Bank, we do not support a few of the comments in the comment letter from Opportunity Finance Network.

1. Financial Documentation-we do not think a private rating system would be appropriate for FHLBs to use as a basis for membership decisions. Audited financial statements and other supporting financial documentation requested by the Bank are adequate to provide a clear financial picture of the CDFI.
2. Mission Requirements-we believe our FHLB works diligently to meets its mission for affordable housing and community development investments.
3. Regional and National CDFI's allowed to become members in multiple Federal Home Loan Banks-We feel that for a CDFI to best work in the local communities, they should be a member of the FHLB District that represents those neighborhoods. FHLB's participate in these same communities as partners to the deals we do so the deals become stronger with the local partners behind it. We're afraid this would be lost if CDFIs joined FHLB's that were not in their territory.

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. I would like to express my gratitude to the FHFA staff who undertook this endeavor to understand CDFIs and their benefit to the Federal Home Loan Bank System. I 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 402-344-8899 or [jrieker@mheginco.com](mailto:jrieker@mheginco.com) if you have questions or need additional clarification.

Sincerely,

  
James K. Rieker  
President