

Responsive · Flexible · Effective

Housing Finance that Works

FHLBank Atlanta · Affordable Housing Advisory Council 2010 Annual Report



FHLBank Atlanta is a cooperative financial services organization that provides competitively priced financing, community development grants, and other banking services to help member financial institutions make affordable home mortgages and extend credit into their communities. Our member/shareholders are commercial banks, credit unions, savings institutions, insurance companies, and community development financial institutions headquartered in Alabama, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and the District of Columbia.

Each year 10 percent of the Bank's net earnings is allocated to support the funding of affordable rental and ownership housing development and to help first-time homebuyers with down payments and closing costs. These are private funds that provide a public benefit, leveraging other sources of funding to produce housing, jobs, and tax revenues.

Responsive:

With a broad portfolio of community investment products, FHLBank Atlanta is equipped to help its members and their developer customers respond to the housing and economic needs communities have today. We are able to track market conditions and leverage our funding solutions to address current demands, whether they are for foreclosure recovery, sustainable building and rehabilitation, multifamily rental construction, or housing preservation.



Flexible:

We can respond to current market demands because our products are flexible. Our Affordable Housing Program, First-time Homebuyer Program, Community Investment Program, and Economic Development Program support a range of housing and economic development activities, and they can be adapted easily to shifting needs. Our funding products also work well with other private and public funding sources, enabling community developers to leverage minimal funding from us to make large projects successful.

Effective:

The Affordable Housing Programs of the 12 FHLBanks constitute the largest source of private funding for affordable housing since 1990, providing \$4 billion to support the construction or rehabilitation of more than 650,000 units. We work with local lenders and developers to provide them with funding they need to address the housing and credit demands in their communities. Our funding strengthens local economies by stimulating housing and economic growth, creating jobs, and increasing the local tax base.

A Report on FHLBank Atlanta's Accomplishments in Affordable Housing and Community Economic Development

Dear FHLBank Atlanta Community:

While the lingering effects of the financial crisis are prompting debates about the proper role of federal government in the housing market, the FHLBanks remain a steadfast model of housing finance policy that works. As a federally chartered, but privately capitalized institution, FHLBank Atlanta performed its mission consistently and with excellence during this tumultuous business cycle by delivering funding and community investment products that helped its member financial institutions meet the credit and affordable housing needs of their local communities. The Bank executed this mission without federal government or taxpayer support and should be viewed by policymakers and housing advocates as a solid and dependable foundation to build upon as they consider ways to reform the nation's housing finance and mortgage delivery system.

In particular, the Affordable Housing Program (AHP) continues to serve as the cornerstone of the Bank's community investment offerings. The primary function of AHP is to support the affordable housing finance initiatives and goals of the Bank's members and their customers. For more than 20 years, AHP has consistently delivered funds that help members better manage transactional credit risk and enhance their extension of credit to ready and viable affordable housing opportunities in their local markets.

Along with AHP, the Bank's First-time Homebuyer Program (FHP), Community Investment Program (CIP), and Economic Development Program (EDP) combine to create a diverse product portfolio that members leverage to reach into new customer markets and grow their lending business. Members used FHP funds in 2010 to drive new loan originations in the first-time homebuyer market.

This origination provided crucial support in helping the nation absorb excess housing stock constructed during the “boom” years, and it worked in concert with other federal policies, such as the housing tax credit, to address significant weaknesses in the market. In addition, member participation in AHP-related projects through direct lending has grown as members increasingly view these housing developments as not only good for the community, but also valuable for their loan portfolios. Lastly, members continue to leverage reduced interest rate advances from CIP and EDP to support affordable housing and economic development activities in their communities.

Strength through Diversity and Flexibility

The diversity and flexibility of the Bank’s community investment products enables members and their partners to address some of today’s most pressing housing problems. Members and community developers are leveraging AHP funds to rehabilitate existing housing inventory and re-integrate homes that may have been lost as a result of foreclosure into the affordable housing stock. Repair and rehabilitation projects are creating better living environments for families and seniors and acting as stabilizing forces in neighborhoods. In addition, housing projects that include supportive services, such as job-training programs, are helping families and individuals dealing with homelessness, severe financial troubles, or other personal obstacles create a path to a better life. In communities where affordable housing remains scarce, AHP is enabling new construction of high-quality, affordable units.

Diversity and flexibility also are important dimensions of the Bank’s risk management efforts. As AHP has evolved to address changing market needs over time, the Bank has assembled a portfolio of various property types, including rental, ownership, new construction, and rehabilitation. This diversity and breadth strengthens the Bank’s funding portfolio and allows it to effectively manage the ebb and flow of supply and demand in different housing sectors.

2010 Results

In 2010, the Bank awarded \$42.7 million in new AHP funding. Once disbursed, this funding will help rehabilitate or build 4,841 affordable units and help stimulate

\$585 million in housing development. This development activity will provide safe, decent housing for very low- to moderate-income households and facilitate economic growth in communities by creating jobs and increasing municipal tax bases. Since 1990, the Bank has disbursed more than \$399 million via the competitive AHP to help finance 66,500 affordable rental and ownership units.

FHP remains an essential tool for helping to stabilize housing markets and supporting home sales to creditworthy first-time buyers. In 2010, the Bank provided \$10.7 million in FHP funds through its members to help more than 1,500 families and individuals purchase homes. Additionally, members originated new first mortgages valued at \$195 million in combination with FHP funds, enabling them to grow their residential mortgage business in a generally slow real estate market. Since its inception in 1997, the FHP has funded nearly \$70 million in down payments and closing costs for more than 11,000 households across the region.

Member borrowing through CIP and EDP was modest in 2010, with new advances of \$117 million and \$40 million, respectively. By providing discounted interest rates, these products enable members to lend profitably on qualifying projects that support affordable housing, small businesses, commercial development, and infrastructure improvements.

Targeting Key Issues with New Solutions

While the Bank's products deliver significant value today, we realize funding and housing development needs in the region will shift as the economic recovery progresses. The Affordable Housing Advisory Council, along with the board of directors and Bank management, continually examine how the Bank's resources can be applied most effectively to address current housing and economic development demands, with an eye toward emerging trends that will inform the future. In the coming year, the Bank will initiate several new products that will advance the effectiveness of the Bank's AHP and enable members and their customers to focus on areas that will facilitate greater stability in housing markets. Additional details regarding these products will be released later in 2011.

The region's housing market will continue to face many challenges, but we are confident that our partnerships with you – members and community development organizations – will provide the basis for a stronger and faster recovery. The Bank's housing finance model works because of your ability to direct funding to resolve critical issues in your local markets. As our products and funding strategy evolve, your ability to put these dollars to work in communities will remain vital. We thank you for your continued support of FHLBank Atlanta and look forward to strengthening our partnerships with you in 2011.

A handwritten signature in black ink, appearing to read 'S. Auger', with a long, sweeping horizontal stroke extending to the right.

Stephen P. Auger
Chair, FHLBank Atlanta Affordable Housing Advisory Council

A handwritten signature in black ink, appearing to read 'W. McMullan', written in a cursive style.

W. Wesley McMullan
President and Chief Executive Officer

\$42.7
million

awarded in **2010** to help fund

Affordable Housing Program

AHP is a competitive funding program that helps develop owner-occupied and rental housing for very low- to moderate-income families. The Bank awards the funds annually to member financial institutions and their community housing partners.

4,841
units

of **affordable housing.**

Everything's gonna
be alright.
Alphonso Williams
1951 - 2008

FHLBank Atlanta Product · Affordable Housing Program
Project Sponsor · Housing for New Hope | **Member** · RBC Bank (USA)

Affordable Housing Program

Sponsor: Housing for New Hope

In the early 1990s, Alphonso Williams, a homeless man in Durham, NC, found help and support from a local nonprofit called Housing for New Hope. He secured shelter in transitional housing operated by the organization and began working through programs that would help him establish a path to a better life. By the late 1990s, Williams had completed his transition. He was employed by Housing for New Hope and had dedicated himself to inspiring other homeless and addicted persons to seek help. His efforts made a positive impact on the lives of many people living on the streets as well as on his colleagues at Housing for New Hope and the Durham community at large.

In May 2010, Housing for New Hope opened a new apartment community on a quiet wooded tract of land to provide permanent supportive housing for homeless persons with a disabling condition in the Durham area. In honor of an individual who had done so much to help the homeless community, Housing for New Hope named the property Williams Square Apartments. Today, 24 formerly homeless persons now have a place of their own to call home and a support network dedicated to helping them establish stable, productive lives.

Williams Square Apartments features single-occupancy efficiency apartments, fully equipped with furnishings, appliances, air conditioning units, and private bathrooms. An onsite management office and community center provide space for tenant meetings and social gatherings as well as for a permanent staff of engagement leaders who help coordinate services for residents.

As with many affordable housing communities, the development process for Williams Square Apartments was not an easy one. The organization had to work diligently to overcome bureaucratic obstacles and some community opposition to the proposed location of the development.

“Building community support is a very important part of our organization’s work,” said Terry Allebaugh, executive director of Housing for New Hope. “Williams Square was not the kind of housing that the broader community often gets excited about having in the neighborhood, so it’s important to show them what’s possible.”

Two years into planning, Housing for New Hope secured a new site for Williams Square and decided to double the size of the development blueprint. With the expansion, additional financing sources became critical, which is when the organization began exploring the Affordable Housing Program (AHP). In partnership with member RBC Bank, Housing for New Hope was awarded a direct subsidy of \$160,000 and an AHP subsidized advance of \$316,000. These dollars were combined with funding from the City of Durham, the North Carolina Housing Finance Agency, the Durham Center, HUD Supportive Housing, and developer equity to finance the \$2.2 million development.

“Diversity of funding was critical to this project, and the local support enabled us to demonstrate viability of the development and secure other financing,” said Doug Wellemeyer, housing developer for Housing for New Hope. “We looked at AHP and the Federal Home Loan Bank as an opportunity to establish a relationship with a new funding partner. The Bank proved to be a helpful and responsive partner to us during development.”

“Williams Square had various sources of funding, but the AHP award was critical to bringing the complete financing package together,” said John Bryson, of Community Development Lending at RBC Bank. “Without community programs such as AHP, projects like this one often do not come to fruition.”



Doug Wellemeyer · Housing Developer · **Debbie Breese** · Assertive Engagement Team Leader
Terry Allebaugh · Executive Director · **Brian Marsh** · Property Manager | Housing for New Hope

Williams Square is modeled after another of Housing for New Hope's developments for homeless persons in downtown Durham. Allebaugh says that they strive to create a strong, unique culture that draws residents into the opportunities available without forcing them to do things before they're ready.

Tenants at Williams Square sign a standard lease and pay rent based on income, which often comes from Social Security disability payments. Numerous services are provided to help residents work on personal obstacles and build stability in their lives. For example, onsite engagement managers serve as liaisons to community groups, counselors, and agencies that provide services to tenants, and they help ensure that tenants stay on track with treatment programs. Agency meetings, including substance abuse rehabilitation programs, are hosted onsite. A tenant association also plans social events, including dinners, movie nights, and parties, which help foster a stronger community and sense of ownership. In the near future, the organization hopes to bring in health and wellness guidance and an onsite literacy program led by Durham Technical College.

“Once people have a roof over their heads, they can begin to focus on other parts of their lives, such as education, finding employment, or volunteering,” said Allebaugh. “We offer many voluntary opportunities for our tenants and every single tenant has responded to an opportunity in some way.”

A photograph of a man, Leon Williams, sitting on a wooden picnic table in front of a two-story apartment building. The building has light green horizontal siding and white trim around the windows and doors. Leon is wearing a blue denim jacket over a dark t-shirt, blue jeans, and black sneakers. He has a grey beard and is holding a long, thin wooden staff in his right hand. The sky is blue with some clouds. The overall scene is bright and sunny.

Leon · Williams Square Apartments | Housing for New Hope

“Overnight, I went from
not having housing
to having a home of my own
for the first time.

I am around people
who help me and
encourage me to
make good decisions.

This is a safe haven.”

A Safe Haven

To understand the value of supportive housing and the power of an individual to pull himself up given the right resources, one need look no further than Leon, a tenant at Williams Square Apartments. At one time, Leon's life was on the right track. He graduated from high school and played football for a minor league team in Durham, but due to some poor choices and unfortunate events, his plans for a promising future began to unravel. Leon found himself without employment, a place to live, and a support network. He became homeless, living in shelters and in a city park for a year and a half. Then, on the steps of a church, he met Debbie Breese, an engagement team leader with Housing for New Hope. She reached out and helped Leon get on a better path.

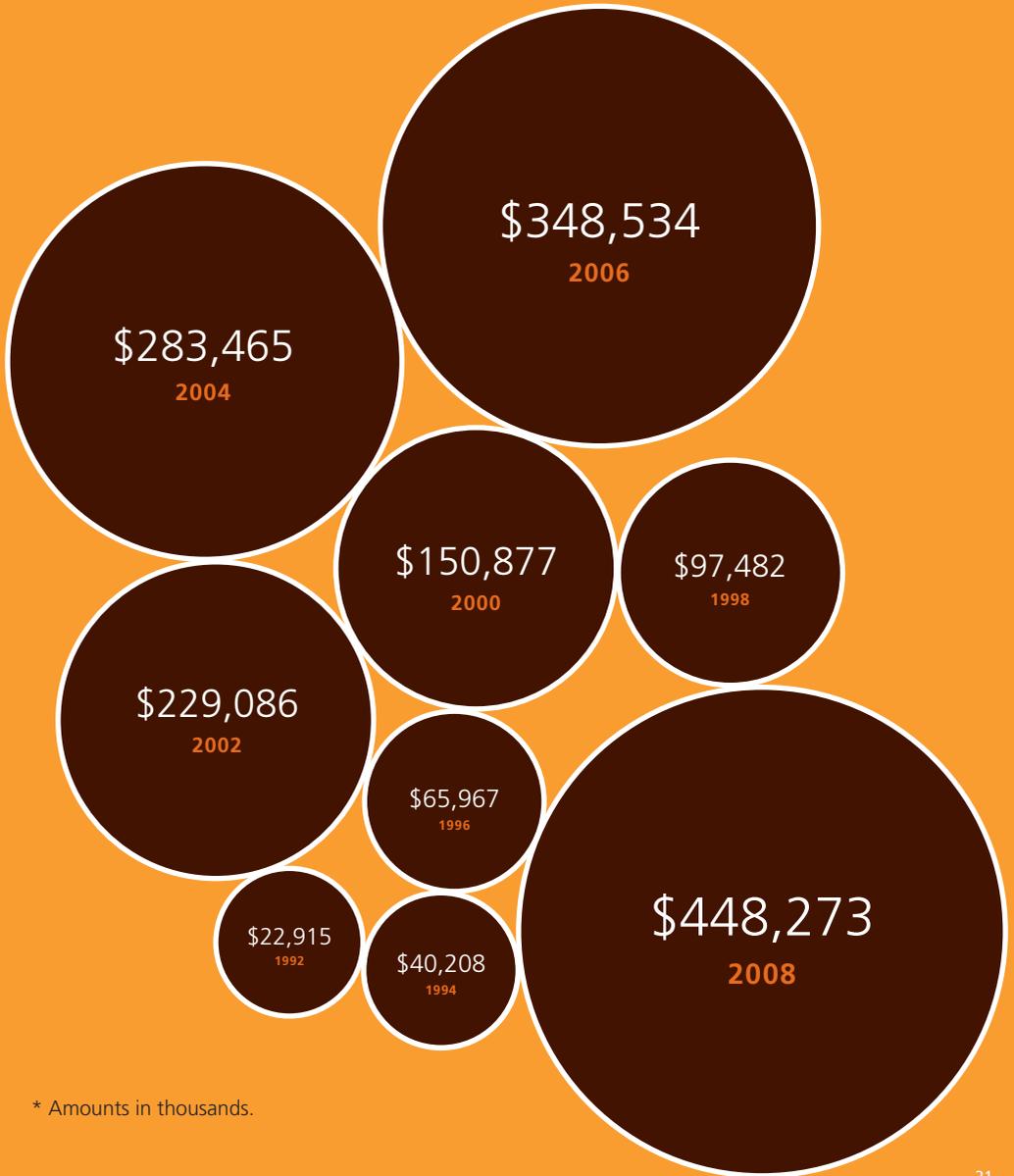
In 2010, Leon signed a lease and moved into Williams Square Apartments. Through his effort and the support he receives from Housing for New Hope, Leon is on the right track again. He is focused on working through his personal obstacles and is beginning to pass along the support he receives from Housing for New Hope to others. Recently, he volunteered to distribute care packages to homeless people in Durham, sharing hope with people who knew him when he was in the same situation.

FHLBank Atlanta Cumulative AHP and CICA* Contributions

* Community Investment Cash Advance total includes funds for EDGE, EDGE Opportunity Fund, Predevelopment Fund, and New Markets Fund.



\$508,303,483



* Amounts in thousands.

\$10.7

million

to assist

First-time Homebuyer Program

FHLBank Atlanta members use FHP to provide down-payment and closing-cost funding to creditworthy low-to moderate-income first-time homebuyers. To receive the funding, recipients must complete a credit counseling course, which educates them on the home-buying process, household budgeting, mortgage financing, and debt management. Financial assistance and education provided through FHP provide a solid foundation that can help the buyer maintain and remain in the home for the long term.

1,500

new homeowners



Tim Miller · Senior Vice President · **Tricia Permito** · Secondary Marketing Assistant
Will Morrison · Executive Vice President | Monarch Mortgage

First-time Homebuyer Program

Member: Monarch Bank

With a focus on building lasting relationships through exceptional service, Monarch Mortgage, a division of FHLBank Atlanta member Monarch Bank, has navigated the housing market slump successfully and grown its lending business in the face of a broad real estate slowdown. The community bank, which primarily serves southeast Virginia and the North Carolina Outer Banks, first exceeded the \$1 billion mark in annual mortgage originations in 2009. In 2010, Monarch Mortgage continued its growth and closed \$1.6 billion in mortgages.

The company has benefited from relatively strong employment and real estate markets in the region, due in part to a large number of military jobs. Will Morrison, executive vice president and chief operating officer of Monarch Mortgage, also points to the company's focus on the first-time homebuyer segment and use of FHLBank Atlanta's First-time Homebuyer Program (FHP) as drivers of their success and continued growth.

"With home values down to pre-bubble levels and interest rates near historical lows, the market continues to offer opportunities for first-time buyers," says Morrison. "It is very advantageous for us to pursue this entry-level market and FHP is helping us reach these customers with success."

Monarch's 222 loan officers cultivate relationships with realtors, financial planners, and other professionals and community organizations to reach new customers and establish the company's reputation as a trusted lender. Morrison says that Monarch encourages its loan officers to focus on the first-time buyer market in their relationship building efforts.

This outreach includes actively promoting the down-payment and closing-cost funding offered through FHP. In 2010, Monarch used \$1.4 million in FHP funds to provide assistance to 204 buyers. Mortgage originations related to FHP funding totaled more than \$31.6 million. Importantly, since Monarch Mortgage is one of the few financial institutions in its main market areas to offer FHP, the program has provided a competitive advantage and helped the company secure lending business among a limited number of buyers.

In addition to leveraging FHP to win new business, Monarch Mortgage also uses its membership with FHLBank Atlanta to help fund mortgage originations. Monarch has access to the Bank's Loans Held for Sale Program that will help to fund approximately 70 cents on the dollar of qualifying mortgages the company originates. According to Tim Miller, senior vice president for Monarch, this aspect of Monarch's relationship with FHLBank Atlanta has been important in supporting the company's growth.

"It would be difficult to mirror the funding structure we have with FHLBank Atlanta in the market on our own," said Miller. "Access to wholesale funding is another advantage of being a member."



FHLBank Atlanta Product · First-time Homebuyer Program

Member · Monarch Bank | **Funding** · \$7,500

Robert Ashburner · Monarch Mortgage | **Terrell Mosley** · **Kimberly Smith** · **Carmen Mosley** · Homeowners

“Because we have access to FHP,
we are securing loan origination business
that we would not have had otherwise.”

Will Morrison, Monarch Bank.



\$6,016,065
for
702 units

ALABAMA



\$8,457,500
for
1,248 units

FLORIDA



\$8,295,544
for
789 units

NORTH CAROLINA



\$400,000
for
32 units

**DISTRICT OF
COLUMBIA**



\$3,250,000
for
267 units

MARYLAND



\$6,874,000
for
724 units

GEORGIA



\$5,069,000
for
536 units

VIRGINIA



\$1,547,820
for
230 units

SOUTH CAROLINA

Affordable Housing Program 2010 Competitive Program Awards by State

Out of District



Steve Auger (Chair) · Executive Director
Florida Housing Finance Corporation · Tallahassee, FL

Jane Henderson (Vice Chair) · President
Virginia Community Capital · Christiansburg, VA

Robert J. Adams · President
Housing and Development Advisors · Richmond, VA

Robert Avery · President
Alabama Association of Community Development Corporations · Gadsden, AL

Reginal Barner · CEO
The Barner Group, LLC · Graniteville, SC

Kathleen R. Brownlee
Purpose Built Communities, LLC · Atlanta, GA

Robert B. Cooke · Executive Director
Southwest Georgia United Empowerment Zone, Inc. · Vienna, GA

Scott Dedman · President
Mountain Housing Opportunities, Inc. · Asheville, NC

Lessie Powell Evans · President and CEO
Evans Consulting and Development, LLC · Washington, D.C.

Thomas G. Faulkner, III · President
Nehemiah Community Revitalization Corp. · Greenville, SC

Chickie Grayson · President & CEO
Enterprise Homes, Inc. · Baltimore, MD

Priscilla Howard · President
The Community Solutions Group · Tallahassee, FL

Brigette E. Raspberry · Vice President & Chief Operating Officer
North Carolina Association of Community Development Corporations · Raleigh, NC

William H. Tilly, Jr. · Executive Director,
Alabama Multifamily Loan Consortium · Montgomery, AL

Leonard S. Vaughan · Principal
Shea Development Group · Columbia, MD

2010 FHLBank Atlanta Management

W. Wesley McMullan · President and Chief Executive Officer

Executive Vice Presidents

Cathy C. Adams · Chief Operations Officer

Steven Goldstein · Chief Financial Officer

Kirk R. Malmberg · Chief Credit Officer

Jill Spencer · Chief Strategy Officer and General Counsel

Senior Vice Presidents

Robert Bennett · Chief Information Officer

Dan Counce · Controller

Arthur Fleming · Community Investments Services

Robert Kovach · Collateral Services

Eric Mondres · Government and Industry Relations

Andrew B. Mills · Treasurer

Richard A. Patrick · Chief Audit Officer

Community Investment Services Management

Arthur Fleming · Director of Community Investments Services

Eileen Doran · Director of CIS Portfolio Management

Rene' LeRouzes · Workflow Integration Manager



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