



36 Water Street  
P.O. Box 268  
Wiscasset, Maine 04578

Creating opportunities for people and places since 1977

207.882.7552

877.340.2649

fax 207.882.7308

cei@ceimaine.org

www.ceimaine.org

March 25, 2011

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

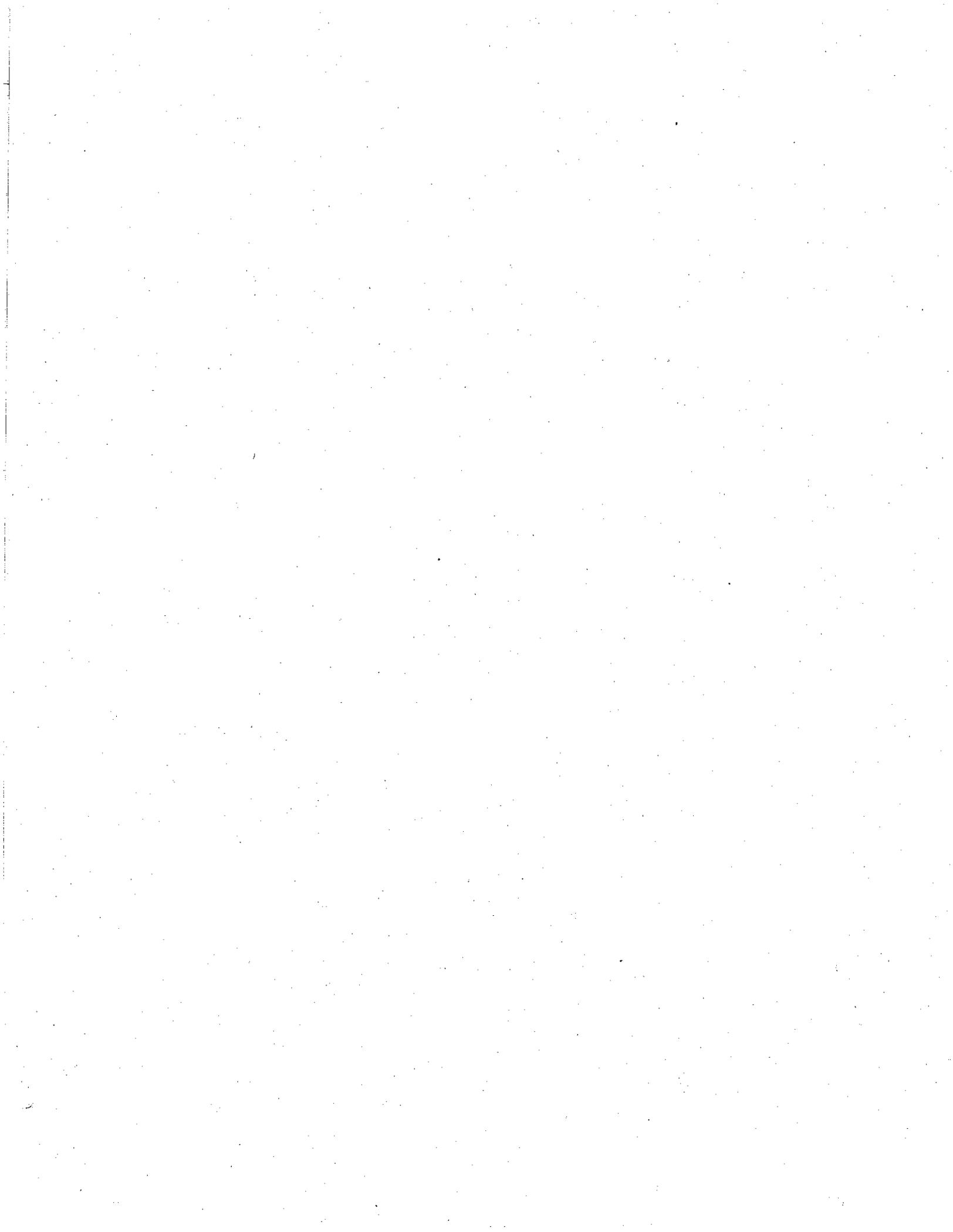
ATTN: Comments/RIN 2590-AA18

Dear Mr. Pollard,

Coastal Enterprises, Inc. (CEI), appreciates the opportunity to comment on the Advance Notice of Proposed Rulemaking (ANPR) concerning Federal Home Loan Bank (FHLB) membership.

Founded in 1977, Coastal Enterprises, Inc. (CEI), is a Maine-based, 501(c)(3) private non-profit 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.* One of the nation's leading rural CDC/CDFIs, CEI creates assets for people with low incomes, while benefiting the wider economy and residents of the communities in which it operates. The organization provides financing, individual business and housing consultation and workforce development to support micro and small businesses, community facilities and affordable housing.

CEI has a staff of 85 and a community-based 19-member Board of Directors. Primarily focused on the rural Maine market, CEI also provides financing to projects in rural communities in Northern New England, upstate New York and nationally through its New Markets Tax Credit program, second largest in the country. Since its inception in 1977 and first major investment in 1979 in a fish processing cooperative in Boothbay Harbor, CEI has provided over \$677 million in financing to 2,104 enterprises with 25,235 jobs; created/preserved 1,331 units of affordable housing; provided training and counseling to 33,572 individuals and small businesses; and created/preserved 4,952 child care slots. CEI is guided by a Triple Bottom Line strategy that targets positive outcomes in the economy, in equity (i.e., low-income impact) and in the environment. CEI also engages in state and federal policy research and development to support policies that create resources for the CDC/CDFI field, promote triple bottom line investing practices that combine financial returns with social and environmental benefits and support low income and other disadvantaged populations. Opportunity Finance Network (OFN) has also submitted comments regarding the ANPR, and we share the concerns reflected in that letter. In particular, CEI shares OFN's concern that the FHFA not rush to promulgate significant changes to the year-old regulations opening FHLB membership to CDFIs. As of today, only four CDFIs have achieved FHLB membership, and any move to



tighten or further restrict membership will have a stultifying effect. If anything, FHFA should be looking for ways to encourage CDFI membership, in keeping with the intent of the Agency and of Congress.

CEI is currently exploring membership with the FHLB of Boston, and despite our track record and demonstrable impact in lending for housing and community development, we see significant barriers to membership. These barriers, however, are related not to the membership requirements, but rather to the ability to use advances and to take full advantage of member services and benefits. We feel strongly that it is premature to change these membership requirements before CDFI's and FHLBs have even established a track record of membership.

We concur with OFN that the FHFA should "direct any changes in the System's partnership with CDFIs toward facilitating CDFIs' participation in the FHLBs' financial products, rather than toward revisiting membership regulations."

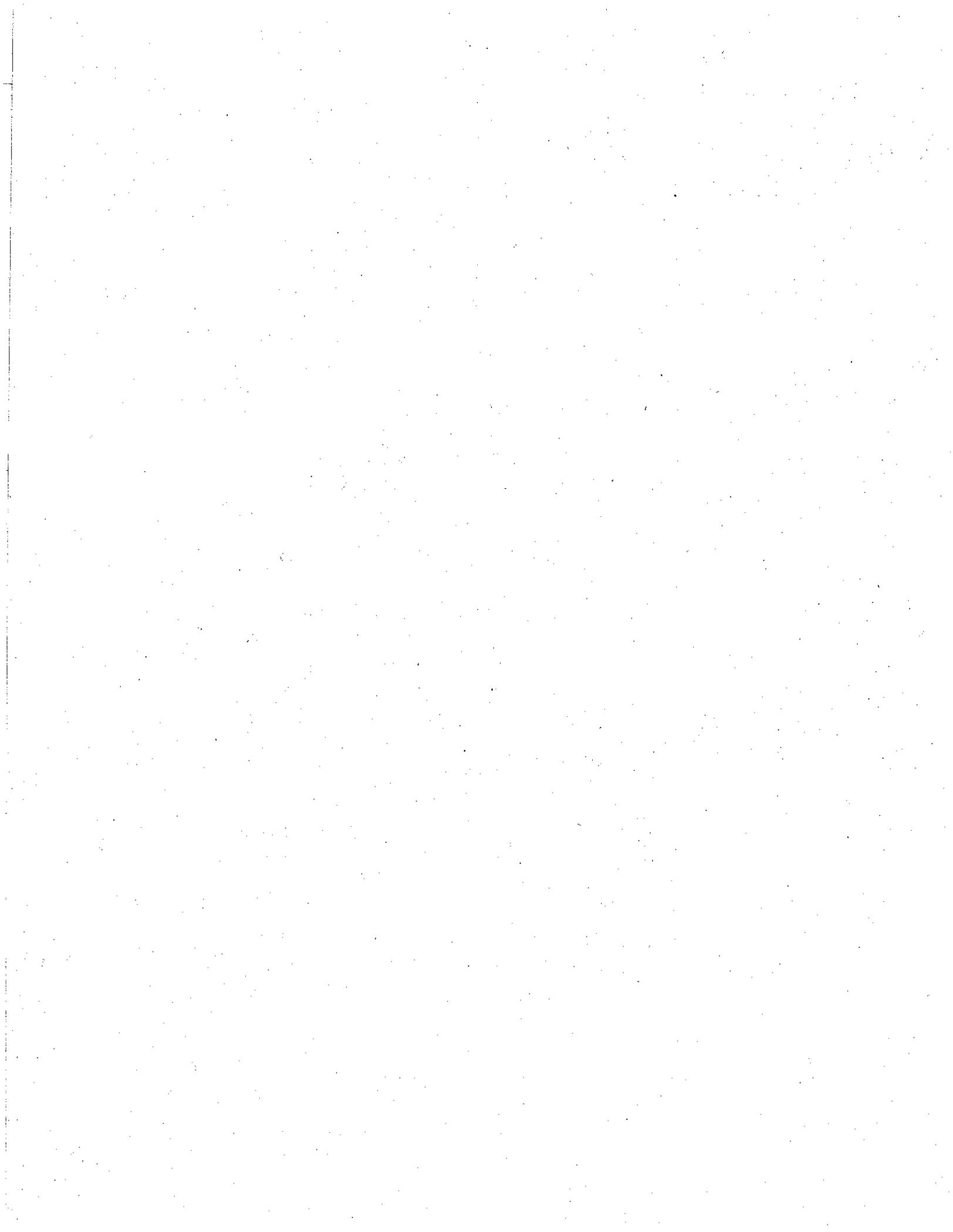
In particular, we recommend changes in two major areas.

1. **Community Financial Institutions:** as is detailed in our letter of July 2009 provided in response to proposed regulations, we strongly urge the FHFA to consider non-depository 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.

2. **Collateral Policies:** This is one of the most challenging barriers for CEI, as it is for other CDFIs contemplating membership in the FHLB System. We agree with OFN's recommendation that the FHFA consider ways to make membership more valuable for CDFIs so they can better contribute to the goals of the System. Treating CDFIs as community financial institutions, as detailed above, would be an important step in that direction. The FHFA should also consider promoting other policies that would enhance CDFIs' capacity to be fully participating members of the FHLB system, including:

- Evaluating the appropriateness of high "haircuts" applied to alternative collateral, as recommended in the 2010 Government Accountability Office (GAO) report reviewing collateral policies for CDFIs;
- Considering shorter-term predevelopment loans or loans backed by government guarantees as eligible collateral from CDFI members.



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

Sincerely,



Ronald L. Phillips

President and CEO

cc: Laura Buxbaum, Director, Housing Resource and Policy Development  
Michael Finnegan, Senior Vice President, Lending; Senior Loan & Investment Officer

