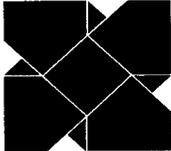


THE COMMUNITY PRESERVATION CORPORATION

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July 14, 2009

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

Attention: Comments/RIN 2590-AA18: FHLB Membership for CDFIs

Dear Mr. Pollard:

The Community Preservation Corporation (“CPC”), which is a certified Community Development Financial Institution (“CDFI”), is pleased to submit comments on the proposed rules concerning Federal Home Loan Bank (“FHLB”) membership for CDFIs. CPC, created in 1974, is the oldest and largest of what are often referred to as loan consortia or lending intermediaries for multifamily affordable housing. We are proud of our record of financing the preservation or creation of over 130,000 units of affordable housing in New York, New Jersey and Connecticut, representing a private and public investment of over \$7 billion, and we are and have for some time been interested in the possibility of membership in the Federal Home Loan Bank of New York.

Our general comment is that the CDFI financial condition requirements in the proposed regulations are unduly onerous, do not bear much relation to normal safety and soundness standards used in the financial industry, and will surely prevent any meaningful number of CDFIs from becoming FHLB members. CDFIs vary widely in their scale, purpose and organizational structure. Some are largely service-providers, dependent on grants and government contracts. Others engage in financing, on different scales, and for different purposes, and therefore take on different risks. The regulations do not appear to reflect this wide diversity of CDFIs.

All section references below are to 12 CFR Part 1263.

Comment 1: CDFI Net Asset Ratio. The proposed 20% ratio should be lowered to the 5%-8% range. This would conform with the norm in banking generally, under the Basel and other regulator standards. Capital ratios, of course, address risk undertaken by the lender. Accordingly, we recommend a tiered structure whereby larger CDFIs are permitted to maintain a lower percentage, and the definitions of assets should be clarified to deal with grossed-up GAAP balance sheets. A capital adequacy ratio of 20% would appear to be unprecedented in the financial industry, where smaller single-digit percentages are the norm and various assets are excluded from the calculations. It is hard to imagine that any certified CDFI will meet this requirement as written, and if they did it would probably indicate overly conservative funds management.

Comment 2: CDFI Earnings Standard. Because many CDFIs are nonprofit organizations that do not necessarily manage to a surplus each year, and in light of the almost unprecedented financial crisis now in place, we believe this standard should be eased so as to require positive earnings in two out of five of the most recent years, particularly for CDFIs that rely heavily on grant monies. For larger lending operations a stricter standard may be justified, and it may also be reasonable to encourage CDFIs to separate their lending operations from other grant-supported activities and then have different financial standards for each.

Comment 3: CDFI Loan Loss Reserves Standard. As with the net asset ratio, this is an overly conservative standard that would almost indicate mismanagement if it were met. It should be lowered to approximately 10%. CDFIs are unique lenders that should be encouraged to work with borrowers to resolve problem situations, whereas treating each and every 90-day delinquency as a cliff is not at all reflective of the risk involved. Many CDFI multifamily borrowers, for example, are dependent on public subsidy payments that are often more than 90 days late (e.g. Section 8), and a delinquency of longer than that rarely indicates a risk of total loss of the asset. CDFIs should be given more latitude to evaluate each unique situation on its merits while still managing in a financial responsible manner.

Comment 4: Character of Management. In response to the specific request for comment on how the character of a CDFI's management may be assessed, we suggest that the FHLBs look for evidence of objective evaluations already performed by others, including: Freddie Mac or Fannie Mae seller/servicer status; HUD approved lender status; financial statements that comply with government auditing standards in addition to GAAS; audits that show no material weaknesses in internal management controls; or compliance with the Uniform Single Attestation Program for mortgage bankers.

Comment 5: Inspection and Regulation Requirement. Section 1263.8 should be changed to make it clear that a CDFI meets the inspection and regulation requirement by virtue of its certification by the CDFI Fund. Alternatively, Section 1263.6(a)(2) should be changed to make

clear that it does not apply to CDFIs. We disagree with the conclusion in Part E of the Analysis of Proposed Rule that “there is no need to amend the existing regulatory language.” As written, the combination of 1263.6(a)(2) and 1263.8 appear to require a CDFI to meet an unspecified inspection and regulation requirement.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Richard A. Kumro', with a long horizontal line extending to the right.

Richard A. Kumro

Vice President & General Counsel