

## 2010 COMMUNITY LENDING PLAN

### BACKGROUND

The Community Investment Cash Advance and Community Support regulations obligate each Federal Home Loan Bank to develop an annual Community Lending Plan for approval by the Board of Directors. In order to successfully develop this plan consistent with the regulations, the Seattle Bank's practice has been to:

- Periodically conduct market research in the Seattle Bank's district
- Describe how the Seattle Bank will address identified community credit needs and market opportunities in its district
- Consult with its Advisory Council, Board of Directors, members, and public and private housing and economic development organizations in developing and implementing its Community Lending Plan
- Establish community investment performance goals

### THE FEDERAL HOME LOAN BANK OF SEATTLE

As of September 30, 2009, the Seattle Bank had \$54.1 billion in assets, 374 stockholder members and six approved housing affiliates. The Seattle Bank's district includes eight states (Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington and Wyoming), the Northern Mariana Islands and the U.S. territories of Guam and American Samoa. This region is home to one-third of the Native American populations in the United States, included but not limited to Alaska Natives, Native Hawaiians, and the Native Peoples of the western Pacific Islands.

The Seattle Bank offers a variety of community investment products in addition to advances, letters of credit, and other financial products and services for members serving this diverse region. The community investment products are listed below.

### **SUBSIDY PROGRAMS**

The Affordable Housing Program (AHP) is a competitive program that provides funding for the capital costs associated with affordable housing. As of October 31, 2009, AHP had committed a net amount of \$138.9 million in subsidy to assist 27,182 low- and moderate-income households. Home\$tart and Home\$tart Plus (H\$P) are a set aside from the AHP that provide non-competitive grants for low- and moderate-income, first-time homebuyers. As of October 31, 2009, H\$P had disbursed a net amount of \$41.1 million to 8,344 households. An additional \$1 million was committed to 192 households enrolled in the program. Between January 1, 2009 and October 31, 2009, a total of 970 first-time homebuyers were enrolled and 712 received a disbursement of Home\$tart subsidy.

The Affordable Housing Program Implementation Plan details how the AHP and H\$P are administered. The plan is reviewed by the Seattle Bank's Affordable Housing Advisory Council, approved by the Financial Operations and Affordable Housing Committee, and ratified by the Board of Directors.

## **ADVANCE PROGRAMS**

The Community Investment Program, Economic Development Fund, and Community Investment Program Plus (CIP/EDF/CIP Plus) comprise a \$1 billion revolving advance pool for affordable housing and economic development that benefits low- and moderate-income individuals and neighborhoods. As of October 31, 2009, the Seattle Bank had made a total of \$3.5 billion in discounted CIP/EDF advances to finance 48,465 units of affordable housing for low- and moderate-income households and 343 economic development projects. Through the CIP/EDF, the Seattle Bank also offers discounted prices on its letters of credit and forward rate locks for qualifying projects.

## **MARKET RESEARCH**

The Seattle Bank periodically reviews the Qualified Allocation Plans (QAP) and Consolidated Plans for each state in the district to evaluate market conditions and to compare the funding priorities of local and state governments and housing finance agencies with the funding priorities of AHP. Other national and local resources are also consulted such as various publications authored by the Federal Reserve Banks, Joint Center for Housing Studies at Harvard University, National Low Income Housing Coalition, etc. The Seattle Bank is also in frequent communication with its members and housing sponsors, which further informs the bank about the district's credit needs.

Moreover, the Affordable Housing Advisory Council and AHP Subcommittee of the board of directors' Financial Operations and Affordable Housing Committee present information about regional and national trends, initiatives, and market data that both inform the Seattle Bank about the unmet credit needs in our eight-state district and provide context for how to best structure our community investment products to meet those needs. In 2009, particular attention was given to discussing the American Recovery and Reinvestment Act of 2009 and its implications for the affordable housing and community development environment, which included discussions about foreclosure rates and foreclosure prevention strategies in the district.

## **2009 PERFORMANCE GOALS - REPORT OF ACHIEVEMENT**

1. *Implement a new database application for Community Investment programs that streamlines application and monitoring processes for members and housing sponsors and promotes operational efficiencies for program administration.* The Home\$tart data base has been designed and user acceptance testing will be conducted in the fourth quarter of 2009. The AHP database design is scheduled to be complete in the fourth quarter of 2009 with user acceptance testing conducted in the first quarter of 2010. Both the AHP and Home\$tart applications are scheduled to be in use by the Seattle Bank and available to members and housing sponsors in the first quarter of 2010.
  2. *Provide comprehensive staff training to enhance the rigor and consistency of AHP disbursement and monitoring processes, documentation, and analysis.* Comprehensive training on AHP scoring, disbursement, feasibility review, and initial monitoring was provided throughout 2009.
  3. *Pending Federal Housing Finance Agency and Seattle Bank Board of Director approval, in consultation with the Affordable Housing Advisory Council, expand the set-aside program to allow it to be used to refinance mortgages approved by the HOPE for Homeowners program.* Because the availability of set aside program funding was limited and member demand for
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the set aside program in the first two quarters of 2009 was roughly three times greater than the same period in previous years, the Seattle Bank did not adopt the recently approved authority to allow set aside funds to be used for the expanded purpose of refinancing eligible mortgages.

4. *Through leadership provided by the Affordable Housing Advisory Council and Board of Directors, pursue an effort to modernize AHP's ability to respond to local housing needs.* The chair and vice chair of the Affordable Housing Advisory Councils have been invited by the Federal Housing Finance Agency's Office of Housing Mission and Goals to a meeting scheduled for December 2009 in Washington D.C. The Seattle Bank's Affordable Housing Advisory Council chair and vice chair welcome this meeting as an opportunity to appreciate the perspectives of the other Federal Home Loan Banks' Affordable Housing Advisory Councils' on the topic of the AHP regulation's framework for effectively addressing housing needs among the twelve districts.
5. *Host at least one event for members and members of congress that showcases the Seattle Bank's community investment activities.* This goal was deferred.

The Seattle Bank accomplished additional community investment initiatives in addition to those articulated in the 2009 Performance Goals:

1. A Community Spirit Award was presented at the 2009 Management Conference to a member that is both an active user of the Seattle Bank's community investment programs and is extensively engaged in community lending in their area. The event included a presentation from a household that received a Home\$tart grant from the member.
  2. The Seattle Bank hosted an educational session for members titled *Macro and Micro Perspectives – The Impact of 2009 Economic Stimulus Plan on Community Investment Opportunities for Financial Institutions*, which featured a presentation by the Affordable Housing Advisory Council chair and case studies from three members that are actively engaged in the Seattle Bank's community investment programs.
  3. The Seattle Bank sponsored five regional housing conferences, three local community events, and one event that showcased the community impact of a nonprofit housing developer.
  4. Technical assistance for the competitive (AHP) and set aside programs (H\$P) was provided as follows:
    - a. Presentations on the Seattle Bank's community investment programs were made at various regional nonprofit organization meetings and state bankers' associations.
    - b. Several in-person meetings were held with various members, nonprofit organizations, and other affordable housing stakeholders.
    - c. The Seattle Bank developed and published a booklet that summarizes community investment products and their participation requirements.
    - d. The following Web seminars were held:
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- i. Effective Strategies for REO Disposition - 54 member institutions attended this Web seminar that featured a case study of a partnership between various financial institutions and nonprofits to convert REO properties into affordable housing.
- ii. 2009 AHP Application, Scoring, and Feasibility Requirements - Three Web seminars attended by 14 staff from 12 member institutions and 59 staff from 52 housing organizations.
- iii. 2009 AHP Compliance – Two Web seminars attended by 13 staff from 13 member institutions and 14 staff from 14 housing organizations.
- iv. Home\$tart – One Web seminar attended by 61 staff from 44 member institutions and three staff from two housing organizations.

## **2010 PERFORMANCE GOALS**

1. Implement a new database application for Community Investment programs that streamlines application and monitoring processes for members and housing sponsors and promotes operational efficiencies for program administration.
  2. Provide Web-based training for members and housing sponsors on a Seattle Bank community investment program(s).
  3. Promote community investment among Seattle Bank members by recognizing a specific member for their exemplary engagement in their community.
  4. Actively promote the Community Investment Program/Economic Development Fund (CIP/EDF) with members.
  5. Cultivate and strengthen relationships among the Seattle Bank, members, and affordable housing sponsors by supporting various events in the Seattle Bank's district.
  6. Support local and/or regional events that showcase the community impact of nonprofit housing developers.
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