



March 28, 2011

Alfred M. Pollard, Esq.  
General Counsel  
Attention: Comments/RIN 2590-AA39  
Federal Housing Finance Agency  
Fourth Floor, 1700 G Street, NW  
Washington, DC 20052

Dear Mr. Pollard,

This letter is submitted on behalf of Enterprise Community Loan Fund (ECLF) in response to an FHFA request on December 27, 2010 for public comment on changes to membership requirements for the Federal Home Loan Banks. Enterprise Community Loan Fund is one of the nation's premier affordable housing Community Development Financial Institutions (CDFIs) and one of the largest nonbank CDFIs in the United States. Enterprise was instrumental in the development of the Low Income Housing Tax Credit, and the Enterprise family of companies has made investments in all 50 states. Together, we have strategically blended capital, innovation, and policy advocacy resulting in nearly \$11.3 billion of loans, grants, and tax credit equity invested in low-income communities across the country. Our investments have helped build and preserve more than 280,000 affordable homes, and more than two-thirds of the people served have incomes that are classified as extremely low or very low income.

The FHFA requested comment on whether the new membership regulations for the Federal Home Loan Banks should be modified to ensure that they remain consistent with the housing finance mission of the Federal Home Loan Bank System. In particular, your concern was with ensuring that the character of your new and potential new members' lending is in alignment with the housing finance mission of the Federal Home Loan Banks. **Our analysis is that the rule, in its current form, precludes CDFIs that already maintain a clear, demonstrable involvement in residential mortgage lending from obtaining advances from the Federal Home Loan Banks.** This, rather than the existing membership requirements, is the most significant obstacle to achieving the Federal Home Loan Bank System's primary purpose of ensuring that its advances business supports its housing finance and community development mission. We believe this issue must be addressed in any revision to rule 12 CFR 1263 to ensure meaningful participation by CDFIs that intend to maintain their commitment to affordable housing for the duration. It may be helpful for you to review the statistics provided by the Opportunity Finance Network on the number of CDFI loan funds that have been admitted to the system under the regulation, and the number of applications that have been considered.

### **Collateral Requirements**

We have identified the regulation's collateral requirements as the primary obstacle to our participation in the Federal Home Loan Bank System. For example, many of our legal agreements with financial institutions limit our ability to secure our borrowings with our underlying loans. In our previous public comment on the 2010 proposed rule, we recommended that FHFA be flexible in defining the collateral that can be pledged to secure repayment obligations to the FHLBanks. In the normal course of business, we typically provide a payment guarantee from our parent organization as credit enhancement, backing our obligations to banks and corporations. This is a

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senior debt obligation, and is considered sufficient credit enhancement by our funders, which include many of the nation's largest financial institutions. The regulation at 12 CFR 1263 is not clear as to whether this guarantee can serve as an alternative to the collateral requirements for securing advances from the Federal Home Loan Banks. It is unlikely that we will be able to participate until this is clarified and/or modified in the regulation.

### **Long-term Mortgage Loans Requirement**

The Advanced Notice of Proposed Rulemaking also requested comment on a potential requirement for members to continue to make "long term" home mortgage loans for the duration of the time that it remains a member. We believe it would be prohibitive to require ongoing compliance with any particular term to maturity in the loans we originate. A significant percentage of our portfolio is comprised of loans with short to medium term maturities such as predevelopment, acquisition, construction, and bridge loans that are critical to the early stages of affordable housing development and enable our borrowers to secure permanent financing for their projects. Although certain categories of loans we make would likely qualify as long-term under the regulation, we need to be able to manage our portfolio mix to respond to the demands of regional markets, state and local governments, foundations, banks, and subsidy sources at any given point in time. A regulatory requirement to maintain loans with a specified term to maturity for the duration of our participation with the Federal Home Loan Banks would constrain our business model in a way that would restrict our ability to effectively manage our organization.

### **Financial Standards**

We would also like to reiterate that maintaining the financial standards as a "rebuttable" presumption is critical. At least one new CDFI member of the FHLB system did not meet the financial ratios on their face, and would not have been able to become a member if not for the opportunity to rebut the presumption of non-compliance and provide additional or different indicators of its financial condition. There are many viable and strong CDFIs with a deep lending history who would be shut out if this did not remain in place.

Thank you for the opportunity to comment. I am available to answer any questions you may have, and would like to participate in any further opportunities for discussion regarding your outreach to the CDFI industry and your CDFI-relevant rulemaking.

Sincerely,



Lori Chatman  
President