

2013 COMMUNITY LENDING PLAN

Federal Home Loan Bank of Seattle Policy

Maintained by: Community Investment Officer

Reviewed by: Affordable Housing Advisory Council, Financial Operations and Affordable Housing Committee

Approved by: Board of Directors

Review Cycle: Annually

REGULATIONS

12 CFR 1290.6 obligates each Federal Home Loan Bank to develop an annual Targeted Community Lending Plan for approval by the Board of Directors.

12 CFR 952.6 requires that the Targeted Community Lending Plan be provided to the Federal Housing Finance Agency on or before January 31.

OVERVIEW

In order to 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.

BACKGROUND

As of September 30, 2012, the Seattle Bank had \$35.6 billion in assets, 338 stockholder members and six approved housing affiliates. A seventh housing affiliate was approved after September 30, 2012. The Seattle Bank's district includes eight states (Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington, and Wyoming), the Commonwealth of the Northern Mariana Islands, and the U.S. Territories of Guam and American Samoa. This region is home to a significant proportion of the Native populations in the United States, encompassing Alaska Natives, Native Americans, 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, Standby Letters of Credits, 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 acquisition, development, and/or rehabilitation costs associated with affordable housing. AHP's competitive scoring criteria is reviewed by the Advisory Council and a designated committee of the Board of Directors to ensure that it is responsive to the Seattle Bank district's market opportunities and credit needs. As of September 30, 2012, AHP had committed a net amount of \$142.7 million in subsidy to assist 27,328 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 homebuyers, at least one-third of which are eligible first-time homebuyers. The Home\$tart Programs' allocation strategies and program requirements are reviewed by the Affordable Housing Advisory Council and a designated committee of the Board of Directors to ensure that they are responsive to the Seattle Bank district's market opportunities and credit needs. As of September 30, 2012, Home\$tart had disbursed a net amount of \$43.03 million to 8,723 households. An additional \$885,200 was committed to 169 households enrolled in the program.

The AHP Implementation Plan details how AHP and Home\$tart are administered. The AHP Implementation Plan is reviewed by the Seattle Bank's Affordable Housing Advisory Council, approved by a designated committee of the Board of Directors, and ratified by the Board of Directors.

ADVANCE PROGRAMS

The Community Investment Program and Economic Development Fund (CIP/EDF) comprise a \$1 billion revolving advance pool for affordable housing and economic development that benefits low- and moderate-income households and neighborhoods. As of September 30, 2012, the Seattle Bank had made a total of \$3.66 billion in discounted CIP/EDF advances to finance 50,606 units of affordable housing for low- and moderate-income households and 358 economic development projects. Through CIP/EDF, the Seattle Bank also offers discounted prices on its Standby Letters of Credit for qualifying projects.

MARKET RESEARCH

In 2011, the Seattle Bank conducted two comprehensive surveys, one for members and a second for community partners. The goals of the surveys were to understand: (a) Seattle Bank member and community partner perspectives regarding housing needs within the Seattle Bank's district; (b) the value that the Seattle Bank's community investment programs provide; and (c) what motivates members and community partners to participate in these programs. The survey results were analyzed and used to advance discussions with the Advisory Council and members of the Board of Directors about AHP's guiding principles.

The Seattle Bank periodically reviews the Qualified Allocation Plans (QAP) and Consolidated Plans for each state in its district to evaluate market conditions and to compare the funding priorities of local and state governments and state 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 Bank, Joint Center for Housing Studies at Harvard University, National Low Income Housing Coalition, National Association of Affordable Housing Lenders, National Housing Conference, and others. The Seattle Bank is also in frequent communication with its members, housing sponsors, and

other community groups, which further informs the bank about its district's market opportunities and credit needs.

Moreover, the Advisory Council and members of the Board of Directors present information about regional and national trends, initiatives, and market data that both inform the Seattle Bank about the unmet credit needs in its eight-state district and provide context for how to best structure its community investment products to meet those needs.

2012 PERFORMANCE GOALS - REPORT OF ACHIEVEMENT

1. Provide three community investment webinars to members and affordable housing sponsors.

The Community Investment Department provided a total of six webinars to 205 individuals from 112 member institutions and 89 individuals from 85 affordable housing sponsor organizations. These include:

- AHP Compliance and Monitoring for 2011 Award Recipients
- The 2012 Home\$tart and Home\$tart Plus Program Year
- The Community Investment Advantage for Seattle Bank Members
- 2012 AHP Application Basics and Scoring
- 2012 AHP Rental Project Feasibility
- 2012 AHP Owner-occupied Project Feasibility

2. Promote community investment activities among Seattle Bank members by recognizing a specific member for its exemplary engagement in its community.

The 2012 Community Spirit Award was presented to First Hawaiian Bank at an event held in Honolulu, Hawaii on October 17, 2012. The event was emceed by a Seattle Bank Advisory Council member and Executive Director of Hale Mahaolu and attracted approximately 50 attendees, including First Hawaiian Bank executives and staff, representatives from the Hawaii Bankers Association, and members of Hawaii affordable housing and community organizations. The program included presentations by a Seattle Bank director and senior executive, a Hawaii State Senator, Executive Director of Habitat for Humanity Maui, Executive Director of Kauai Housing Development, and Executive Director of Hawaii HomeOwnership Center.

3. Incorporate feedback from the 2011 community investment survey into discussions about AHP's guiding principles with the Advisory Council and Board of Directors.

The 2011 community investment survey results were incorporated into discussions with the Advisory Council and members of the Board of Directors. The survey results reasonably confirmed that the AHP scoring criteria and guiding principles complement the housing needs of the Seattle Bank's district.

4. Cultivate and strengthen relationships among the Seattle Bank, members, and affordable housing sponsors by continuing to support community events that promote

affordable housing and community economic development in the Seattle Bank's district.

In 2012, the Seattle Bank sponsored and/or attended 13 housing conferences and community events in six states, facilitated six presentations on community investment programs in three states, and attended two community events sponsored by affordable housing and community organizations.

In addition to the performance goals listed above:

5. The Seattle Bank participated in its inaugural private placement housing finance bond deal with a housing associate, Utah Housing Corporation (UHC). The AAA-rated, \$238 million private placement is composed of serial bonds with maturities ranging from six months to 16 years. The structure enables UHC to replace short-term, variable-rate debt obligations with a more stable source of funding in the form of long-term, floating-rate bonds purchased by the Seattle Bank and provides UHC ready access to low-cost, long-term funding that it is using to assist up to 1,600 low- and moderate-income Utah residents in purchasing a home.
6. The Advisory Council and AHP Subcommittee participated in a focus group to discuss the future of housing finance.
7. The King County Housing Authority, located in the state of Washington, was approved as a housing associate.

2013 PERFORMANCE GOALS

1. Provide at least three community investment webinars to members and affordable housing sponsors.
2. Cultivate and strengthen relationships among the Seattle Bank, members, and affordable housing sponsors by supporting at least three community events that promote affordable housing and community economic development in the Seattle Bank's district.
3. Promote community investment activities among Seattle Bank members by recognizing a specific member for its exemplary engagement in its community.

DOCUMENT HISTORY

Approved: November 16, 2012

Effective: January 1, 2013

Last Reviewed: November 16, 2012